

**THOMPSONVILLE FIRE DISTRICT NO. 2**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**VIOLA, CHRABASCZ, REYNOLDS & CO. LLP**

*Certified Public Accountants*

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 7
 <b><u>Government-Wide Financial Statements</u></b>	
Statement of Net Position	8
Statement of Activities	9
 <b><u>Government Funds Financial Statements</u></b>	
Balance Sheet Governmental Fund	10
Reconciliation of Total Governmental Fund Balance to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12 - 13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Net Position - Fiduciary Fund	15
Statement of Activities and Changes in Fiduciary Net Position - Fiduciary Fund	16
Notes to Financial Statements	17 - 35
 <b><u>Required Supplementary Information</u></b>	
Budgetary Comparison Schedule General Fund	36 - 37
Pension Trust Fund	38 - 39

## 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, 2017, 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, 2017, 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 36 and 37 and the pension schedules on pages 38 through 39 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, Chrabaszcz, Reynolds & Co. LLP***

Enfield, Connecticut  
March 29, 2018

## 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, 2017. 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 \$1,333,123.
- As of June 30, 2017, the District governmental fund reported an ending fund balance of \$2,361,727, an increase of \$925,158. The fund balance is available for spending at the District's discretion.
- The District's general fund revenues for the fiscal year totaled \$5,051,327. Of this amount, \$4,958,694 represents property taxes collected.
- The District's long-term liabilities decreased by \$624,915 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 35 of this report.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

### Net Position Governmental Activities

	<u>2017</u>	<u>2016</u>
Cash and equivalents	\$ 2,443,604	\$ 1,468,462
Prepaid expenses	-	27,754
Capital assets, net of accumulated depreciation	<u>4,776,707</u>	<u>4,993,658</u>
Total assets	<u>7,220,311</u>	<u>6,489,874</u>
Current liabilities	81,877	59,648
Non current liabilities	<u>10,903,820</u>	<u>11,528,735</u>
Total liabilities	<u>10,985,697</u>	<u>11,588,383</u>
Net position:		
Net invested in capital assets, net of debt	1,127,969	1,077,962
Unrestricted	<u>(4,893,355)</u>	<u>(6,176,471)</u>
Total net position	<u>\$ (3,765,386)</u>	<u>\$ (5,098,509)</u>

In total, assets of governmental activities increased by \$730,437 and liabilities decreased by \$602,686. The decrease in liabilities primarily resulted from paying down accounts payable.

### Changes in Net Position

	<u>2017</u>	<u>2016</u>
General revenues:		
Property taxes	\$ 4,958,694	\$ 4,759,951
Other general revenue	<u>41,397</u>	<u>61,187</u>
Total revenues	<u>5,000,091</u>	<u>4,821,138</u>
Expenses:		
Heart and hypertension	3,910	142,306
Firefighters' wages and benefits	2,762,725	2,987,991
Property and liability insurance	44,311	53,808
Station vehicle expenditures	45,396	47,278
Station and operational expenditures	157,225	99,801
Fees	202,025	247,366
Other expenditures	71,698	45,790
Interest on long-term debt	145,832	156,500
Improvements to new facilities, vehicles and equipment	-	35,502
Depreciation	233,846	294,087
Loss on sale of fire station	<u>-</u>	<u>364,828</u>
Total expenses	<u>3,666,968</u>	<u>4,475,257</u>
Increase in net position	<u>\$ 1,333,123</u>	<u>\$ 345,881</u>

The primary source of revenue used to fund governmental activities is property taxes. Property taxes amounted to 99.2% of total revenues. The District property taxes increased by \$198,743 from the previous year.

The changes in net position increased from \$345,881 to \$1,331,123, an increase of \$987,242.

### 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	\$ 4,491,459	\$ 5,051,327	\$ 559,868
Expenditures	<u>4,971,542</u>	<u>4,126,169</u>	<u>845,373</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(480,083)</u>	<u>925,158</u>	<u>1,405,241</u>
Other Financing Sources (Uses)	<u>480,083</u>	<u>(2,532)</u>	<u>482,615</u>
Excess (Deficiency) of Funds Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 922,626</u>	<u>\$ 922,626</u>

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital assets

At the end of 2017, the District had \$4.78 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 \$216,951.

