

THOMPSONVILLE FIRE DISTRICT NO. 2
FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT THEREON

June 30, 2013

JAMES A
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CPA

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INDEPENDENT AUDITORS' REPORT

Mr. Roger Alsbaugh, Chairperson
Thompsonville Fire District No. 2
11 Pearl Street
Enfield, CT 06082

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Thompsonville Fire District No. 2 (District) as of and for the year ended June 30, 2013, 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 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Thompsonville Fire District No. 2 as of June 30, 2013 and the respective 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 and budgetary comparison information on pages 3 through 7 and on pages 29 through 31, and the schedules of employer contributions and funding progress included in Note 4, 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 inquires 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.


Accounting & Auditing Services, LLC

March 26, 2014

THOMPSONVILLE FIRE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

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, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's mill rate was 6.60 for FYE June 30, 2013.
- The Heart and Hypertension liability shown on page 10 and Note 12 is an estimated amount due based on projected life expectancies. This amount is reflected also in the total net assets (deficit) balance on page 8.
- The compensated absences amount of \$393,057 represents management's estimate of accumulated sick and vacation time expected to be paid in the future based on the current collective bargaining agreement with employees.
- The District's total net deficit decreased by \$807,633 during the fiscal year.
- Regarding page 29, the Government Grants line, in our budget - When we formulate our budget there is always discussion on whether the Federal Government is offering grant money that will be available to fire and police departments, etc. However, there are only a limited amount of dollars available and there is no guarantee that any of these dollars will go to us as we are competing with many other applicants around the country. We applied, but were not successful in receiving a \$35,190 Federal Grant.
- During the year, the District's expenditures exceeded revenues by \$118,584.
- As of June 30, 2013, the funded portion of the estimated pension liability increased to 40.47% from 37.48% due to increased earnings as of that date. The plan was established in 2008 with an initial expected fund obligation and the annual contribution amount is estimated based on about ten different actuarial factors; including: expected lives, earnings, salary increases, ages of participants, etc., etc.
- Although the District's liabilities are high, about 90% are long-term liabilities not due for many years or payable over many years and some of the amounts shown may never have to be paid. For example, a \$779,814 amount due to a heart & hypertension's claimant was written off this year due to his death.
- The Pension Fund grew in value last year about \$422,500 and we fully expect a similar or greater increase in 2014. As the funds continue to increase in value, the amount of the District's contribution will decrease. For example, the Pension Fund balance, at December 31, 2013, was \$4,012,053 reflecting an increase of \$488,651 in just six months. Prudential stated that the Pension Funds are currently earning about 12% annually. An additional \$200,000 has been reserved for the fiscal year ending June 30, 2013 in order to reduce the amount due to the Pension Fund.
- The District's General Fund revenue for the fiscal year totaled \$3,909,452. Of this amount, \$3,861,932 represents property tax revenue.
- The District's General Fund expenditures for the fiscal year totaled \$4,028,038. Of this amount, \$2,465,004 represents wages, payroll taxes and employee related insurance. Also, \$680,490 represents current year capital outlay and repayments on amounts borrowed in current and prior years.
- The District generated a \$23,226 unfavorable variance in its revenue budgeting because a government grant was not received and a \$82,839 unfavorable variance in its expenditure budgeting due to additional capital expenses.

THOMPSONVILLE FIRE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Thompsonville Fire District No. 2's basic financial statements. The basic financial statements include three components: 1.) government-wide financial statements, 2.) fund financial statements, and 3.) notes to the financial statements. This report also contains required supplementary information in addition to the basic 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 assets includes the District's assets and liabilities using the total economic resources measurement focus method. All of the current year's revenues and expenses are accounted for in the statement of activities when they occur regardless of when cash is received or paid. The government-wide statements report the District's net assets and how they have changed. Net assets, which is 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 assets are an indication 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.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

The fund financial statements provide 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 uses two categories of funds:

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how cash and other financial assets that can readily be converted to cash flow in and out and 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 provide additional information on pages 10 and 12 that explains the relationship between them.

The District maintains one individual governmental fund, the general fund, which is considered a major fund. The District adopted an annual budget for its general fund.

The government fund financial statements can be found on pages 10-12 of this report.

THOMPSONVILLE FIRE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

Fiduciary Funds: The District is the trustee, or fiduciary, for its employee defined benefit pension 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 and a statement of changes in fiduciary net assets. We exclude these activities from the District government-wide financial statements because the District cannot use these assets to finance its operations.

