

THOMPSONVILLE FIRE DISTRICT NO. 2

FINANCIAL STATEMENTS

JUNE 30, 2018

VIOLA, CHRABASCZ, REYNOLDS & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Thompsonville Fire District No. 2
33 North Main Street
Enfield, CT 06082

We have audited the accompanying financial statements of the governmental activities and the aggregate remaining fund information of Thompsonville Fire District No. 2 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the aggregate remaining fund information of Thompsonville Fire District No. 2 as of June 30, 2018, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, the budgetary comparison information on pages 34 and 35 and the pension schedules on pages 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Viola, Chrabascz, Reynolds & Co. LLP

Enfield, Connecticut
March 29, 2019

THOMPSONVILLE FIRE DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Thompsonville Fire District No. 2's annual financial report presents our discussion and analysis of Thompsonville Fire District No. 2's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Governmental Activities, the District's total net position, increased by \$873,630.
- As of June 30, 2018, the District governmental fund reported an ending fund balance of \$2,520,301, an increase of \$158,574. The fund balance is available for spending at the District's discretion.
- The District's long-term liabilities decreased by \$907,192 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include combined government-wide and fund financial statements, further explained as:

Government-wide financial statements - provide both *long-term* and *short-term* information about the District's overall financial status.

Fund financial statements - Focus on the *individual parts* of the District government, reporting the District's operations *in more detail* than the government-wide statements.

- The *governmental funds* statements tell how *general government* services such as fire protection were financed in the *short-term* as well as what remains for future spending.

- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as the *trustee* for the benefit of those outside of the government.

The financial statements also include *footnotes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The government-wide statements report the District's net position and how it has changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, you should consider additional nonfinancial factors such as changes in the District's tax base and the condition of the District's capital assets.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant funds, not on the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending on particular programs. The District has two kinds of funds:

Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation beside the fund financial statements.

Fiduciary funds - The District is the trustee, or fiduciary, for its employee pension plan and retiree health plan. It is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the financial statements can be found on pages 17 through 33 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position Governmental Activities

	<u>2018</u>	<u>2017</u>
Cash and equivalents	\$ 2,618,083	\$ 2,443,604
Prepaid expenses	25,474	-
Capital assets, net of accumulated depreciation	<u>4,559,097</u>	<u>4,776,707</u>
Total assets	<u>7,202,654</u>	<u>7,220,311</u>
Current liabilities	97,782	81,877
Non current liabilities	<u>9,996,628</u>	<u>10,903,820</u>
Total liabilities	<u>10,094,410</u>	<u>10,985,697</u>
Net position:		
Net invested in capital assets, net of debt	1,187,444	1,127,969
Unrestricted	<u>(4,079,200)</u>	<u>(4,893,355)</u>
Total net position	<u>\$ (2,891,756)</u>	<u>\$ (3,765,386)</u>

In total, assets of governmental activities decreased by \$17,657 and liabilities decreased by \$891,287. The decrease in liabilities primarily resulted from paying down non-current liabilities.

Changes in Net Position

	<u>2018</u>	<u>2017</u>
General revenues:		
Property taxes	\$ 4,354,221	\$ 4,958,694
Other general revenue	<u>32,646</u>	<u>41,397</u>
Total revenues	<u>4,386,867</u>	<u>5,000,091</u>
Expenses:		
Heart and hypertension	75,747	3,910
Firefighters' wages and benefits	2,511,665	2,762,725
Property and liability insurance	46,970	44,311
Station vehicle expenditures	64,661	45,396
Station and operational expenditures	129,117	157,225
Fees	239,830	202,025
Other expenditures	82,845	71,698
Interest on long-term debt	133,718	145,832
Depreciation	<u>228,684</u>	<u>233,846</u>
Total expenses	<u>3,513,237</u>	<u>3,666,968</u>
Increase in net position	<u>\$ 873,630</u>	<u>\$ 1,333,123</u>

The primary source of revenue used to fund governmental activities is property taxes. Property taxes amounted to 99.3% of total revenues. The District property taxes decreased by \$604,473 from the previous year.

The changes in net position decreased from \$1,331,123 to \$873,630, a decrease of \$459,493.

General Fund Budgetary Highlights

The following table presents the variances between the final general fund budget and the actual results for the year:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 4,426,513	\$ 4,436,482	\$ 9,969
Expenditures	<u>4,830,544</u>	<u>4,278,096</u>	<u>552,448</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(404,031)</u>	<u>158,386</u>	<u>562,417</u>
Other Financing Sources (Uses)	<u>404,031</u>	<u>(35,000)</u>	<u>439,031</u>
Excess (Deficiency) of Funds Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 123,386</u>	<u>\$ 123,386</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At the end of 2018, the District had \$4.56 million, net of accumulated depreciation, invested in a broad range of capital assets, including fire equipment, buildings, vehicles, and land. This amount represents a net decrease (including additions and deductions of assets and depreciation) of \$217,610.