## Capital Assets at Year-End

### Governmental Activities

	<u>2017</u>	<u>2016</u>
Land	\$ 175,069	\$ 175,069
Building and improvements	4,212,576	4,204,399
Vehicles	1,773,113	1,773,113
Equipment	<u>366,382</u>	<u>711,938</u>
Total	6,527,140	6,864,519
Accumulated depreciation	<u>(1,750,433)</u>	<u>(1,870,861)</u>
	<u>\$ 4,776,707</u>	<u>\$ 4,993,658</u>

### Long-term liabilities

At June 30, 2017, the District had \$3,641,938 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>2017</u>	<u>2016</u>	<u>(Decrease)</u>
General long-term debt	\$ 3,044,944	\$ 3,172,571	\$ (127,627)
Capital leases	596,994	729,525	(132,531)
Compensated absences	171,994	181,551	( 9,557)
Notes payable	6,800	18,799	( 11,999)
Net pension liability	4,055,269	4,268,083	(212,814)
Heart and Hypertension	<u>3,027,819</u>	<u>3,158,206</u>	<u>(130,387)</u>
Total long-term liabilities	<u>\$ 10,903,820</u>	<u>\$ 11,528,735</u>	<u>\$ (624,915)</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenues in the general fund budget for 2018 are projected to be \$4,426,513, a decrease of \$624,814 over 2017 actual revenues in the general fund. Budgeted expenditures are expected to be \$4,865,544 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, 2017

### ASSETS

#### CURRENT ASSETS

Cash and equivalents	\$ 2,443,604
Total current assets	<u>2,443,604</u>

#### NONCURRENT ASSETS

Capital assets:	
Land	175,069
Building and improvements	4,212,576
Vehicles	1,773,113
Equipment	366,382
Less accumulated depreciation	<u>(1,750,433)</u>
Total noncurrent assets	<u>4,776,707</u>
Total assets	<u>\$ 7,220,311</u>

### LIABILITIES AND NET POSITION

#### CURRENT LIABILITIES

Accounts payable	\$ 38,619
Accrued payroll	43,258
Total current liabilities	<u>81,877</u>

#### Noncurrent liabilities:

Due within one year	406,522
Due in more than one year	10,497,298
Total noncurrent liabilities	<u>10,903,820</u>

Total liabilities	<u>10,985,697</u>
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#### NET POSITION

Investment in capital assets, net of related debt	1,127,969
Unrestricted net position	<u>(4,893,355)</u>
Total net position	<u>(3,765,386)</u>
Total liabilities and net position	<u>\$ 7,220,311</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, 2017**

	<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>
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
Heart and hypertension	\$ 3,910	\$ -		\$ 3,910
Firefighters' wages and benefits	2,813,961	51,236		2,762,725
Property and liability insurance	44,311	-		44,311
Station vehicle expenditures	45,396	-		45,396
Station and operational expenditures	157,225	-		157,225
Fees	202,025	-		202,025
Other expenditures	71,698	-		71,698
Interest on long-term liabilities	145,832	-		145,832
Depreciation	233,846	-		233,846
Total governmental activities	<u>\$ 3,718,204</u>	<u>\$ 51,236</u>		<u>\$ 3,666,968</u>
 <b>GENERAL REVENUES</b>				
Property taxes				\$ 4,958,694
Interest income				13,074
Miscellaneous income				28,323
Total general revenues				<u>5,000,091</u>
Changes in net position				1,333,123
Net position - beginning				<u>(5,098,509)</u>
Net position - ending				<u>\$ (3,765,386)</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, 2017**

	General Fund	Reserve Fund for Capital and Nonrecurring Expenditures	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 2,439,069	\$ 4,535	\$ 2,443,604
Total assets	\$ 2,439,069	\$ 4,535	\$ 2,443,604
<b>LIABILITIES</b>			
Accounts payable	\$ 38,619	\$ -	\$ 38,619
Accrued payroll	43,258	-	43,258
Total liabilities	81,877	-	81,877
<b>FUND BALANCE</b>			
Committed	-	4,535	4,535
Unassigned	2,357,192	-	2,357,192
Total fund balance	2,357,192	4,535	2,361,727
Total liabilities and fund balance	\$ 2,439,069	\$ 4,535	\$ 2,443,604

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, 2017**

**TOTAL GOVERNMENTAL FUND BALANCE** \$ 2,361,727

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	6,527,140
Less accumulated depreciation	(1,750,433)

