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ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

**COTUIT FIRE DISTRICT
COTUIT, MASSACHUSETTS**

Management Letter
Year Ended June 30, 2021



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COTUIT FIRE DISTRICT

**MANAGEMENT LETTER
YEAR ENDED JUNE 30, 2021**

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TRANSMITTAL LETTER

To Honorable Members of the Prudential Committee
Cotuit Fire District
Cotuit, Massachusetts

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cotuit Fire District (the District) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, the Prudential Committee, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
February 9, 2022

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INFORMATIONAL ITEMS

Long-term obligations

Recent accounting standards have brought to light more than ever those hidden liabilities that are true long-term obligations of the District.

More specifically, OPEB and Pension liabilities are now required under GASBs 67, 68, 74 and 75 to be recorded in the District's financial statements.

The District has created a trust for its OPEB liability and in that regard has accumulated over 80% of the unfunded liability over a short period of time, thanks mainly to the incredible investment returns over the past 2 years. This positions the District at the very top of municipalities in the State with respect to its OPEB funding ratio, as only a handful of communities are in a healthier position. The current net OPEB liability is about \$0.4 million, down from \$2.6 million four years ago. As a result, we believe the District is managing this liability well and should try to remain on this path.

With respect to its pension funding, the District is a member of the Barnstable County Contributory Retirement System (BCCRS) along with numerous other Districts and towns. BCCRS has accumulated about 61% of the unfunded liability which places the County in the average range, regarding funding ratios within the State.

However, in light of Massachusetts General Laws to fully fund this liability no later than 2040 and with a current funding schedule maturing in 2037, the District can expect to see its pension assessment rise rapidly within the next five years.

The District should begin to plan this increase in its long-term financial plans.

Management Response

The District will incorporate the acceleration of Pension and OPEB funding in our long-term financial planning. The District has recently established a formal Capital Planning procedure and will incorporate retirement obligation in that process and communicate these requirements to the District voters.

Water-bill collections

Currently, water bills are collected and recorded by the same individual who sends the bills out. This is unlike property tax bills which are collected by the Town of Barnstable on behalf of the District. In addition, the collection of bills is currently a manual process so it can tend to be inefficient. We suggest the District evaluate the merits of a lock-box system to collect bills. This will not only remove the segregation of duties issues, but also promote a much more efficient process of collecting the water bills.