The fiduciary fund financial statements can be found on pages 13 and 14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-28 of the report.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets/ (Deficit)

The District's net deficit decreased \$807,633 between fiscal years 2012 and 2013 - decreasing from \$(4,269,526) to \$(3,461,893). A Table of Net Assets/(Deficit) is presented below.

Thompsonville Fire District No. 2
Table of Net Assets/(Deficit)
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Current and Other Assets	\$ 634	\$ 612	\$ 22
Capital Assets	<u>2,126</u>	<u>1,845</u>	<u>281</u>
Total Assets	<u>2,760</u>	<u>2,457</u>	<u>303</u>
Long-Term Debt Outstanding	4,617	6,032	(1,415)
Other Liabilities	<u>1,604</u>	<u>694</u>	<u>910</u>
Total Liabilities	<u>6,221</u>	<u>6,726</u>	<u>(505)</u>
Net Assets (Deficit)			
Invested in Capital Assets, Net of Related Debt	932	657	275
Unrestricted	<u>(4,393)</u>	<u>(4,926)</u>	<u>(533)</u>
Total Net Assets (Deficit)	<u>\$(3,461)</u>	<u>\$(4,269)</u>	<u>\$(808)</u>

THOMPSONVILLE FIRE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net assets/(deficit)

Nearly all of the District's revenue comes from property taxes, which increased from 2012 to 2013. The expenditures also decreased during the current year due to an adjustment to the heart and hypertension liability. A Table of Changes in Net Assets/(Deficit) is presented below:

Thompsonville Fire District No. 2
Table of Changes in Net Assets/(Deficit)
(in thousands of dollars)

	<u>2013</u>	<u>2012</u>	<u>Change</u>
Revenues			
Property Taxes	\$3,862	\$3,676	\$186
Other	<u>48</u>	<u>26</u>	<u>22</u>
Total Revenues	<u>3,910</u>	<u>3,702</u>	<u>208</u>
Expenses			
Fire Protection and Interest	<u>3,102</u>	<u>3,375</u>	<u>(273)</u>
Increase/(Decrease) in Net Assets	<u>\$ 808</u>	<u>\$ 327</u>	<u>\$481</u>

Governmental Funds

Revenues for the District's governmental funds increased to \$3,909,454 in 2013 from \$3,701,905 in 2012, mostly because of increased tax revenue while total expense increased in 2013 to \$4,028,038 from \$3,490,370 in 2012 mostly due to the additional capital expenses.

General Fund Budgetary Highlights

As noted previously, the District generated an unfavorable variance in its revenue due to a government grant not awarded or received. With regard to expenditures, the favorable budget to actual variances in line items, such as pension payments, were offset by unfavorable variances in payroll, headquarter maintenance, and Capital expenses. Overall, the increase in capital expenses resulted in an unfavorable variance in expenditures.

THOMPSONVILLE FIRE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had invested \$932,087 (net of related debt) in various capital assets, including the fire station, apparatus, firefighting equipment, and vehicles.

Long-Term Debt

At June 30, 2013, the District had a total of \$1,075,840 remaining of obligations under notes payable and lines of credit for capital assets. More detailed information is presented in Notes 6 and 7 of the Notes to Financial Statements.

At June 30, 2013 the District had a total of \$3,541,393 remaining of obligations to five former employees for heart and hypertension benefits which are payable over the expected lives of three of the employees and the employees' spouses and one obligation payable over the next fifteen years. More detailed information is presented in Notes 8, 12 and 14 of the Notes to Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fire districts meet regularly to discuss directional issues, as well as to maintain team concept, even though we are independent by tax districts. We have created a written interlocal agreement with the other four districts for group purchases of equipment and/or program funding. This in itself will show some cost effectiveness over the future years.

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 11 Pearl Street, Enfield, CT 06082.