Capital Assets at Year-End

Governmental Activities

	<u>2018</u>	<u>2017</u>
Land	\$ 175,069	\$ 175,069
Building and improvements	4,212,576	4,212,576
Vehicles	1,773,113	1,773,113
Equipment	<u>377,456</u>	<u>366,382</u>
Total	6,538,214	6,527,140
Accumulated depreciation	<u>(1,979,117)</u>	<u>(1,750,433)</u>
	<u>\$ 4,559,097</u>	<u>\$ 4,776,707</u>

Long-term liabilities

At June 30, 2018, the District had \$3,371,653 remaining of obligations under a general long-term debt and capital lease. More detailed information is presented in Notes 10 through 12 of the footnotes.

	<u>2018</u>	<u>2017</u>	<u>(Decrease)</u>
General long-term debt	\$ 2,912,307	\$ 3,044,944	\$ (132,637)
Capital leases	459,346	596,994	(137,648)
Compensated absences	188,890	171,994	16,896
Notes payable	-	6,800	(6,800)
Net pension liability	3,662,484	4,055,269	(392,785)
Heart and Hypertension	<u>2,773,601</u>	<u>3,027,819</u>	<u>(254,218)</u>
Total long-term liabilities	<u>\$ 9,996,628</u>	<u>\$ 10,903,820</u>	<u>\$ (907,192)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenues in the general fund budget for 2019 are projected to be \$3,723,697, a decrease of \$712,785 over 2018 actual revenues in the general fund. Budgeted expenditures are expected to be \$5,210,927 with the current shortfall to be covered by the cash reserves.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Thompsonville Fire District No. 2 Board of Fire Commissioners at 33 North Main Street, Enfield, CT 06082.

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

THOMPSONVILLE FIRE DISTRICT NO. 2

STATEMENT OF NET POSITION JUNE 30, 2018

ASSETS

CURRENT ASSETS

Cash and equivalents	\$ 2,618,083
Prepaid expenses	25,474
Total current assets	<u>2,643,557</u>

NONCURRENT ASSETS

Capital assets:	
Land	175,069
Building and improvements	4,212,576
Vehicles	1,773,113
Equipment	377,456
Less accumulated depreciation	<u>(1,979,117)</u>
Total noncurrent assets	<u>4,559,097</u>
Total assets	<u>\$ 7,202,654</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 54,097
Accrued payroll	43,685
Total current liabilities	<u>97,782</u>

Noncurrent liabilities:

Due within one year	397,093
Due in more than one year	9,599,535
Total noncurrent liabilities	<u>9,996,628</u>

Total liabilities	<u>10,094,410</u>
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NET POSITION

Investment in capital assets, net of related debt	1,187,444
Unrestricted net position	<u>(4,079,200)</u>
Total net position	<u>(2,891,756)</u>
Total liabilities and net position	<u>\$ 7,202,654</u>

The accompanying notes are an integral part of the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
				<u>Governmental Activities</u>
PRIMARY GOVERNMENT				
Governmental activities:				
Heart and hypertension	\$ 75,747	\$ -		\$ 75,747
Firefighters' wages and benefits	2,561,468	49,803		2,511,665
Property and liability insurance	46,970	-		46,970
Station vehicle expenditures	64,661	-		64,661
Station and operational expenditures	129,117	-		129,117
Fees	239,830	-		239,830
Other expenditures	82,845	-		82,845
Interest on long-term liabilities	133,718	-		133,718
Depreciation	228,684	-		228,684
Total governmental activities	<u>\$ 3,563,040</u>	<u>\$ 49,803</u>		<u>\$ 3,513,237</u>
 GENERAL REVENUES				
Property taxes				\$ 4,354,221
Interest income				17,773
Miscellaneous income				14,873
Total general revenues				<u>4,386,867</u>
Changes in net position				873,630
Net position - beginning				<u>(3,765,386)</u>
Net position - ending				<u>\$ (2,891,756)</u>

The accompanying notes are an integral part of the financial statements.

**GOVERNMENTAL FUNDS
FINANCIAL STATEMENTS**

THOMPSONVILLE FIRE DISTRICT NO. 2

BALANCE SHEET GOVERNMENTAL FUND

JUNE 30, 2018

	<u>General Fund</u>	<u>Reserve Fund for Capital and Nonrecurring Expenditures</u>	<u>Total</u>
ASSETS			
Cash and equivalents	\$ 2,578,360	\$ 39,723	\$ 2,618,083
Total assets	<u>\$ 2,578,360</u>	<u>\$ 39,723</u>	<u>\$ 2,618,083</u>
LIABILITIES			
Accounts payable	\$ 54,097	\$ -	\$ 54,097
Accrued payroll	43,685	-	43,685
Total liabilities	<u>97,782</u>	<u>-</u>	<u>97,782</u>
FUND BALANCE			
Committed	-	39,723	39,723
Unassigned	2,480,578	-	2,480,578
Total fund balance	<u>2,480,578</u>	<u>39,723</u>	<u>2,520,301</u>
Total liabilities and fund balance	<u>\$ 2,578,360</u>	<u>\$ 39,723</u>	<u>\$ 2,618,083</u>

The accompanying notes are an integral part of the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

TOTAL GOVERNMENTAL FUND BALANCE **\$ 2,520,301**

Amounts reported in governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	6,538,214
Less accumulated depreciation	(1,979,117)

Prepaid expenses are reported in the government-wide statement of net position, but require the use of current financial resources. Therefore, the expenditure is reported when paid.