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	(3,044,944)
Capital leases	(596,994)
Notes payable	(6,800)
Net pension liability	(4,055,269)
Compensated absences	(171,994)
Heart and hypertension	(3,027,819)
	(3,027,819)

**NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ (3,765,386)

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, 2017**

	General Fund	Reserve Fund for Capital and Nonrecurring Expenditures	Total
<b>REVENUES:</b>			
Tax revenue	\$ 4,958,694	\$ -	\$ 4,958,694
Fire watch fees and fire billing	8,766	-	8,766
Fire marshal ordinance fees	42,470	-	42,470
Miscellaneous income	28,323	-	28,323
Interest income	13,074	-	13,074
Total revenues	5,051,327	-	5,051,327
<b>EXPENDITURES:</b>			
<u>Heart and Hypertension</u>			
Heart & hypertension payments	130,387	-	130,387
Health and dental insurance	3,910	-	3,910
<u>Firefighters' Wages and Benefits</u>			
Salaries	1,604,321	-	1,604,321
Payroll taxes	118,380	-	118,380
Employee related insurance and benefits	503,806	-	503,806
Workers' compensation	259,825	-	259,825
Pension contribution	550,000	-	550,000
<u>Property and Liability Insurance</u>			
	44,311	-	44,311
<u>Station Vehicle Expenditures</u>			
Maintenance and repairs	26,448	-	26,448
Fuel cost	8,505	-	8,505
Hose and apparatus equipment	13,429	-	13,429
<u>Station and Operational Expenditures</u>			
Operating maintenance	23,429	-	23,429
Utilities	19,539	-	19,539
Telecommunications	4,064	-	4,064
Information Technology	50,508	-	50,508
Alarm and communications	5,450	-	5,450
Meter calibration	943	-	943
Office of the Fire Marshal	3,976	-	3,976
Office expense	9,798	-	9,798
Uniform allowance	12,080	-	12,080
Training and tuition	15,866	-	15,866
Physical exams and shots	5,891	-	5,891
Professional development and travel	3,312	-	3,312
Other expenses	4,643	-	4,643
Breathing apparatus and airpacks	5,056	-	5,056
New hire expense	6,580	-	6,580
<u>Fees</u>			
Auditors	13,000	-	13,000
Legal	44,462	-	44,462
Tax collector	137,892	-	137,892
Payroll fees	4,447	-	4,447
Firebilling fees	224	-	224
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, 2017**

	General Fund	Reserve Fund for Capital and Nonrecurring Expenditures	Total
<u>Other Expenditures</u>			
Communications center fee	\$ 14,383	\$ -	\$ 14,383
Association Dues	4,431	-	4,431
Hydrant fees	47,884	-	47,884
Enfield Fire Department training center	5,000	-	5,000
<u>Debt Service</u>			
Long-term debt service - principal	127,627	-	127,627
Long-term debt service - interest	118,464	-	118,464
Capitalized lease and notes payable payments - principal	144,530	-	144,530
Capitalized lease and notes payable payments - interest	27,368	-	27,368
	<u>4,126,169</u>	<u>-</u>	<u>4,126,169</u>
Total expenditures			
EXCESS OF REVENUES OVER EXPENDITURES	925,158	-	925,158
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	2,532	2,532
Transfers out	(2,532)	-	(2,532)
Total other financing sources (uses)	<u>(2,532)</u>	<u>2,532</u>	<u>-</u>
Net change in fund balance	922,626	2,532	925,158
Fund balance beginning of year	1,434,566	2,003	1,436,569
Fund balance end of year	<u>\$ 2,357,192</u>	<u>\$ 4,535</u>	<u>\$ 2,361,727</u>

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, 2017

**NET CHANGE IN GOVERNMENTAL FUND BALANCE** \$ 925,158

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)	16,896
Less current year depreciation expense	(233,846)

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	132,531
Notes payable	11,999
General long term debt	127,627

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

Compensated absences	9,557
Pension liability	212,814
Heart & hypertension payments	130,387

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 1,333,123</u></u>
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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, 2017**