THOMPSONVILLE FIRE DISTRICT NO. 2

STATEMENT OF NET ASSETS

June 30, 2013

Governmental Activities

ASSETS

Cash	\$ 633,506
Land	392,178
Capital Assets, Net of Accumulated Depreciation	<u>1,734,144</u>
TOTAL ASSETS	<u>2,759,828</u>

LIABILITIES

Accrued Expenses/Payroll	449,574
Net Pension Obligation	1,036,522
Line of Credit	118,392
Noncurrent Liabilities:	
Due within one year	358,459
Due after one year	<u>4,258,774</u>
TOTAL LIABILITIES	<u>6,221,721</u>

NET ASSETS (DEFICIT)

Invested in Capital Assets, Net of Related Debt Unrestricted	932,087 <u>(4,393,980)</u>
TOTAL NET DEFICIT	<u>\$(3,461,893)</u>

See accompanying notes to the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Government Activities</u>
Primary Government:					
Governmental activities:					
Fire Fighting	\$3,046,422	\$3,686	\$ -	\$ -	\$(3,042,736)
Interest on long-term debt	<u>55,399</u>	<u>-</u>			<u>(55,399)</u>
Total Primary Government	<u>\$3,101,821</u>	<u>\$3,686</u>	<u>\$ -</u>	<u>\$ -</u>	(3,098,135)
		General revenues:			
					3,861,932
					33,469
					<u>10,367</u>
					<u>3,905,768</u>
					807,633
					<u>(4,269,526)</u>
					<u>\$(3,461,893)</u>

See accompanying notes to the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2

BALANCE SHEET -
GOVERNMENTAL FUNDS

June 30, 2013

	<u>General Fund</u>
ASSETS	
Cash	\$ <u>633,506</u>
Total Assets	<u>633,506</u>
 LIABILITIES AND FUND BALANCES	
<u>Liabilities</u>	
Accrued Expenses	<u>56,516</u>
Total Liabilities	<u>56,516</u>
 <u>Fund Balances</u>	
Unassigned	576,990
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets	4,306,188
Less accumulated depreciation	<u>(2,179,866)</u>
Net capital assets	2,126,322
Net pension obligation	(1,036,523)
 Accrued expenses and lines of credit that do not require The use of current funds and, therefore, are not reported In the funds:	
Compensated absences	(393,057)
Line of credit	(118,392)
 Long-Term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Capital leases	(1,075,840)
Heart and Hypertension Claims Payable (Note 12)	<u>(3,541,393)</u>
 Net deficit of governmental activities	 <u>\$(3,461,893)</u>

See accompanying notes to the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2013

	<u>General Fund</u>
REVENUES	
Property Taxes	\$3,861,932
Investment Earnings	10,367
Fire Watch Fees	3,686
Other	<u>33,469</u>
Total Revenues	<u>3,909,454</u>
EXPENDITURES	
Current - Fire Fighting	3,346,548
Debt Service:	
Principal	136,115
Interest	55,399
Capital Outlay	<u>489,976</u>
Total Expenditures	<u>4,028,038</u>
Excess of Expenditures Over Revenues	(118,584)
OTHER FINANCING SOURCES	
Advances on Line-of-Credit	<u>118,392</u>
Total Other Financing Sources	<u>118,392</u>
Net Change in Fund Balances	(192)
Fund Balances - Beginning of year	<u>577,184</u>
Fund Balances - End of year	<u>\$ 576,992</u>

See accompanying notes to the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2

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

Year Ended June 30, 2013

NET CHANGE IN FUND BALANCE-
GOVERNMENTAL FUNDS (page 11) \$ (192)

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

Governmental funds report capital outlays as expenditures. In the statement
of activities the cost of those assets is allocated over their estimated useful
lives and reported as depreciation expense:

Capital outlay 489,976
Depreciation expense (208,369)

Change in net pension liability (376,917)

The issuance of long-term debt (e.g., bonds, leases) or advances on a line of credit,
provide current financial resources to governmental funds, while the repayment
of the principal of long-term debt or a line of credit consume the current financial
resources of governmental funds. Neither transaction has any effect on net assets.
Also, governmental funds report the effect of issuance costs, premiums, discounts
and similar items when debt is first issued, whereas these amounts are amortized
and deferred in the statement of activities. The details of these differences in the
treatment of long-term debt and a line of credit and related items are as follows:

Capital lease payments 136,116
Advances on a Line of Credit (118,392)

Some expenses, reported in the statement of activities do not require the use of
current financial resources and, therefore, are not reported as expenditures in
the governmental funds:

Compensated absences (35,339)

Payments or changes in estimates on accrued non-current liabilities, Heart and
Hypertension benefits, are reported as expenditures in the general fund. These
transactions are reductions in those liabilities in the government-wide statements:

Heart and Hypertension payments 146,876
Reduction in Heart and Hypertension Liability 773,874

CHANGE IN NET DEFICIT OF GOVERNMENTAL ACTIVITIES \$807,633

See accompanying notes to the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

June 30, 2013

	<u>Pension Trust Fund</u>
ASSETS	
Investments, at Fair Value	<u>\$3,523,403</u>
NET ASSETS	
Held in trust for Pension Benefits	<u>\$3,523,403</u>

See accompanying notes to the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

Year Ended June 30, 2013

	<u>Pension Trust Fund</u>
ADDITIONS	
Contributions:	
Employer	\$ 200,000
Employee	92,836
Investment Income:	
Interest and Dividends	25,168
Realized Gain on Investments	89,759
Net Increase in Fair Value of Investments	<u>307,521</u>
Total Additions	<u>715,284</u>
DEDUCTIONS	
Distributions, Disbursements, and Rollovers	<u>69,827</u>
Total Deductions	<u>69,827</u>
NET INCREASE	645,457
NET ASSETS - Beginning of Year	<u>2,877,946</u>
NET ASSETS - End of Year	<u>\$3,523,403</u>

See accompanying notes to the financial statements.

THOMPSONVILLE FIRE DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Thompsonville Fire District No. 2 (the District) is presented to assist in understanding the District's financial statements. The financial statements, including notes, are representations of the District's management, who are responsible for their integrity and objectivity.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

A. Organization

The State of Connecticut General Assembly incorporated the Thompsonville Fire District No. 2 under a special act during the 1935 session. Under the same act, a three member Board of Fire Commissioners was created.

B. Basis of Presentation

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities report information on all non-fiduciary activities of the District.

Fund Financial Statements: 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 governmental fund financial statements is on major funds, each displayed in a separate column.

The District has the following major governmental fund:

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

Additionally, the District reports the following fiduciary fund type:

Pension trust fund: Accounts for money held in an outside pension trust fund for benefit of employees of the District.

THOMPSONVILLE FIRE DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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

C. Measurement Focus and Basis of Accounting

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 they occur and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Property taxes are allocated by the town to the District based on the District's needs as detailed in the District's approved budget for the year. The District reports Fire District Tax Revenue when received from the Town of Enfield.

The Governmental fund financial statements 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the District considers revenues to be available if collected within 60 days after year end. Expenditures generally are recorded when a 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 expendable available financial resources. General capital asset acquisitions are reported as expenditures in the general fund. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

D. Fund Equity and Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - This category groups all capital assets, less accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted Net Assets - This category results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The District does not have any restrictions as of June 30, 2013.

Unrestricted Net Assets - This category represents the net assets of the District which are not restricted for any specific purpose by third parties.

THOMPSONVILLE FIRE DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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

In the fund financial statements, fund balances of governmental funds are classified by the relative strength of the spending constraints placed on the purposes for which resources can be used. The District uses these classifications:

Unassigned Fund Balance - indicates that portion of fund equity which is available for any purpose. This classification is only reported in the general fund.

Assigned Fund Balance - indicates portion of fund equity that the District intends to use for a specific purpose. The constraints imposed can be removed or modified by anyone delegated authority over the amounts. The District delegates the Board of Commissioners the authority over this fund balance. The District has not assigned any of the fund balance as of June 30, 2013.

When both restricted and unrestricted amounts are available for use, it is the District's practice to use restricted resources first. Additionally, the District would first use assigned, then unassigned amounts of unrestricted fund balance.

E. Capital Assets

Capital assets, which include property, plant & equipment, are reported in the government-wide financial statements.

Capital assets are recorded at historical cost if purchased or constructed. Donated assets are reported at estimated fair value at the date of donation. Costs of normal repairs and maintenance not adding to the useful life 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 Lives</u>
Building and improvements	\$1,000	Straight-line	10-40 years
Equipment	\$1,000	Straight-line	5-10 years

F. 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.

THOMPSONVILLE FIRE DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

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

The Board of Fire Commissioners is authorized to make transfers between budget items as long as total budgeted expenditures are not exceeded. Budgets are prepared using the cash basis of accounting.

G. Accounting 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at year end and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an "out-of-state bank," as defined by the Statutes, which is not a "qualified public depository." As of June 30, 2013, the deposit accounts are as follows:

Deposits with Financial Institutions	<u>\$633,506</u>
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Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2013 all deposit accounts were insured and collateralized.