25,474

Long term liabilities, including note payable and capital leases, are not due in the current period and, therefore, are not reported in the funds:

General long-term debt	(2,912,307)
Capital leases	(459,346)
Net pension liability	(3,662,484)
Compensated absences	(188,890)
Heart and hypertension	(2,773,601)
	(2,773,601)

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (2,891,756)**

The accompanying notes are an integral part of the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Reserve Fund for Capital and Nonrecurring Expenditures	Total
REVENUES:			
Tax revenue	\$ 4,354,221	\$ -	\$ 4,354,221
Fire watch fees and fire billing	6,958	-	6,958
Fire marshal ordinance fees	42,845	-	42,845
Miscellaneous income	14,873	-	14,873
Interest income	17,585	188	17,773
Total revenues	4,436,482	188	4,436,670
EXPENDITURES:			
<u>Heart and Hypertension</u>			
Heart & hypertension payments	254,218	-	254,218
Health and dental insurance	75,747	-	75,747
<u>Firefighters' Wages and Benefits</u>			
Salaries	1,585,314	-	1,585,314
Payroll taxes	112,940	-	112,940
Employee related insurance and benefits	412,126	-	412,126
Workers' compensation	301,451	-	301,451
Pension contribution	551,000	-	551,000
<u>Property and Liability Insurance</u>			
	46,970	-	46,970
<u>Station Vehicle Expenditures</u>			
Maintenance and repairs	43,165	-	43,165
Fuel cost	8,938	-	8,938
Hose and apparatus equipment	23,632	-	23,632
<u>Station and Operational Expenditures</u>			
Operating maintenance	4,698	-	4,698
Utilities	24,899	-	24,899
Telecommunications	4,132	-	4,132
Information Technology	25,400	-	25,400
Alarm and communications	4,336	-	4,336
Meter calibration	375	-	375
Office of the Fire Marshal	3,362	-	3,362
Office expense	14,354	-	14,354
Uniform allowance	17,109	-	17,109
Training and tuition	14,401	-	14,401
Physical exams and shots	6,319	-	6,319
Professional development and travel	1,934	-	1,934
Other expenses	1,417	-	1,417
Breathing apparatus and airpacks	6,381	-	6,381
<u>Fees</u>			
Auditors	13,100	-	13,100
Legal	89,168	-	89,168
Tax collector	130,627	-	130,627
Payroll fees	4,824	-	4,824
Firebilling fees	111	-	111
Other professional fees	2,000	-	2,000

THOMPSONVILLE FIRE DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Reserve Fund for Capital and Nonrecurring Expenditures	Total
<u>Other Expenditures</u>			
Communications center fee	\$ 7,739	\$ -	\$ 7,739
Enfield Fire Chiefs Association	6,600	-	6,600
Association Dues	4,845	-	4,845
Hydrant fees	49,381	-	49,381
Contingency	14,280	-	14,280
<u>Debt Service</u>			
Long-term debt service - principal	132,637	-	132,637
Long-term debt service - interest	113,454	-	113,454
Capitalized lease and notes payable payments - principal	144,448	-	144,448
Capitalized lease and notes payable payments - interest	20,264	-	20,264
Total expenditures	4,278,096	-	4,278,096
EXCESS OF REVENUES OVER EXPENDITURES	158,386	188	158,574
OTHER FINANCING SOURCES (USES)			
Transfers in	-	35,000	35,000
Transfers out	(35,000)	-	(35,000)
Total other financing sources (uses)	(35,000)	35,000	-
Net change in fund balance	123,386	35,188	158,574
Fund balance beginning of year	2,357,192	4,535	2,361,727
Fund balance end of year	\$ 2,480,578	\$ 39,723	\$ 2,520,301

The accompanying notes are an integral part of the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

JUNE 30, 2018

NET CHANGE IN GOVERNMENTAL FUND BALANCE **\$ 158,574**

Amounts reported for the governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense during the year.

Current year capital outlays (with an initial individual cost of more than \$1,000)	11,074
Less current year depreciation expense	(228,684)

Prepaid expenses that use current financial resources are recognized as expenditures in the statement of revenues, expenditures, and changes in fund balances. Expenses reported in the statement of activities are recognized when incurred, regardless of the timing of the payment.

25,474

Repayment of principal on long-term debt is an expenditure for governmental funds, but the repayment reduces long-term debt on the government-wide statement of net position. Principal payments made on long-term debt during the year ended June 30, 2017 consist of the following:

Capital leases	137,648
Notes payable	6,800
General long term debt	132,637

In the governmental funds, expenditures are measured by the amount of current financial resources used:

Compensated absences	(16,896)
Pension liability	392,785
Heart & hypertension payments	254,218

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 873,630**

The accompanying notes are an integral part of the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Pension Trust Fund</u>	<u>Retiree Health Plan Trust Fund</u>	<u>Total Trust Funds</u>
ASSETS			
Investments	\$ 6,607,146	\$ 107,220	\$6,714,366
Total investments	<u>\$ 6,607,146</u>	<u>\$ 107,220</u>	<u>\$6,714,366</u>
NET POSITION			
Held in trust for pension benefits and retiree benefits	<u>\$ 6,607,146</u>	<u>\$ 107,220</u>	<u>\$6,714,366</u>

(1) A schedule of funding progress for the plan is presented in the supplementary information section to this report.

