

THOMPSONVILLE FIRE DISTRICT NO. 2
FINANCIAL STATEMENTS
JUNE 30, 2015

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 - 8
 <u>Government-Wide Financial Statements</u>	
Statement of Net Position	9
Statement of Activities	10
 <u>Government Funds Financial Statements</u>	
Balance Sheet Governmental Fund	11
Reconciliation of Total Governmental Fund Balance to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances	13 - 14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Fiduciary Net Position - Fiduciary Fund	16
Statement of Activities and Changes in Fiduciary Net Position - Fiduciary Fund	17
Notes to Financial Statements	18 - 36
 <u>Required Supplementary Information</u>	
Budgetary Comparison Schedule General Fund	37 - 38
Defined Benefit Pension Plan	39-40

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
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, 2015, 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 an opinion 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 of 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 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, 2015, 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 8, the budgetary comparison information on pages 37 and 38 and the pension schedules on pages 39 through 40 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 18, 2016

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, 2015. 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 \$289,485.
- As of June 30, 2015, the District governmental fund reported an ending fund balance of \$496,496, a decrease of \$3,344. The fund balance is available for spending at the District's discretion.
- The District's general fund revenues for the fiscal year totaled \$4,179,500. Of this amount, \$4,144,444 represents property taxes collected.
- The District's long-term liabilities increased by \$2,302,315 during the current fiscal year. The primary increase was due to the construction of the new fire station.

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 they have 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 fund - 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 assets. 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 governmental-wide and fund financial statements. These notes to the financial statements can be found on pages 18-36 of this report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position Governmental Activities

	<u>2015</u>	<u>2014</u>
Current assets	\$ 801,066	\$ 855,200
Capital assets, net of accumulated depreciation	<u>5,672,739</u>	<u>3,077,595</u>
Total assets	<u>6,473,805</u>	<u>3,932,795</u>
Other liabilities	304,570	355,360
Non current liabilities	<u>11,613,622</u>	<u>9,311,307</u>
Total liabilities	<u>11,918,192</u>	<u>9,666,667</u>
Net position:		
Net invested in capital assets, net of debt	1,506,132	1,173,630
Unrestricted	<u>(6,950,519)</u>	<u>(6,907,502)</u>
Total net position	<u>\$(5,444,387)</u>	<u>\$(5,733,872)</u>

In total, assets of governmental activities increased by \$2,541,010 and liabilities increased by \$2,251,525. The increase in liabilities primarily resulted from new long term debt obligations for the new fire station.

Changes in Net Position

	<u>2015</u>	<u>2014</u>
General revenues:		
Property taxes	\$ 4,144,444	\$ 3,723,163
Other general revenue	<u>35,056</u>	<u>47,385</u>
Total revenues	<u>4,179,500</u>	<u>3,770,548</u>
Expenses:		
Heart and hypertension	61,426	197,954
Firefighters' wages and benefits	2,906,088	2,347,261
Property and liability insurance	50,171	47,041
Station vehicle expenditures	51,333	53,760
Station and operational expenditures	163,114	126,297
Fees	238,849	288,848
Other expenditures	90,785	75,945
Interest on long-term debt	128,253	57,168
Depreciation	<u>199,996</u>	<u>219,699</u>
Total expenses	<u>3,890,015</u>	<u>3,413,973</u>
Increase in net position	<u>\$ 289,485</u>	<u>\$ 356,575</u>

The primary source of revenue used to fund governmental activities is property taxes. Property taxes amounted to 99.16% of total revenues. The District property taxes increased by \$421,281 from the previous year.

The changes in net position decreased from \$356,575 to \$289,485, a decrease of \$67,090.