THOMPSONVILLE FIRE DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 3 - CHANGES IN CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2013 consist of the following:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Land	\$ 217,109	\$175,069	\$ -	\$ 392,178
Building and improvements	984,252	305,167	-	1,289,419
Vehicles	1,773,293	-	-	1,773,293
Equipment	<u>841,737</u>	<u>9,740</u>	-	<u>851,477</u>
Total	<u>3,816,391</u>	<u>489,976</u>	-	<u>4,306,367</u>
<u>Less accumulated depreciation:</u>				
Building and Improvements	682,598	19,286		701,884
Vehicles	593,511	141,144	-	734,655
Equipment	<u>695,568</u>	<u>47,939</u>	-	<u>743,507</u>
Total	<u>1,971,677</u>	<u>208,369</u>	-	<u>2,180,046</u>
Capital Assets, Net	<u>\$1,844,714</u>	<u>\$281,607</u>	<u>\$ -</u>	<u>\$2,126,321</u>

NOTE 4 - PENSION PLANS

Defined Benefit Plan

Plan Description

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. The plan does not issue stand alone financial statements. Plan contribution requirements and benefits are established by the Board of Fire Commissioners through adoption of plan documents.

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. Contributions are recognized when due, and investment income is recognized when earned. Expenses (benefits, administration and refunds of contributions) are recognized when due, payable in accordance with the terms of the plan.

THOMPSONVILLE FIRE DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 4 - PENSION PLANS, (Cont.'d)

Valuation of Investments

All funds are invested and administered through Prudential Retirement and are reported at fair value.

Classes of Employees Covered

The membership of the plan, as of July 1, 2012, consisted of the following:

Retirees and beneficiaries	
currently receiving benefits	1
Inactive with vested benefits	0
Active plan members	<u>19</u>
Total	<u>20</u>

Benefit Provisions

Eligibility

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. Any participant who suffers a disability while actively employed by 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.

Contributions

District employees contribute 7% of earnings. The District is required to contribute the amounts necessary to finance the benefits for its employees.

THOMPSONVILLE FIRE DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 4 - PENSION PLANS, (Cont.'d)

Actuarial Assumptions

The annual required contribution, for the current year beginning July 1, 2012, was determined using the following actuarial assumptions:

Actuarial Cost Method	Frozen Entry Age Normal
Amortization Method	Level Percentage
Amortization Period	40 years
Asset Valuation Method	Market Value
Investment Rate of Return	8.00%
Projected Salary Increases	5.00%

Annual Pension Cost and Net Pension Obligation (Asset)

Annual required contribution	\$ 576,090
Interest on net pension obligation	52,768
Adjustment to annual required contribution	<u>(51,941)</u>
Annual pension cost	576,917
Actual contribution made	<u>200,000</u>
Increase (decrease) in net pension obligation	376,917
Net Pension Obligation, beginning of year	<u>659,606</u>
Net Pension Obligation, end of year	<u>\$1,036,523</u>

Required Supplementary Information (Unaudited)
Schedule of Employer Contributions

The required and actual contributions for the past three years were as follows:

<u>Fiscal Year Ended</u>	<u>Suggested Annual Required Contribution (ARC)</u>	<u>Actual Contribution</u>	<u>Percentage Of ARC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
6/30/11	\$444,889	0	0.00%	\$ 403,096
6/30/12	\$456,004	\$200,000	43.86%	\$ 659,606
6/30/13	\$576,090	\$200,000	34.72%	\$1,036,523

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 4 - PENSION PLANS, (Cont.'d)

Schedule of Funding Progress

Actuarial Valuation Date <u>July 1,</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	Over/Under Funded AAL as a % of Covered Payroll <u>(b-a)/c</u>
2011	\$2,426,000	\$6,184,544	\$3,758,544	39.23%	\$1,260,973	298.07%
2012	\$2,616,326	\$6,981,45	\$4,365,132	37.48%	\$1,357,044	321.66%
2013	\$2,990,961	\$7,390,949	\$4,399,988*	40.47%	\$1,395,895	315.21%

* Payable over the next 30+ years.

Historical Trend Information -The schedule of funding progress presented above in the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

Deferred Compensation 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 direction of the covered employee, through investments in annuity contracts issued by any insurer licensed to do business in Connecticut.