The accompanying notes are an integral part of the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Pension Trust Fund	Retiree Health Plan Trust Fund	Total Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 551,000	\$ 60,000	\$ 611,000
Plan members	100,581	-	100,581
Total contributions	651,581	60,000	711,581
Net investment gain	560,501	361	560,862
Total additions	1,212,082	60,361	1,272,443
DEDUCTIONS			
Administrative expenses	47,389	855	48,244
Benefit payments	284,411	15,892	300,303
Total deductions	331,800	16,747	348,547
CHANGE IN NET POSITION	880,282	43,614	923,896
NET POSITION - beginning of year	5,726,864	63,606	5,790,470
NET POSITION - end of year	\$ 6,607,146	\$ 107,220	\$ 6,714,366

The accompanying notes are an integral part of the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the primary government which is the Thompsonville Fire District No. 2 organization for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusions would cause the reporting entity and basic financial statements to be misleading or incomplete.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the District's reporting entity was made by appraising the criteria set forth by GASB, including legal standing, fiscal dependency, and financial accountability. Based upon the application of these criteria, there are no other entities which would be included or excluded from the reporting entity.

Basis of Presentation

Government-Wide Financial Statements: The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities.

The Statement of Net Position presents the financial position of the District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of given function or segment are offset by program revenues. District expenses are those that are clearly identifiable with specific function or segment. Program revenues included charges to customers or applicants who purchase, use or directly benefit from goods or services, or privileges provided by a given function or segment, grants and contributions that are restricted to meeting the operational or capital requirements of the particular function or segment and interest earned on grants that are required to be used to support a particular program.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (continued)

Fund Financial Statement: The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category—*governmental and fiduciary*—are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net position presented in the government-wide financial statements.

The District has the following major governmental funds:

General fund. This is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Reserve fund for capital and nonrecurring expenditures. The Reserve fund for capital and nonrecurring expenditures is used to account for financial resources to be used by the District for capital expenditures.

Fiduciary Fund. The Fiduciary Fund is used to account for assets held by a third party, in an agency capacity, on behalf of others. The pension trust fund accounts for the activities of the defined benefit plan, which accumulates resources for pension benefit payments to qualified employees. The retiree health plan trust fund accounts for the accumulation of resources to pay medical benefits.

Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment is determined by the applicable measurement focus basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities). The basis of accounting indicates the timing of transactions or events for recognition in the financial reports.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Measurement Focus (continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues available if they are collected within 30 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due. Claims, judgments, and compensated absences are recognized as expenditures only to the extent they are normally expected to be paid from existing unreserved fund net position. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

- Nonspendable – fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints or;
- Restricted – fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation or;
- Committed – fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, the Governing Board or;
- Assigned – fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Fund balance may be assigned by the Governing Board or District officials delegated the authority by the Governing Board or;
- Unassigned – positive fund balance within the general fund, which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Investments in capital assets, net of accumulated depreciation and related debt consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, and certificates of deposit with original maturities of less than three months.

The District's investment policies are governed by the State statutes. The District has adopted its own written investment policy which provides for deposit of funds in FDIC insured commercial banks or trust companies located within the State. The District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposits. Permissible investments include obligations of U.S. Treasury, repurchase agreements, and obligations of Connecticut or its localities.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposits not covered by the FDIC. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. While the District does not have a formal policy for credit risk, Connecticut statutes govern the District's investment policies as discussed previously in these notes. Governmental Accounting Standards Board Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the District's name.

As of June 30, 2018, the District had \$2,807,399 either insured or collateralized.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include land, buildings, improvements, and equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$1,000 and estimated useful life in excess of one year.

Such assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capitalization policies (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building and improvements	\$ 1,000	Straight-line	10-40 years
Equipment	1,000	Straight-line	5-10 years
Vehicles	1,000	Straight-line	5-25 years

Liability for Compensated Absences

The District offers 13 paid holidays and up to 25 vacation days annually based on length of service. For employees hired after July 1, 2013, sick leave is accumulated at a rate of .75 days for each month of work and the unused sick leave can accumulate up to a maximum of 100 days. For employees hired before July 1, 2013 sick leave is accumulated at a rate of 1.25 days for each month of work and the unused sick leave can accumulate up to a maximum of 180 days.

An employee who becomes sick or disabled as a result of a job-related injury or illness must be paid their usual net pay, net of any workman's compensation insurance received, for a period of 6 months. On June 30, 2018, the liability for compensated absences was \$188,890.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Pension Liability

The net pension liability is measured as the portion of the actuarial value of projected benefits that is attributed to past periods of employee service in the District's defined benefit pension plan, net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the related pension plan for purposes of preparing its statement of fiduciary net position.

Heart and Hypertension Liabilities

The District is currently liable to six former employees or their spouses for future year's partial payments under the Connecticut Heart and Hypertension Statute, Section 7-433(c) of Connecticut General Statutes, until their condition has decreased or ceased. The liability was determined by calculating the present value of the estimated future payments. Amounts accrued are reported in noncurrent liabilities as Heart and Hypertension.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payable and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the fund financial statements when due.