General Fund Budgetary Highlights

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

	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 4,180,772	\$ 4,179,500	\$ (1,272)
Expenditures	<u>4,180,772</u>	<u>6,601,928</u>	<u>(2,421,156)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(2,422,428)</u>	<u>(2,422,428)</u>
Other Financing Sources (Uses)	<u>-</u>	<u>2,419,084</u>	<u>2,419,084</u>
Excess (Deficiency) of Funds Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (3,344)</u>	<u>\$ (3,344)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At the end of 2015, the District had \$5.67 million, net of accumulated depreciation, invested in a broad range of capital assets, including fire equipment, buildings, vehicles, hydrants, and land. This amount represents a net increase (including additions and deductions of assets and depreciation) of \$2,595,144.

Capital Assets at Year-End

Governmental Activities

	<u>2015</u>	<u>2014</u>
Land	\$ 392,178	\$ 392,178
Building and improvements	5,150,898	2,381,142
Vehicles	1,773,113	1,773,113
Equipment	<u>956,111</u>	<u>930,727</u>
Total	8,272,300	5,477,160
Accumulated depreciation	<u>(2,599,561)</u>	<u>(2,399,565)</u>
	<u>\$ 5,672,739</u>	<u>\$ 3,077,595</u>
This year's major additions included:		
Current year construction cost of new fire station		\$ 2,769,756

Long-term liabilities

At June 30, 2015, the District had \$4,166,607 remaining of obligations under a general long-term debt and capital lease. More detailed information is presented in Note 9 and Note 11 of the footnotes.

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
General long-term debt	\$ 3,295,199	\$ 895,916	\$ 2,399,283
Capital lease payable	871,408	1,008,049	(136,641)
Compensated absences	218,994	203,520	15,474
Due to Enfield Fire District	10,171	14,927	(4,756)
Net pension liability	3,917,172	3,689,922	227,250
Heart and Hypertension	<u>3,300,678</u>	<u>3,498,973</u>	<u>(198,295)</u>
Total long-term liabilities	<u>\$ 11,613,622</u>	<u>\$ 9,311,307</u>	<u>\$ 2,302,315</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Revenues in the general fund budget for 2016 are projected to be \$4,827,622, an increase of \$648,000 over 2015. Budgeted expenditures are expected to be \$5,015,622, 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, 2015

ASSETS

CURRENT ASSETS

Cash and equivalents	\$ 801,066
Total current assets	<u>801,066</u>

NONCURRENT ASSETS

Capital assets:	
Land	392,178
Building and improvements	5,150,898
Vehicles	1,773,113
Equipment	956,111
Less accumulated depreciation	<u>(2,599,561)</u>
Total noncurrent assets	<u>5,672,739</u>
Total assets	<u>6,473,805</u>

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	277,904
Accrued payroll	26,666
Noncurrent liabilities:	
Due within one year	527,880
Due in more than one year	<u>11,085,742</u>
Total current liabilities	<u>11,918,192</u>

NET POSITION

Net investment in capital assets	1,506,132
Unrestricted net position	<u>(6,950,519)</u>
Total net position	<u>\$ (5,444,387)</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, 2015**

	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Governmental Activities</u>
PRIMARY GOVERNMENT		
Governmental activities:		
Heart and hypertension	\$ 61,426	\$ 61,426
Firefighters' wages and benefits	2,906,088	2,906,088
Property and liability insurance	50,171	50,171
Station vehicle expenditures	51,333	51,333
Station and operational expenditures	163,114	163,114
Fees	238,849	238,849
Other expenditures	90,785	90,785
Interest on long-term liabilities	128,253	128,253
Depreciation	199,996	199,996
Total governmental activities	<u>3,890,015</u>	<u>3,890,015</u>
Total primary government	<u>\$ 3,890,015</u>	<u>\$ 3,890,015</u>
 GENERAL REVENUES		
Property taxes		\$ 4,144,444
Fire watch fees		7,534
Interest income		7,917
Miscellaneous income		19,605
Total general revenues		<u>4,179,500</u>
 Changes in net position		289,485
 Net position - beginning, as restated		(5,733,872)
 Net position - ending		<u>\$ (5,444,387)</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, 2015