NOTE 5 - ECONOMIC DEPENDENCY

The District is dependent upon the Town of Enfield to tax and collect the assessed fire district tax from the property owners of the District area. Any disruption of this service would have a severe impact on the District's ability to provide fire fighting services in the future and to meet its current financial obligations.

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 6 - LONG-TERM DEBT

During the fiscal year ended June 30, 2008, the District entered into an agreement to borrow \$1,769,410 to fund the lease balance of two previously purchased 2007 Seagrave pumper trucks and the purchase of a new 2008 Sutphen ladder truck. The first payment of \$326,063 (principal) and \$18,937 (interest) was paid with the proceeds of the sale of a 2000 KME ladder truck. The terms of the lease purchase financing agreement provide for annual payments of principal and interest at a rate of 4.48% 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>
2014	\$ 141,158	\$ 97,922	\$ 43,236
2015	141,158	102,309	38,849
2016	141,158	106,892	34,266
2017	141,158	94,964	46,194
2018	141,158	99,218	41,940
2019-2023	<u>487,681</u>	<u>463,792</u>	<u>23,889</u>
TOTAL	<u>\$1,193,471</u>	965,097	<u>\$228,374</u>
Less amount due in one year		<u>(97,922)</u>	
		<u>\$867,175</u>	

During the fiscal year ended June 30, 2011, the District entered into an agreement to borrow \$150,275 to fund the purchase of a new 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 \$33,545, inclusive of 5.05% interest, beginning on September 1, 2011. 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>
2014	\$ 33,545	\$28,938	\$4,607
2015	33,545	30,398	3,147
2016	<u>33,545</u>	<u>31,933</u>	<u>1,612</u>
TOTAL	<u>\$100,635</u>	<u>91,269</u>	<u>\$9,366</u>
Less amount due in one year		<u>(28,938)</u>	
		<u>\$62,331</u>	

THOMPSONVILLE FIRE DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 7 - LINE OF CREDIT

The District has a \$250,000 revolving line of credit with a variable interest rate based on the Wall Street Journal prime rate, but not lower than 4.00%, to be used for the fire station project. The payment terms are on demand, interest only. The line shall be paid in full for thirty consecutive days each year and is collateralized by all business assets of the District. The balance of the line of credit at June 30, 2013 is \$118,392

NOTE 8 - CHANGES IN NONCURRENT LIABILITIES

Payments on non-current liabilities are made by the general fund. Changes for the year ended June 30, 2013 consist of the following:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
*Notes payable	\$1,211,959	\$ -	\$ 136,119	\$1,075,840	\$131,408
Heart/Hypertension Claims Payable	<u>4,462,143</u>	<u>-</u>	<u>920,750</u>	<u>3,541,393</u>	<u>227,051</u>
	<u>\$5,674,102</u>	<u>\$ -</u>	<u>\$1,056,869</u>	<u>\$4,617,233</u>	<u>\$358,459</u>

*Includes Due to Other Fire District-Note 9

NOTE 9 - DUE TO ENFIELD FIRE DISTRICT

During the fiscal year ended 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. Contributions shall be apportioned on a pro-rata basis reflecting the Grand List by District. A contract for a special operations vehicle was signed on July 21, 2006. Each district will be assessed for their share of the cost (\$5,436 per year for ten years for the District). The interlocal agreement was approved by the Commissioners on July 16, 2006. The agreement automatically terminates in 40 years.

THOMPSONVILLE FIRE DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 9 - DUE TO ENFIELD FIRE DISTRICT (Cont.'d)

The agreement with the Town of Enfield for the purchase of the shared operations vehicle bears interest at 4.48%. The following is a summary of future payments:

Year Ending <u>June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$5,436	\$4,548	\$ 888
2015	5,436	4,756	680
2016	5,436	4,972	464
2017	<u>5,436</u>	<u>5,198</u>	<u>238</u>
	<u>\$21,744</u>	19,474	<u>\$2,270</u>
Less amount due in one year		<u>(4,548)</u>	
		<u>\$14,926</u>	

NOTE 10 - 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 District receives an annual lump sum payment from the Town of Enfield for the total property taxes collectible. The District, in turn, pays the town a 3% service charge which represents an estimate of the costs of tax collection.

NOTE 11- RISK MANAGEMENT

The District's risks of loss relate to 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 worker's compensation policy. This may result in additional premium being paid above the initial premium.