	<u>Pension Trust Fund</u>	<u>Retiree Health Plan Trust Fund</u>	<u>Total Trust Funds</u>
<b>ASSETS</b>			
Investments	\$ 5,726,864	\$ 63,606	\$5,790,470
Total investments	<u>\$ 5,726,864</u>	<u>\$ 63,606</u>	<u>\$5,790,470</u>
<b>NET POSITION</b>			
Held in trust for pension benefits and retiree benefits	<u>\$ 5,726,864</u>	<u>\$ 63,606</u>	<u>\$5,790,470</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, 2017**

	<u>Pension Trust Fund</u>	<u>Retiree Health Plan Trust Fund</u>	<u>Total Trust Funds</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 550,000	\$ 60,000	\$ 610,000
Plan members	97,200	-	97,200
Total contributions	<u>647,200</u>	<u>60,000</u>	<u>707,200</u>
Net investment gain	768,554	-	768,554
Total additions	<u>1,415,754</u>	<u>60,000</u>	<u>1,475,754</u>
<b>DEDUCTIONS</b>			
Administrative expenses	45,892	-	45,892
Benefit payments	272,064	22,705	294,769
Total deductions	<u>317,956</u>	<u>22,705</u>	<u>340,661</u>
<b>CHANGE IN NET POSITION</b>	1,097,798	37,295	1,135,093
<b>NET POSITION - beginning of year</b>	<u>4,629,066</u>	<u>26,311</u>	<u>4,655,377</u>
<b>NET POSITION - end of year</b>	<u><u>\$ 5,726,864</u></u>	<u><u>\$ 63,606</u></u>	<u><u>\$ 5,790,470</u></u>

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

## THOMPSONVILLE FIRE DISTRICT NO. 2

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

#### **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 apprising 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, 2017

#### 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, 2017

#### 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, 2017

#### *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, 2017, the District had \$2,494,782 either insured or collateralized.

## THOMPSONVILLE FIRE DISTRICT NO. 2

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

#### 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, 2017, the liability for compensated absences was \$171,994.

## THOMPSONVILLE FIRE DISTRICT NO. 2

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

#### *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 five 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, 2017

#### **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, 2017

**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>\$ 2,443,604</u>	<u>\$ 2,494,782</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, 2016	Additions	Deletions	Balance June 30, 2017
Land (not depreciated)	\$ 175,069	\$ -	\$ -	\$ 175,069
Buildings and improvements	4,204,399	8,177	-	4,212,576
Vehicles	1,773,113	-	-	1,773,113
Equipment	<u>711,938</u>	<u>8,718</u>	<u>( 354,274)</u>	<u>366,382</u>
	<u>6,864,519</u>	<u>16,895</u>	<u>( 354,274)</u>	<u>6,527,140</u>
Less accumulated depreciation:				
Buildings and improvement	( 105,547)	( 106,265)	-	( 211,812)
Vehicles	(1,156,953)	( 101,709)	-	( 1,258,662)
Equipment	<u>( 608,361)</u>	<u>( 25,872)</u>	<u>354,274</u>	<u>( 279,959)</u>
	<u>(1,870,861)</u>	<u>( 233,846)</u>	<u>354,274</u>	<u>( 1,750,433)</u>
Total capital assets, net	<u>\$ 4,993,658</u>	<u>\$ ( 216,951)</u>	<u>\$ -</u>	<u>\$ 4,776,707</u>

Depreciation expense was charged to functions of government as follows:

Governmental activities:

Fire protection	<u>\$ 233,846</u>
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# THOMPSONVILLE FIRE DISTRICT NO. 2

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

### 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, 2017, consisted of the following:

Participants receiving benefits	5
Participants with deferred benefits	1
Active employees	<u>22</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, 2017

#### 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, 2017, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 16.0%. 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, 2017 were as follows:

Total pension liability	\$ 9,782,133
Plan fiduciary net position	<u>5,726,864</u>
Net pension liability	<u>\$ 4,055,269</u>
Plan fiduciary net position as percentage of the total pension liability	58.54%

**THOMPSONVILLE FIRE DISTRICT NO. 2**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2017

**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, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increase	Increase according to union contract for 2013-2017, 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2017.

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, 2017, 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, 2017 (see Section C - Investments).