Budgets and Budgetary Accounting

The District establishes its budget in accordance with its charter and provisions of the Connecticut General Statutes. Each year, the budget is adopted at the annual District meeting. The Board of Fire Commissioners prepares annual budgets. The Board of Fire Commissioners is authorized to make transfers between budget items as long as total budgeted expenditures are not exceeded.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual "appropriated budget" for the General Fund. The District is required to present the budgeted revenues and expenditures for the General Fund.

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. During the preceding fiscal year, the annual budget is prepared for the next fiscal year beginning July 1.
2. An annual district meeting for the voters of Thompsonville Fire District No. 2 is called, after public notice of the meeting has been given, for the purpose of adopting the proposed budget and to levy a District tax.
3. The District tax and budget are enacted through passage of a resolution by the Board of Fire Commissioners of Thompsonville Fire District No. 2.
4. During the fiscal year certain changes in the operating environment may create the need for budgetary modifications, supplemental appropriations, or result in over expended appropriations. The Board of Fire Commissioners of Thompsonville Fire District No. 2 is charged with exercising discretionary responsibility over such matters.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 3 - CASH

The District maintains its cash accounts with United Bank located in northern Connecticut. At year-end, the District bank balance was covered by the Federal Deposit Insurance Corporation up to \$250,000 and fully collateralized with securities with United Bank's secured municipal account.

	Carrying Amount	Bank Balance
Insured and collateralized	<u>\$ 2,618,083</u>	<u>\$ 2,807,399</u>

NOTE 4 - CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2017 consist of the following:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Land (not depreciated)	\$ 175,069	\$ -	\$ -	\$ 175,069
Buildings and improvements	4,212,576	-	-	4,212,576
Vehicles	1,773,113	-	-	1,773,113
Equipment	<u>366,382</u>	<u>11,074</u>	-	<u>377,456</u>
	<u>6,527,140</u>	<u>11,074</u>	-	<u>6,538,214</u>
Less accumulated depreciation:				
Buildings and improvement	(211,812)	(106,640)	-	(318,452)
Vehicles	(1,258,662)	(99,286)	-	(1,357,948)
Equipment	<u>(279,959)</u>	<u>(22,758)</u>	-	<u>(302,717)</u>
	<u>(1,750,433)</u>	<u>(228,684)</u>	-	<u>(1,979,117)</u>
Total capital assets, net	<u>\$ 4,776,707</u>	<u>\$ (217,610)</u>	<u>\$ -</u>	<u>\$ 4,559,097</u>

Depreciation expense was charged to functions of government as follows:

Governmental activities:

Fire protection	<u>\$ 228,684</u>
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THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 - PENSION PLAN

Defined Benefit Plan

The Thompsonville Fire District No. 2 administers a single-employer defined benefit pension plan, which is included in the financial statements as a pension trust fund. Plan contribution requirements and benefits are established by the Board of Fire Commissioners through adoption of plan documents.

A. Plan Description

The District provides retirement benefits through a single member employer, contributory, defined benefit plan. Under the plan, each employee who was a participant in the Prior Money Purchase Plan and whose Prior Money Purchase account was transferred to the plan is automatically a participant in the plan. All other employees become eligible immediately following the date on which the employee completes nine (9) consecutive full calendar months of service as an employee. Participants are 100% vested after after ten years of service. Any participant who suffers a disability while actively employed by the Thompsonville Fire District No. 2, but prior to their normal retirement date, and if such disability is not occupational in cause, and has at least 10 years of service as of the date of disability, shall be eligible for a disability benefit. The retirement benefit is calculated at 2.625% of final earnings multiplied by years of credited service up to a maximum of 20 years plus 2% of the final earnings multiplied by years of credited service past 20 years. The maximum benefit is 85% of the final average earnings. District employees are required to contribute 7% of their base salary to the plan.

Classes of Employees Covered

The membership of the plan, as of July 1, 2018, consisted of the following:

Participants receiving benefits	6
Participants with deferred benefits	1
Active employees	<u>21</u>
Total	<u>28</u>

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The pension trust fund's financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized when due, and investment income is recognized when earned. Benefits and refunds are recognized when due, payable in accordance with the terms of the plan.

Method Used to Value Investments

Investments are reported at fair value.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 - PENSION PLAN (Continued)

Defined Benefit Plan (continued)

C. Investments

The goals of the investments policy are to create a framework for a well-diversified asset mix that can be expected to generate long term returns consistent with the Board's risk tolerance.

The balance of the portfolio is allocated among equities, real estate and commodities. The following chart reflects the target allocations as outlined in the policy:

<u>Asset Class</u>	<u>Target Allocator</u>
Large Cap Equity	31.00%
Small Cap Equity	12.00%
Mid Cap Equity	8.00%
International Equity	14.00%
Fixed Income	30.00%
Short-term/Cash Equivalents	5.00%
Total	<u>100.00%</u>

D. Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 9.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

E. Net Pension Liability of the District

The components of the net pension liability of the District at June 30, 2018 were as follows:

Total pension liability	\$ 10,269,630
Plan fiduciary net position	<u>6,607,146</u>
Net pension liability	<u>\$ 3,662,484</u>
Plan fiduciary net position as percentage of the total pension liability	64.34%

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 - PENSION PLAN (Continued)

Defined Benefit Plan (continued)

F. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increase	Increase according to union contract for 2017-2020, thereafter they are assumed to increase at annual rate of 3%.
Investment rate of return	7.00% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 (adjusted to 2006) Blue Collar Mortality Table with scale MP-2016.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2018.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major class, included in pension plan's target assets allocation, as of June 30, 2018, the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major class, included in pension plan's target assets allocation, as of June 30, 2018 (see Section C - Investments).