NOTE 12 - HEART AND HYPERTENSION LIABILITIES

The District is currently liable to five former employees or their spouses for future year's partial wage payments under the Connecticut Heart and Hypertension Statute, Section 7-433 (c) of Connecticut General Statutes, until their condition has decreased or ceased. The liabilities of two of these employees was determined by calculating the present value of estimated future payments over approximately 15-30 years. The liability for the remaining employees were determined by fixed settlement amounts. Amounts accrued are reported in noncurrent liabilities as Heart and Hypertension claims payable. (See note 8.)

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 13 - COMPENSATED ABSENCES

The District offers 13-paid holidays and up to 25 vacation days annually based on length of service, and sick leave, accumulated at a rate of 1.25 days for each month of work. Unused sick leave can accumulate up to 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. The amount accrued as of June 30, 2013 is \$393,057 and is reported in the accrued expenses in the statement of net assets.

NOTE 14 - CONTINGENT LIABILITIES

On or about June 2007, an employee filed a claim with the Workers Compensation Commission seeking benefits under either the Connecticut Workers' Compensation Act or the Connecticut Heart and Hypertension Act. The District filed a timely Notice of Intention to Contest on June 5, 2007. While there has been no further activity in this matter, the claim remains open at this time.

On or about March 14, 2001, an employee filed a claim for heart and hypertension benefits. At that time, the District contested the claim on a number of grounds which resulted in a formal hearing on the merits of the claim. The Workers' Compensation Commission issued a Finding in the Claimant's favor and the District appealed. Prior to the hearing of the District's appeal, the parties reached a settlement in the form of a "Stipulation to Date", which was approved by the Workers' Compensation Commission on or about August 25, 2003. Pursuant to the Stipulation to Date, the Claimant agreed to compromise by accepting 14 percent permanent partial disability payments in satisfaction of the 20 percent disability and, in exchange, the District agreed to drop its appeal of his Finding and Award at trial to the Compensation Review Board. The District paid such benefits to the claimant for the required period under the Stipulation to Date. Thereafter, there was no activity on the claim for several years. In early spring of 2012 the claimant claimed an increase in his permanent partial disability rating to 24 percent. The District has disputed the claimant's position; he is seeking payment of an additional 10 percent (52 weeks) of benefits based on his understanding of the earlier Stipulation to Date. As a result of their further discussions, the Parties' reached a revised Voluntary Agreement and Stipulation of Issues to Date whereby the District agreed to pay and the Claimant agreed to accept payments totaling \$25,857 and representing an additional 7.5% permanent partial disability benefits. Such Voluntary Agreement was approved by the Connecticut Workers' Compensation Commission on or about October 23, 2012.

Recently, the District received notice that a claim had been filed by a former employee's spouse for survivor benefits under the terms of the Connecticut Heart and Hypertension Act. Prior to his death on or about July 19, 2012, an employee received benefits pursuant to a Stipulation related to his claim for heart and hypertension benefits. The District has filed an initial contest of the spouse's claim which is still being processed at the earliest level. Upon a thorough investigation of the cause of death, the District determined that the spouse was eligible for Survivor benefits. The District and spouse entered into a Voluntary Agreement and Stipulation of Issues to Date in which the District agreed to pay a lump sum payment for funeral expenses and the retroactive payment of statutory benefits and the continued weekly benefit payments, subject to continued eligibility and required cost of living adjustments, if any; such stipulation was approved by the Connecticut Workers' Compensation Commission on or about January 16, 2013.

THOMPSONVILLE FIRE DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 14 - CONTINGENT LIABILITIES, (Cont.'d)

A claim was filed by an employee under the Connecticut Heart & Hypertension Statute on or about September 28, 2009. The District has contested the claim by virtue of its denial dated October 15, 2009 and recently requested records to assist with the District's investigation into the claim. While there has been no recent activity in this matter, the employee has retired effective March 1, 2010, but the claim remains open at this time.

On or about February 3, 2010, the District received notice that a claim for benefits, under the terms of the Connecticut Heart and Hypertension statute, has been filed by an employee. The District has filed a timely contest to the claim and has recently requested records to assist with the District's investigation of the matter. There has been no other activity or hearings in the matter, but the claim remains open at this time.