	<u>General Fund</u>
ASSETS	
Cash and equivalents	\$ 801,066
Total assets	<u>801,066</u>
 LIABILITIES	
Accounts payable	277,904
Accrued payroll	<u>26,666</u>
Total liabilities	<u>304,570</u>
 FUND BALANCE	
Unassigned	<u>496,496</u>
Total fund balance	<u>496,496</u>
Total liabilities and fund balance	<u>\$ 801,066</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, 2015

TOTAL GOVERNMENTAL FUND BALANCE	\$	496,496
--	----	---------

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		8,272,300
Less accumulated depreciation		(2,599,561)

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		(3,295,199)
Capital lease		(871,408)
Due to Enfield Fire District		(10,171)
Net Pension liability		(3,917,172)
Compensated absences		(218,994)
Heart and hypertension		(3,300,678)
		(3,300,678)

NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(5,444,387)</u>
--	-----------	---------------------------

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, 2015

	General Fund
REVENUES:	
Tax revenue	\$ 4,087,870
CT reimbursement in lieu of tax	56,574
Fire watch fees	7,534
Miscellaneous income	19,605
Interest income	7,917
Total revenues	4,179,500
EXPENDITURES:	
<u>Heart and Hypertension</u>	
Heart & hypertension payments	198,295
Health and dental insurance	61,426
<u>Firefighters' Wages and Benefits</u>	
Salaries	1,658,168
Payroll taxes	124,133
Employee related insurance and benefits	358,617
Workers' compensation	251,942
Pension contribution	270,504
<u>Property and Liability Insurance</u>	50,171
<u>Station Vehicle Expenditures</u>	
Maintenance and repairs	27,908
Fuel Cost	15,828
Apparatus equipment	7,597
<u>Station and Operational Expenditures</u>	
Operating maintenance	7,297
Utilities	32,692
Telecommunications	5,261
Information technology	25,254
Alarm and communications	4,782
Meter calibration	859
Office of the Fire Marshal	3,338
Office expense	9,684
Uniform allowance	13,919
Training	6,654
Physical exams and shots	4,819
Professional development and travel	5,558
Other expenses	10,138
Tuition expense	783
Breathing apparatus and airpacks	6,629
Association dues	1,427
New hire expense	24,020
<u>Fees</u>	
Auditors	10,185
Legal	91,801
Tax collector	124,333
Payroll fees	4,769
Firebilling fees	255
Other professional fees	7,506

THOMPSONVILLE FIRE DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund
<u>Other Expenditures</u>	
Communications center fee	32,200
Enfield Fire Chiefs Association	10,600
Hydrant fees	42,985
Enfield Fire Departments training center	5,000
 <u>Debt Service</u>	
Long-term debt service - principal	19,801
Long-term debt service - interest	89,128
Capitalized lease payments - principal	141,397
Capitalized lease payments - interest	39,125
 <u>Capital Outlay</u>	
Capital improvements new facilities, vehicles and equipment	2,795,140
Total expenditures	6,601,928
 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,422,428)
 OTHER FINANCING SOURCES (USES)	
Long-term debt financing	2,419,084
Total other financing sources (uses)	2,419,084
Net change in fund balance	(3,344)
 Fund balance beginning of year	499,840
Fund balance end of year	\$ 496,496

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, 2015

NET CHANGES IN GOVERNMENTAL FUND BALANCE	\$ (3,344)
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)	2,795,140
Less current year depreciation expense	(199,996)
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, 2015 consist of the following:	
Capital lease	136,641
Due to Enfield Fire District	4,756
General long term debt	19,801
Current year long term debt financing proceeds are other finance sources in the government funds, but are shown as increase in the liabilities government-wide financial statements.	(2,419,084)
In the governmental funds, expenditures are measured by the amount of current financial resources used:	
Compensated absences	(15,474)
Pension liability	(227,250)
Hear & hypertension payments	198,295
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 289,485</u>