<u>Asset Class</u>	Long Term Expected Real Rate of Return <u>Target Allocator</u>
Large Cap Equity	7.75%
Small Cap Equity	8.50%
Mid Cap Equity	8.25%
International Equity	7.25%
Fixed Income	4.85%
Short-term/Cash Equivalents	4.45%

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 5 - PENSION PLAN (Continued)

Defined Benefit Plan (continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District, calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
Net pension liability	\$4,867,680	\$3,662,484	\$2,653,958

I. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a-b)
Balances as of June 30, 2017	\$ 9,782,133	\$ 5,726,864	\$ 4,055,269
Changes for the year:			
Service cost	194,846	-	194,846
Interest on total pension liability	674,963	-	674,963
Differences between expected and actual experience, including assumption changes	(97,901)	-	(97,901)
Employer contributions	-	551,000	(551,000)
Plan participant contributions	-	100,581	(100,581)
Net investment income	-	560,501	(560,501)
Benefit payments, including refund to employee contributions	(284,411)	(284,411)	-
Administrative expenses	-	(47,389)	47,389
Net changes	<u>487,497</u>	<u>880,282</u>	<u>(392,785)</u>
Balances as of June 30, 2018	<u>\$ 10,269,630</u>	<u>\$ 6,607,146</u>	<u>\$ 3,662,484</u>

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN

A. Plan Description

The District provides a post retirement health care reimbursement plan in accordance with union contract. The plan will reimburse retiree qualified health care expenses up to \$10,000 per year. In order to be eligible for the plan, a firefighter must retire on or after attaining age 55 and complete years of service commensurate with the vesting (10 years) of the pension plan. If firefighter shall terminate employment prior to meeting the requirements, the firefighter will not be entitled to any benefit. The reimbursement benefits will be available for a period not to exceed the shorter of 10 years or age 65 or social security normal retirement age. Any retiree who may be receiving benefits through another source provided by the District, such as Heart and Hypertension or individual separation agreement, will not be eligible for benefits from the plan. The District does not issue a separate stand alone financial statement for this plan.

Retired members receiving benefits	3
Active employees	<u>21</u>
Total	<u>24</u>

B. Funding Policy

The District's funding and payment of postemployment benefits are accounted for in the Retiree Health Plan Trust Fund. The District has established the Trust effective April 2015 to irrevocably segregate assets to fund the liability associated with post retirement benefits. The District contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually.

C. Change in Retiree Health Plan Fiduciary Net Assets

	<u>Retiree Health Plan</u>
Retired members benefit payments	\$ (15,892)
Administrative fees	(855)
Interest income	361
Employer contributions	<u>60,000</u>
Net changes	43,614
Net assets, beginning of year	<u>63,606</u>
Net assets, end of year	<u>\$ 107,220</u>

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7 - DEFERRED COMPENSATION PLAN

Defined Contribution Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees, permits them to defer a portion of their salary until future years. The deferred compensation is available to employees until termination, retirement, death or unforeseeable emergency.

The District funds all amounts of compensation deferred under the plan, at the discretion of the covered employee, through investments in annuity contracts issued by any insurer licensed to do business in Connecticut.

NOTE 8 - INTERFUND TRANSFERS

The District made the following transfers during the year ended June 30, 2018:

	<u>Transfers In</u>	<u>Transfers Out</u>
Fund financial statements		
General fund	\$ -	\$ 35,000
Reserve fund for capital and nonrecurring expenditures	<u>35,000</u>	<u>-</u>
Total transfers - Fund financial statements	<u>\$ 35,000</u>	<u>\$ 35,000</u>

The District transferred \$35,000 from the general fund to the reserve fund for capital and nonrecurring expenditures as part of the continuing accumulation of savings for future nonrecurring expenditures.

NOTE 9 - PROPERTY TAX REVENUE

The Board of Fire Commissioners authorized collection of District taxes by the Town of Enfield. This represents an informal agreement whereby the Fire District receives an annual lump sum payment from the Town of Enfield for the total property taxes collected. The Town of Enfield property taxes are assessed on property as of October 1. The Town of Enfield assumes enforcement responsibility for all taxes levied in the Town. The Fire District, in turn, pays the Town a 3% service charge which represents costs of tax collection.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 10 - CAPITAL LEASES

During the fiscal year ended June 30, 2013, the District entered into an agreement to refinance \$968,701 to fund the lease balance of two previously purchased 2009 Seagrave pumper trucks and the purchase of a new 2008 Sutphen ladder truck. The terms of the lease financing agreement provide for annual payments of principal and interest at a rate of 3.635% until the balance is paid in full on August 20, 2022.