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return Target Allocator</u>
Large Cap Equity	8.00%
Small Cap Equity	8.75%
Mid Cap Equity	8.50%
International Equity	7.50%
Fixed Income	5.00%
Short-term/Cash Equivalents	4.60%

**THOMPSONVILLE FIRE DISTRICT NO. 2**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2017

**NOTE 5 - PENSION PLAN (Continued)**

**Defined Benefit Plan (continued)**

**G. Discount Rate**

The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount Rate <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Net pension liability	\$5,229,605	\$4,055,269	\$3,072,802

**I. Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances as of June 30, 2016	\$ 8,897,149	\$ 4,629,066	\$ 4,268,083
Changes for the year:			
Service cost	192,946	-	192,946
Interest on total pension liability	650,552	-	650,552
Differences between expected and actual experience, including assumption changes	313,550	-	313,550
Employer contributions	-	550,000	(550,000)
Plan participant contributions	-	97,200	(97,200)
Net investment income	-	768,554	(768,554)
Benefit payments, including refund to employee contributions	(272,064)	(272,064)	-
Administrative expenses	-	( 45,892)	45,892
Net changes	<u>884,984</u>	<u>1,097,798</u>	<u>(212,814)</u>
Balances as of June 30, 2017	<u>\$ 9,782,133</u>	<u>\$ 5,726,864</u>	<u>\$ 4,055,269</u>

**THOMPSONVILLE FIRE DISTRICT NO. 2**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2017

**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	2
Active employees	<u>23</u>
Total	<u>25</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

	<b>Retiree Health Plan</b>
Retired members benefit payments	\$ ( 22,705)
Employer contributions	<u>60,000</u>
Net changes	37,295
Net assets, beginning of year	<u>26,311</u>
Net assets, end of year	<u>\$ 63,606</u>

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

**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, 2017:

	<u>Transfers In</u>	<u>Transfers Out</u>
Fund financial statements		
General fund	\$ -	\$ 2,532
Reserve fund for capital and nonrecurring expenditures	<u>2,532</u>	<u>-</u>
Total transfers - Fund financial statements	<u>\$ 2,532</u>	<u>\$ 2,532</u>

The District transferred \$2,532 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, 2017

#### 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>
2018	\$ 120,206	\$ 99,877	\$ 20,329
2019	120,206	103,508	16,698
2020	120,206	107,271	12,935
2021	120,206	111,170	9,036
2020-2022	<u>143,198</u>	<u>137,397</u>	<u>5,801</u>
Total	<u>\$ 624,022</u>	<u>\$ 559,223</u>	<u>\$ 64,799</u>

During the fiscal year ended June 30, 2013, the District entered into an agreement to refinance \$125,816 for the Ford Expedition and radios which were mandated by the federal government as well as a new IT and voice communications system using the town network as part of an agreement with the Town of Enfield. The terms of the financing agreement provide for five annual payments of \$28,043, inclusive of 4.281% interest, beginning on September 1, 2013. The following is a schedule of payments due under this agreement:

Year Ending <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 28,043	\$ 26,892	\$ 1,151
Total	<u>\$ 28,043</u>	<u>\$ 26,892</u>	<u>\$ 1,151</u>

During the fiscal year ended June 30, 2013, the District entered into an agreement to borrow \$51,000 to fund the purchase of bunker gear. The terms of the financing agreement provide for five annual payments of \$11,414, inclusive of 4.913% interest, beginning on September 1, 2013. The following is a schedule of payments due under this agreement:

Year Ending <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 11,414	\$ 10,879	\$ 535
Total	<u>\$ 11,414</u>	<u>\$ 10,879</u>	<u>\$ 535</u>

**THOMPSONVILLE FIRE DISTRICT NO. 2**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 11 - NOTES PAYABLE**

The District has an informal agreement with the Enfield Fire District to help fund the purchase of a special operations vehicle to be used by all five Enfield fire districts. Interest is at 4.48%. The following is a summary of payments:

Year Ending <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ <u>5,435</u>	\$ <u>5,199</u>	\$ <u>236</u>
Total	\$ <u>5,435</u>	\$ <u>5,199</u>	\$ <u>236</u>

During the fiscal year ended June 30, 2016, the District entered into an informal agreement with Air Cleaning Specialists of New England, LLC to finance a vehicle exhaust system. The terms of the financing agreement provide for two annual payments of \$6,800, non-interest bearing.