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, 2015

	<u>Pension Trust Fund</u>	<u>Retiree Health Plan Trust Fund</u>	<u>Total Trust Funds</u>
ASSETS			
Investments	\$ 4,504,682	\$ 10,000	\$4,514,682
Total investments	<u>\$ 4,504,682</u>	<u>\$ 10,000</u>	<u>\$4,514,682</u>
NET POSITION			
Held in trust for pension benefits and retiree benefits	<u>\$ 4,504,682</u>	<u>\$ 10,000</u>	<u>\$4,514,682</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, 2015

	<u>Pension Trust Fund</u>	<u>Retiree Health Plan Trust Fund</u>	<u>Total Trust Funds</u>
ADDITIONS			
Contributions:			
Employer	\$ 250,000	\$ 10,000	\$ 260,000
Plan members	85,888	-	85,888
Investment earnings:			
Interest and dividends	207,752	-	207,752
Total additions	<u>543,640</u>	<u>10,000</u>	<u>553,640</u>
DEDUCTIONS			
Administrative expenses	27,093	-	27,093
Benefit payments	146,610	-	146,610
Total deductions	<u>173,703</u>	<u>-</u>	<u>173,703</u>
CHANGE IN NET POSITION	369,937	10,000	379,937
NET POSITION - beginning of year	<u>4,134,745</u>	<u>-</u>	<u>4,134,745</u>
NET POSITION - end of year	<u><u>\$ 4,504,682</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ 4,514,682</u></u>

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

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.'d)

Basis of Presentation (Cont.'d)

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.

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.'d)

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.'d)

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, 2015, the District had \$801,066 either insured or collateralized.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.'d)

Inventories

Inventories are valued at cost using the first-in/first-out method (FIFO).

The cost of inventories in the governmental fund type is recorded as expenditures when purchased rather than when consumed.

Inventories recorded in the government-wide financial statements are recorded as expenditures when consumed rather than when purchased. As of June 30, 2015, no material amount of inventories existed.

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.

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.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.'d)

Liability for Compensated Absences (continued)

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 workmans' compensation insurance received, for a period of 6 months. On June 30, 2015, the liability for compensated absences was \$218,994.

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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.'d)

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, 2015

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	\$ 801,066	\$ 926,362

NOTE 4 - CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2015 consist of the following:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Land (not depreciated)	\$ 392,178	\$ -	\$ -	\$ 392,178
Buildings and improvements	2,381,142	2,769,756	-	5,150,898
Vehicles	1,773,113	-	-	1,773,113
Equipment	930,727	25,384	-	956,111
	5,477,160	2,795,140	-	8,272,300
Less accumulated depreciation:				
Buildings and improvement	(721,474)	(15,190)	-	(736,664)
Vehicles	(875,404)	(140,928)	-	(1,016,332)
Equipment	(802,687)	(43,878)	-	(846,565)
	(2,399,565)	(199,996)	-	(2,599,561)
Total capital assets, net	\$ 3,077,595	\$ (2,595,144)	\$ -	\$ 5,672,739

Depreciation expense was charged to functions of government as follows:

Governmental activities:

Fire protection	\$ 199,996
-----------------	------------

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015, consisted of the following:

Participants receiving benefits	4
Participants with deferred benefits	1
Active employees	<u>23</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, 2015

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, 2015, the annual money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 4.90%. 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, 2015 were as follows:

Total pension liability	\$ 8,421,854
Plan fiduciary net position	<u>4,504,682</u>
Net pension liability	<u>\$ 3,917,172</u>
Plan fiduciary net position as percentage of the total pension liability	53.48%

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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, 2015, 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	8.00% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 table projected to 2018.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2015.

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, 2015, 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, 2015 (see Section C - Investments).