The following is a schedule of future payments due under the agreement:

Year Ending <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 120,206	\$ 103,508	\$ 16,698
2020	120,206	107,271	12,935
2021	120,206	111,170	9,036
2022	120,206	115,211	4,995
2023	<u>22,992</u>	<u>22,186</u>	<u>806</u>
Total	<u>\$ 503,816</u>	<u>\$ 459,346</u>	<u>\$ 44,470</u>

NOTE 11 - GENERAL LONG-TERM DEBT

The District entered into a financing arrangement with United Bank to finance the construction of the new fire station. The amount of the new debt obligation is \$3,315,000. The financing terms require monthly payments of principal and interest at an annual rate of 3.75%. The entire debt is collateralized by the assets of the District.

Year Ending <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 246,090	\$ 137,917	\$ 108,173
2020	246,090	142,793	103,297
2021	246,090	148,599	97,491
2022	246,090	154,348	91,742
2023	246,090	160,320	85,770
2024-2035	<u>2,645,458</u>	<u>2,168,330</u>	<u>477,128</u>
Total	<u>\$ 3,875,908</u>	<u>\$ 2,912,307</u>	<u>\$ 963,601</u>

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 12 - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One year</u>
<u>Governmental Activities</u>					
General long term debt	\$ 3,044,944	\$ -	\$ 132,637	\$ 2,912,307	\$ 137,917
Capital leases	596,994	-	137,648	459,346	104,508
Notes payable	6,800	-	6,800	-	-
Compensated absences	171,994	16,896	-	188,890	-
Net pension liability	4,055,269	-	392,785	3,662,484	-
Heart and Hypertension	<u>3,027,819</u>	<u>-</u>	<u>254,218</u>	<u>2,773,601</u>	<u>154,668</u>
Long term liabilities	<u>\$10,903,820</u>	<u>\$ 16,896</u>	<u>\$ 924,088</u>	<u>\$ 9,996,628</u>	<u>\$ 397,093</u>

NOTE 14 - UNION CONTRACT

Full-time uniformed and investigatory employees of the Thompsonville Fire District No. 2, excluding the Fire Chief, Deputy Chief, and administrative assistant, are represented by the sole and exclusive bargaining agent. Those agents who represent them and the dates of expiration of their agreements are as follows:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
Local 3059 I.A.F.F., AFL-CIO	June 30, 2022

NOTE 15 - RISK MANAGEMENT

The District's risks of loss are associated with the people and equipment associated with providing fire protection services and managing the Organization. These are handled by the purchase of commercial insurance policies. One is a retrospectively rated workers' compensation policy. This may result in additional premium being paid above the initial premium.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 16 - COMMITMENTS

During the fiscal year ending June 30, 2007, the District entered into an interlocal agreement with the four remaining fire districts in the Town of Enfield. The agreement calls for the cooperation of the five districts in the operation of an Emergency Services provider. Initial contributions shall be apportioned on a pro-rata basis reflecting the Grand List by District. The interlocal agreement was approved by the Commissioners on July 16, 2006 and ratified by the District on October 17, 2006. The agreement automatically terminates in 40 years.

NOTE 17 - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

The Fire District budgets its capital outlays expenditures in the appropriate corresponding budgetary line item.

NOTE 18 - LITIGATION

In September of 2013, an employee had filed a claim pursuant to Connecticut Statutes §7-433c - Connecticut's Heart and Hypertension Act. The Fire District is vigorously defending such claim. After a formal hearing of the case occurred in October of 2015, the trial Commissioner issued a decision in favor of the employee. Although the precise amount of such award is difficult to calculate and although there may be additional benefits available to the employee in the future, the value of the benefits awarded to the employee is approximately \$180,000. The District has appealed to the Connecticut Appellate Court. The parties are currently awaiting a decision.

While the District has received a number of other Heart & Hypertension claims over the years, those claims do not appear to be active at this point in time.

NOTE 19 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 29, 2019, the date on which the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY INFORMATION**

THOMPSONVILLE FIRE DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Additional Appropriations and Transfers	Final		
REVENUES					
Tax revenue	\$ 4,371,513	\$ -	\$ 4,371,513	\$ 4,354,221	\$ (17,292)
Fire watch fees and fire billing	8,000	-	8,000	6,958	(1,042)
Fire marshal ordinance fees	33,000	-	33,000	42,845	9,845
Miscellaneous income	6,000	-	6,000	14,873	8,873
Interest income	8,000	-	8,000	17,585	9,585
Total revenues	4,426,513	-	4,426,513	4,436,482	9,969
EXPENDITURES					
<u>Heart and Hypertension</u>					
Heart & hypertension payments	331,035	-	331,035	254,218	76,817
Health and dental insurance	84,300	-	84,300	75,747	8,553
<u>Firefighters' Wages and Benefits</u>					
Salaries	1,853,000	-	1,853,000	1,585,314	267,686
Payroll taxes	141,755	-	141,755	112,940	28,815
Employee related insurance and benefits	463,745	-	463,745	412,126	51,619
Workers' compensation	315,000	-	315,000	301,451	13,549
Pension contribution	551,000	-	551,000	551,000	-
<u>Property and Liability Insurance</u>					
	50,250	-	50,250	46,970	3,280
<u>Station Vehicle Expenditures</u>					
Maintenance and repairs	35,000	-	35,000	43,165	(8,165)
Fuel cost	12,000	-	12,000	8,938	3,062
Hose and apparatus equipment	26,000	-	26,000	23,632	2,368
<u>Station and Operational Expenditures</u>					
Operating maintenance	20,900	-	20,900	4,698	16,202
Utilities	24,540	-	24,540	24,899	(359)
Telecommunications	4,210	-	4,210	4,132	78
Information Technology	25,254	-	25,254	25,400	(146)
Alarm and communications	3,000	-	3,000	4,336	(1,336)
Meter calibration	-	-	-	375	(375)
Office of the Fire Marshal	7,000	-	7,000	3,362	3,638
Office expense	12,000	-	12,000	14,354	(2,354)
Uniform allowance	17,500	-	17,500	17,109	391
Training and tuition	18,000	-	18,000	14,401	3,599
# Physical exams and shots	12,000	-	12,000	6,319	5,681
Professional development and travel	4,000	-	4,000	1,934	2,066
Other expenses	-	-	-	1,417	(1,417)
Breathing apparatus and airpacks	7,000	-	7,000	6,381	619
New hire expense	18,000	-	18,000	-	18,000
<u>Fees</u>					
Auditors	14,000	-	14,000	13,100	900
Legal	100,000	-	100,000	89,168	10,832
Tax collector	148,000	-	148,000	130,627	17,373
Payroll fees	5,000	-	5,000	4,824	176
Firebilling fees	300	-	300	111	189
Other professional fees	-	-	-	2,000	(2,000)