Year Ending <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ <u>6,800</u>	\$ <u>6,800</u>	\$ <u>-</u>
Total	\$ <u>6,800</u>	\$ <u>6,800</u>	\$ <u>-</u>

**NOTE 12 - 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>
2018	\$ 246,090	\$ 132,614	\$ 113,476
2019	246,090	137,745	108,345
2020	246,090	142,793	103,297
2021	246,090	148,599	97,491
2022	246,090	154,348	91,742
2023-2034	<u>2,891,548</u>	<u>2,328,845</u>	<u>562,703</u>
Total	\$ <u>4,121,998</u>	\$ <u>3,044,944</u>	\$ <u>1,077,054</u>

**THOMPSONVILLE FIRE DISTRICT NO. 2**

**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2017

**NOTE 13 - CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2017 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	\$ 3,172,571	\$ -	\$ 127,627	\$ 3,044,944	\$ 132,614
Capital leases	729,525	-	132,531	596,994	137,648
Notes payable	18,799	-	11,999	6,800	6,800
Compensated					
absences	181,551	-	9,557	171,994	-
Net pension					
liability	4,268,083	-	212,814	4,055,269	-
Heart and					
Hypertension	<u>3,158,206</u>	<u>-</u>	<u>130,387</u>	<u>3,027,819</u>	<u>129,460</u>
Long term liabilities	<u>\$11,528,735</u>	<u>\$ -</u>	<u>\$ 624,915</u>	<u>\$10,903,820</u>	<u>\$ 406,522</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, 2017

**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, 2017

#### **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 \$140,000. The trial Commissioner's decision is currently on appeal to the Compensation Review Board (CRB) with briefing to be completed in late spring.

In September of 2016, an employee had filed a claim pursuant to Connecticut General Statutes §7-433c - Connecticut's Heart and Hypertension Act. That case is in its early stages. The Fire District is defending such claim vigorously. The parties have agreed to pursue mediation which has not yet been scheduled. At this early juncture, it is impossible to predict the full extent of the District's liability for this claim.

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.

**THOMPSONVILLE FIRE DISTRICT NO. 2**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

***NOTE 19 - SUBSEQUENT EVENTS***

Management has evaluated subsequent events through March 29, 2018, 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, 2017**

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Additional Appropriations and Transfers	Final		
<b>REVENUES</b>					
Tax revenue	\$ 4,437,259	\$ -	\$ 4,437,259	\$ 4,958,694	\$ 521,435
Fire watch fees and fire billing	7,400	-	7,400	8,766	1,366
Fire marshal ordinance fees	33,000	-	33,000	42,470	9,470
Miscellaneous income	6,000	-	6,000	28,323	22,323
Interest income	7,800	-	7,800	13,074	5,274
Total revenues	4,491,459	-	4,491,459	5,051,327	559,868
<b>EXPENDITURES</b>					
<u>Heart and Hypertension</u>					
Heart & hypertension payments	129,335	-	129,335	130,387	(1,052)
Heart & hypertension self insurance	250,210	-	250,210	-	250,210
Health and dental insurance	4,344	-	4,344	3,910	434
<u>Firefighters' Wages and Benefits</u>					
Salaries	1,955,393	-	1,955,393	1,604,321	351,072
Payroll taxes	134,095	-	134,095	118,380	15,715
Employee related insurance and benefits	560,152	-	560,152	503,806	56,346
Workers' compensation	299,600	-	299,600	259,825	39,775
Pension contribution	550,000	-	550,000	550,000	-
<u>Property and Liability Insurance</u>					
	56,288	-	56,288	44,311	11,977
<u>Station Vehicle Expenditures</u>					
Maintenance and repairs	26,300	-	26,300	26,448	(148)
Fuel cost	14,000	-	14,000	8,505	5,495
Hose and apparatus equipment	23,000	-	23,000	13,429	9,571
<u>Station and Operational Expenditures</u>					
Operating maintenance	12,025	-	12,025	23,429	(11,404)
Utilities	21,600	-	21,600	19,539	2,061
Telecommunications	4,020	-	4,020	4,064	(44)
Information Technology	25,254	-	25,254	50,508	(25,254)
Alarm and communications	5,500	-	5,500	5,450	50
Meter calibration	1,100	-	1,100	943	157
Office of the Fire Marshal	7,000	-	7,000	3,976	3,024
Office expense	11,100	-	11,100	9,798	1,302
Uniform allowance	17,750	-	17,750	12,080	5,670
Training and tuition	19,825	-	19,825	15,866	3,959
Physical exams and shots	10,000	-	10,000	5,891	4,109
Professional development and travel	4,000	-	4,000	3,312	688
Other expenses	2,750	-	2,750	4,643	(1,893)
Breathing apparatus and airpacks	6,850	-	6,850	5,056	1,794
New hire expense	21,000	-	21,000	6,580	14,420
<u>Fees</u>					
Auditors	11,500	-	11,500	13,000	(1,500)
Legal	85,000	-	85,000	44,462	40,538
Tax collector	147,718	-	147,718	137,892	9,826
Payroll fees	5,000	-	5,000	4,447	553
Firebilling fees	200	-	200	224	(24)
Other professional fees	3,000	-	3,000	2,000	1,000