<u>Asset Class</u>	<u>Target Allocator</u>
Large Cap Equity	8.25%
Small Cap Equity	9.00%
Mid Cap Equity	8.75%
International Equity	8.00%
Fixed Income	5.00%
Real Estate	7.00%
Short-term/Cash Equivalents	4.50%

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5 - PENSION PLAN (Continued)

Defined Benefit Plan (continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. 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 8.00%, 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 (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	1% Decrease <u>(7.00%)</u>	Current Discount Rate <u>(8.00%)</u>	1% Increase <u>(9.00%)</u>
Net pension liability	\$4,853,248	\$3,917,172	\$3,120,822

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, 2014	\$ 7,824,666	\$ 4,134,745	\$ 3,689,921
Changes for the year:			
Service cost	180,168		180,168
Interest on total pension liability	611,848		611,848
Differences between expected and actual experience, including assumption changes	(48,218)		(48,218)
Employer contributions		250,000	(250,000)
Plan participant contributions		85,888	(85,888)
Net investment income		207,752	(207,752)
Benefit payments, including refund to employee contributions	(146,610)	(146,610)	-
Administrative expenses		(27,093)	27,093
Net changes	597,188	369,937	227,251
Balances as of June 30, 2015	\$ 8,421,854	\$ 4,504,682	\$ 3,917,172

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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	-
Active employees	<u>24</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. Annual OPEB Cost and Net OPEB Obligations

The District's annual other postemployment benefit (OPEB) cost is calculated based on alternative measurement method. The following table shows the components of the District's annual OPEB cost for the year, the amount contributed to the plan, and changes in the District's net OPEB obligations.

	<u>Retiree Health Plan</u>
Retired members receiving benefits	\$ -
Interest on net OPEB obligation	-
Adjustments to annual required contribution	<u>-</u>
Annual OPEB cost	-
Contributions made	<u>10,000</u>
Increase in net OPEB assets	10,000
Net OPEB assets, beginning of year	<u>-</u>
Net OPEB assets, end of year	<u>\$ 10,000</u>

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS - RETIREE HEALTH PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligations (continued)

Fiscal Year Ended	Value of Assets <u>(a)</u>	Projected Liability <u>(b)</u>	Unfunded Liability <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll
6-30-15	\$ 10,000	\$ 1,084,000	\$ (1,074,000)	0.9%	N/A

The projected liability was determined by calculating the present value of the estimated future payments.

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 - 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.

NOTE 9 - 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 truck 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.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 9 - CAPITAL LEASES (CONTINUED)

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>
2016	\$ 135,000	\$ 107,269	\$ 27,731
2017	120,206	96,374	23,832
2018	120,206	99,877	20,329
2019	120,206	103,508	16,698
2020	120,206	107,271	12,935
2021-2023	<u>263,403</u>	<u>248,566</u>	<u>14,837</u>
TOTAL	<u>\$ 879,227</u>	<u>\$ 762,865</u>	<u>\$ 116,362</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>
2016	\$ 28,043	\$ 24,730	\$ 3,314
2017	28,043	25,788	2,255
2018	<u>28,043</u>	<u>26,892</u>	<u>1,150</u>
TOTAL	<u>\$ 84,129</u>	<u>\$ 77,410</u>	<u>\$ 6,719</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>
2016	\$ 11,414	\$ 9,884	\$ 1,530
2017	11,414	10,370	1,044
2018	<u>11,414</u>	<u>10,879</u>	<u>535</u>
TOTAL	<u>\$ 34,242</u>	<u>\$ 31,133</u>	<u>\$ 3,109</u>

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 10 - DUE TO ENFIELD FIRE DISTRICT

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%. Following is a summary of payments:

Year Ending <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 5,436	\$ 4,972	\$ 463
2017	<u>5,435</u>	<u>5,199</u>	<u>237</u>
TOTAL	<u>\$ 10,871</u>	<u>\$ 10,171</u>	<u>\$ 700</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>
2016	\$ 246,090	\$ 122,593	\$ 123,497
2017	246,090	127,674	118,416
2018	246,090	132,614	113,476
2019	246,090	137,745	108,345
2020	246,090	142,793	103,297
2021-2034	<u>3,383,734</u>	<u>2,631,780</u>	<u>751,954</u>
TOTAL	<u>\$ 4,614,184</u>	<u>\$ 3,295,199</u>	<u>\$ 1,318,985</u>