THOMPSONVILLE FIRE DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Additional Appropriations and Transfers	Final		
<u>Other Expenses</u>					
Communications center fee	16,000	-	16,000	7,739	8,261
Enfield Fire Chiefs Association	-	-	-	6,600	(6,600)
Association dues	5,200	-	5,200	4,845	355
Hydrant fees	53,000	-	53,000	49,381	3,619
Contingency	40,000	-	40,000	14,280	25,720
<u>Debt Service</u>					
Long-term debt service	246,091	-	246,091	246,091	-
Capitalized lease payments	166,464	-	166,464	164,712	1,752
Total expenditures	4,830,544	-	4,830,544	4,278,096	552,448
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(404,031)	-	(404,031)	158,386	562,417
OTHER FINANCING SOURCES (USES)					
Transfer from general fund	439,031	-	439,031	-	(439,031)
Transfers to capital projects	(35,000)	-	(35,000)	(35,000)	-
Total other financing sources (uses)	404,031	-	404,031	(35,000)	(439,031)
Net change in fund balance	\$ -	\$ -	\$ -	123,386	\$ 123,386
Fund balance beginning of year				1,960,693	
Fund balance end of year				<u>\$ 2,084,079</u>	

THOMPSONVILLE FIRE DISTRICT NO. 2

PENSION TRUST FUND

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

JUNE 30, 2018

TOTAL PENSION LIABILITY

Service cost	\$ 194,846
Interest on total pension liability	674,963
Differences between expected and actual experience, including assumption changes	(97,901)
Benefit payments, including refunds to employee contributions	<u>(284,411)</u>
Net change in total pension liability	487,497
Total pension liability, beginning	<u>9,782,133</u>
Total pension liability, ending	<u>10,269,630</u>

PLAN FIDUCIARY NET POSITION

Employee contributions	551,000
Plan participant contributions	100,581
Net investment gain	560,501
Benefit payments, including refunds to employee contributions	(284,411)
Administrative expenses	<u>(47,389)</u>
Net change in plan fiduciary net position	880,282
Plan fiduciary net position, beginning	<u>5,726,864</u>
Plan fiduciary net position, ending	<u>6,607,146</u>

Net pension liability, ending \$ 3,662,484

Plan fiduciary net position as a percentage of the total pension liability 64.34%

Covered employee payroll \$ 1,406,786

Net pension liability as a percentage of covered employee payroll 260.34%

THOMPSONVILLE FIRE DISTRICT NO. 2
PENSION TRUST FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 550,570	\$ 553,124	\$ 604,083	\$ 507,670	\$ 603,050
Contributions in relation to the actuarial determined contribution	<u>551,000</u>	<u>550,000</u>	<u>400,000</u>	<u>250,000</u>	<u>-</u>
Contribution deficiency	<u>\$ (430)</u>	<u>\$ 3,124</u>	<u>\$ 204,083</u>	<u>\$ 257,670</u>	<u>\$ 603,050</u>
Covered employee payroll	\$1,406,786	\$1,420,670	\$1,388,670	\$1,406,412	\$ 1,246,755
Contributions as a percentage of covered employee payroll	39.17%	38.71%	28.80%	17.78%	0.00%
Annual money-weighted rate of return, net investment expense	9.50%	16.00%	-2.00%	4.90%	17.70%

Notes to Schedule

Valuation date: July 1, 2018
Measurement date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Recognized over the average remaining years of employment of employee
Asset valuation method	Assets are valued at contract value with a market value adjustment factor for guaranteed deposit accounts assets.
Salary scale	Salaries are assumed to increase according to the union contract for 2017-2020; thereafter they are assumed to increase at an annual rate of 3%.
Investment rate of return	7.0%
Retirement age	Age 55 and 20 years of service
Mortality	RP-2014 (adjusted to 2006) blue collar mortality table combined table with scale MP-2016