**THOMPSONVILLE FIRE DISTRICT NO. 2**  
**BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts			Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Additional Appropriations and Transfers	Final		
<u>Other Expenses</u>					
Communications center fee	16,100	-	16,100	14,383	1,717
Enfield Fire Department training center	5,000	-	5,000	5,000	-
Association dues	5,170	-	5,170	4,431	739
Hydrant fees	58,000	-	58,000	47,884	10,116
Contingency	47,332	-	47,332	-	47,332
Government grant funding	3,841	-	3,841	-	3,841
<u>Debt Service</u>					
Long-term debt service	246,091	-	246,091	246,091	-
Capitalized lease payments	165,099	-	165,099	171,898	(6,799)
Total expenditures	4,971,542	-	4,971,542	4,126,169	845,373
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(480,083)	-	(480,083)	925,158	1,405,241
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer from general fund	482,085	-	482,085	-	(482,085)
Transfers to capital projects	(2,002)	-	(2,002)	(2,532)	(530)
Total other financing sources (uses)	480,083	-	480,083	(2,532)	(482,615)
Net change in fund balance	\$ -	\$ -	\$ -	922,626	\$ 922,626
Fund balance beginning of year				1,038,067	
Fund balance end of year				<u>\$ 1,960,693</u>	

# THOMPSONVILLE FIRE DISTRICT NO. 2

## PENSION TRUST FUND

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

JUNE 30, 2017

#### TOTAL PENSION LIABILITY

Service cost	\$ 192,946
Interest on total pension liability	650,552
Differences between expected and actual experience, including assumption changes	313,550
Benefit payments, including refunds to employee contributions	<u>(272,064)</u>
Net change in total pension liability	884,984
Total pension liability, beginning	<u>8,897,149</u>
Total pension liability, ending	<u>9,782,133</u>

#### PLAN FIDUCIARY NET POSITION

Employee contributions	550,000
Plan participant contributions	97,200
Net investment gain	768,554
Benefit payments, including refunds to employee contributions	<u>(272,064)</u>
Administrative expenses	<u>(45,892)</u>
Net change in plan fiduciary net position	1,097,798
Plan fiduciary net position, beginning	<u>4,629,066</u>
Plan fiduciary net position, ending	<u>5,726,864</u>

Net pension liability, ending \$ 4,055,269

Plan fiduciary net position as a percentage of the total pension liability 58.54%

Covered employee payroll \$ 1,420,670

Net pension liability as a percentage of covered employee payroll 284.45%

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

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

Notes to Schedule

Valuation date: July 1, 2017  
Measurement date: June 30, 2017

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 2013-2017; 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

Colleen Ann Reidy, Chairman  
Thompsonville Fire District No. 2  
33 North Main Street  
Enfield, CT 06082

In planning and performing our audit of the 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, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Thompsonville Fire District No. 2's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 Thompsonville Fire District No. 2's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiencies in Thompsonville Fire District No. 2's internal control to be material weaknesses:

#### Accounting Limitations

As is common in small organizations, the District's accounting department currently does not perform the following functions:

- Prepare its financial statements, complete with notes, in accordance with accounting principles generally accepted in the United States of America. Accordingly, the District is unable to, and has not established internal controls, over the preparation of financial statements.

This report is intended solely for the information and use of Colleen Ann Reidy, Chairman, management, others within the Organization and the State of Connecticut Office of Policy and Management and is not intended to be and should not be used by anyone other than these specified parties.

*Viola, Chrabasz, Reynolds & Co. LLP*

Enfield, Connecticut  
March 29, 2018