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 12 - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015 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	\$ 895,916	\$2,419,084	\$ 19,801	\$ 3,295,199	\$ 122,593
Capital leases	1,008,049	-	136,641	871,408	141,882
Due to Enfield Fire District	14,927	-	4,756	10,171	4,972
Compensated absences	203,520	15,474	-	218,994	98,701
Net pension liability	3,689,922	227,250	-	3,917,172	-
Heart and Hypertension	<u>3,498,973</u>	<u>-</u>	<u>198,295</u>	<u>3,300,678</u>	<u>159,732</u>
Long term liabilities	<u>\$ 9,311,307</u>	<u>\$2,661,808</u>	<u>\$ 359,493</u>	<u>\$11,613,622</u>	<u>\$ 527,880</u>

NOTE 13 - 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 14 - 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, 2015

NOTE 15 - 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 16 - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

NOTE 17 - 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. The Workers Compensation Commissioner has had a Commissioner's exam conducted on the employee. A formal hearing occurred in October of 2015 and briefs were due to the trial Commissioner on January 22, 2016. While the parties have discussed the possibility of proceedings, it is impossible to predict the Commissioner's decision. The losing party is likely to pursue additional appeals. Additionally, if the Commissioner were to find in favor of the employee, it is impossible to predict the full extent of the District's liability for this claim.

A former employee of the District has filed a claim for an increase in his permanent partial disability rating and will be seeking benefits for diminished working capacity pursuant to Connecticut General Statutes §31-308a. The District is vigorously defending such claim. It is impossible to predict the District's liability for this claim.

A former employee has also filed a lawsuit in the United States District Court for the District of Connecticut against the District and Board Chair. In his lawsuit, the former employee alleges a variety of claims revolving around allegations of age and disability discrimination, as well as some state law claims. He seeks economic damages for alleged wages owed as well as emotional distress damages and award of attorneys' fees. The District is vigorously defending such claims. At this point in time, it is too early to speculate as to any possible outcome.

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.

In accordance with Statement of Financial Accounting Standards No. 5, no amount of any potential future payments related to the above claims has been reflected in the accompanying financial statements, unless otherwise noted.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 18 - PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to beginning of net position of the governmental activities as a result of overstatement in the accrued compensated absences.

Net position at June 30, 2014, as previously reported	\$ (5,927,325)
Adjustments	
Record decrease in compensated absences	<u>193,453</u>
Net position at July 1, 2014, as restated	<u>\$ (5,733,872)</u>

NOTE 19 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 18, 2015, 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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Tax revenue	\$ 4,107,772	\$ 4,107,772	\$ 4,087,870	\$ (19,902)
CT reimbursement in lieu of tax	50,000	50,000	56,574	6,574
Fire watch fees	5,000	5,000	7,534	2,534
Miscellaneous income	13,000	13,000	19,605	6,605
Interest income	5,000	5,000	7,917	2,917
Total revenues	4,180,772	4,180,772	4,179,500	(1,272)
EXPENDITURES				
<u>Heart and Hypertension</u>				
Heart & hypertension payments	200,676	200,676	198,295	2,381
Health and dental insurance	49,918	49,918	61,426	(11,508)
<u>Firefighters' Wages and Benefits</u>				
Salaries	1,765,716	1,765,716	1,658,168	107,548
Payroll taxes	135,077	135,077	124,133	10,944
Employee related insurance and benefits	408,140	408,140	358,617	49,523
Workers' compensation	210,574	210,574	251,942	(41,368)
Pension contribution	250,000	250,000	270,504	(20,504)
<u>Property and Liability Insurance</u>				
	50,520	50,520	50,171	349
<u>Station Vehicle Expenditures</u>				
Maintenance and repairs	21,500	21,500	27,908	(6,408)
Fuel Cost	17,000	17,000	15,828	1,172
Apparatus equipment	12,000	12,000	8,972	3,028
<u>Station and Operational Expenditures</u>				
Operating maintenance	8,900	8,900	7,297	1,603
Utilities	21,831	21,831	32,692	(10,861)
Telecommunications	12,000	12,000	5,261	6,739
Information Technology	25,000	25,000	25,254	(254)
Alarm and communications	1,000	1,000	4,782	(3,782)
Meter calibration	1,100	1,100	859	241
Office of the Fire Marshal	5,000	5,000	3,338	1,662
Office expense	9,000	9,000	9,684	(684)
Uniform allowance	15,700	15,700	13,919	1,781
Training	9,000	9,000	6,654	2,346
Physical exams and shots	10,800	10,800	4,819	5,981
Professional development and travel	9,000	9,000	5,558	3,442
Other expenses	2,500	2,500	10,138	(7,638)
Tuition expense	1,500	1,500	783	717
Breathing apparatus and airpacks	6,500	6,500	6,629	(129)
Association dues	2,500	2,500	1,427	1,073
New hire expense	55,000	55,000	43,027	11,973
<u>Fees</u>				
Auditors	12,000	12,000	10,185	1,815
Legal	45,000	45,000	91,801	(46,801)
Tax collector	125,842	125,842	124,333	1,509
Payroll fees	5,000	5,000	4,769	231
Firebilling fees	500	500	255	245
Other professional fees	7,320	7,320	7,506	(186)
<u>Other Expenses</u>				
Communications center fee	16,100	16,100	32,200	(16,100)
Enfield Fire Chiefs Association	10,600	10,600	10,600	-
Hydrant fees	44,064	44,064	42,985	1,079
Enfield Fire Departments training center	5,000	5,000	5,000	-

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

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or (Negative)
	Original	Final		
<u>Debt Service</u>				
Long-term debt service	252,000	252,000	108,929	143,071
Capitalized lease payments	179,894	179,894	180,522	(628)
<u>Capital Outlay</u>				
Capital improvements new facilities	160,000	160,000	2,774,758	(2,614,758)
Total expenditures	4,180,772	4,180,772	6,601,928	(2,421,156)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(2,422,428)	(2,422,428)
OTHER FINANCING SOURCES (USES)				
Long-term debt financing	-	-	2,419,084	2,419,084
Total other financing sources (uses)	-	-	2,419,084	2,419,084
Net change in fund balance	\$ -	\$ -	(3,344)	\$ (3,344)
Fund balance beginning of year			103,221	
Fund balance end of year			\$ 99,877	

THOMPSONVILLE FIRE DISTRICT NO. 2

PENSION TRUST FUND

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

JUNE 30, 2015

TOTAL PENSION LIABILITY

Service cost	\$ 180,168
Interest on total pension liability	611,848
Differences between expected and actual experience, including assumption changes	(48,218)
Benefit payments, including refunds to employee contributions	<u>(146,610)</u>
Net change in total pension liability	597,188
Total pension liability, beginning	<u>7,824,666</u>
Total pension liability, ending	<u>8,421,854</u>

PLAN FIDUCIARY NET POSITION

Employee contributions	250,000
Plan participant contributions	85,888
Net investment income	207,752
Benefit payments, including refunds to employee contributions	(146,610)
Administrative expenses	<u>(27,093)</u>
Net change in plan fiduciary net position	369,937
Plan fiduciary net position, beginning	<u>4,134,745</u>
Plan fiduciary net position, ending	<u>4,504,682</u>

Net pension liability, ending \$ 3,917,172

Plan fiduciary net position as a percentage of the total pension liability 53.48%

Covered employee payroll \$ 1,406,412

Net pension liability as a percentage of covered employee payroll 278.52%

PENSION TRUST FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 603,050	\$ 507,670
Contributions in relation to the actuarial determined contribution	-	250,000
Contribution deficiency	\$ 603,050	\$ 257,670
Covered employee payroll	\$ 1,246,755	\$ 1,406,412
Contributions as a percentage of covered employee payroll	0.00%	17.78%
Annual money-weighted rate of return, net investment expense	17.70%	4.90%

Notes to Schedule

Valuation date: July 1, 2015
Measurement date: June 30, 2015

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	8%
Retirement age	Age 55 and 20 years of service
Mortality	RP-2000 combined table project to 2018