On or about March 5, 2010, an employee filed a claim under the Heart and Hypertension Act. The District filed a timely contest to the claim by virtue of its denial dated March 16, 2010. There has been no further activity on this matter. The District anticipates conducting its standard investigation of the claim to determine the existence of potential defenses and the claim remains open at this 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.

NOTE 15 - SUBSEQUENT EVENTS

The District has implemented ASC 855 (formerly Statement of Financial Accounting Standards No. 165, Subsequent Events). Management evaluated all events or transactions that occurred after June 30, 2013, up through March 26, 2014, the date these financial statements were available to be issued.

NOTE 16 - CHANGE IN ACCOUNTING ESTIMATE

The District adjusted the Heart and Hypertension liability estimate to reflect the death of a participant. The effect of this adjustment was a reduction of \$779,814 through the firefighting expenses on the statement of activities for the year ended June 30, 2013.

THOMPSONVILLE FIRE DISTRICT NO. 2

BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND - BUDGET BASIS

Required Supplementary Information
Fiscal Year Ended June 30, 2013

RECEIPTS	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Property Taxes	\$3,865,452	\$3,861,931	\$ (3,521)
Investment Income	11,500	10,366	(1,134)
Firewatch and Other	20,536	37,155	16,619
Government Grants	<u>35,190</u>	<u>0</u>	<u>(35,190)</u>
Total Receipts	<u>3,932,678</u>	<u>3,909,452</u>	<u>(23,226)</u>
DISBURSEMENTS			
Gross Wages	1,787,553	1,860,841	(73,288)
Pension Contribution	400,000	200,136	199,864
Heart and Hypertension Payments and Benefits	171,376	146,876	24,500
Employee Related Insurance	618,510	604,163	14,347
Property and Liability Insurance	47,500	44,968	2,532
Headquarters Utilities and Maintenance	33,100	52,416	(19,316)
Tax Collection Fees	115,966	115,858	108
Annual Physicals	7,200	2,936	4,264
Auditor	13,000	14,000	(1,000)
Legal Fees	135,000	86,413	48,587
Other Professional Fees	8,500	1,338	7,162
Payroll Service Fees	6,990	6,295	695
Vehicle Maintenance and Fuel	36,602	55,315	(18,713)
Fire Inspection	5,000	7,705	(2,705)
Alarm and Communications	19,150	-	19,150
Firefighting and Station Supplies	7,800	4,319	3,481
Office	13,647	22,029	(8,382)
Hydrants and Maintenance	41,880	46,400	(4,520)
Clothing and Uniforms	12,000	13,027	(1,027)
Association Dues	12,600	12,218	382
Training	4,000	2,743	1,257
Professional Development/Travel	6,000	6,766	(766)
IT Maintenance	25,253	21,594	3,659
Equipment Repairs and Maintenance	8,855	5,671	3,184
Capital Costs	200,000	489,976	(289,976)
Debt Service			
Principal	195,196	136,115	59,081
Interest	<u>0</u>	<u>55,399</u>	<u>(55,399)</u>
Total Disbursements	<u>3,932,678</u>	<u>4,015,517</u>	<u>(82,839)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	<u>\$ 0</u>	(106,065)	<u>\$106,065</u>
FUND BALANCE - Beginning of Year		<u>830,498</u>	
FUND BALANCE - End of Year		<u>\$ 724,433</u>	

THOMPSONVILLE FIRE DISTRICT NO. 2

RECONCILIATION OF THE STATEMENT OF BUDGETARY COMPARISON TO THE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-GENERAL FUND

Year Ended June 30, 2013

Sources (inflows) of resources:

Actual amounts (budgetary basis) from statement of budgetary comparison	<u>\$3,909,452</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$3,909,452</u>

Uses (outflows) of resources:

Actual amounts (budgetary basis) from the statement of budgetary comparison	\$4,015,517
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Differences-budget to GAAP:

Expenditures that were accrued for financial reporting purposes, but not recognized for budget purposes	\$ <u>12,521</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds	<u>\$4,028,038</u>

THOMPSONVILLE FIRE DISTRICT NO. 2

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an annual budget for the General Fund. The District is required to present the budgeted receipts and disbursements for the General Fund.

The District's budget is prepared using the cash basis. The major differences between the budgetary basis and GAAP lie in the manner in which revenues and expenditures are recorded. Utilizing the cash basis, revenues are recorded when received in cash from the Town of Enfield and expenses are recorded when actually paid. The Town pays the Fire District the full amount of the Fire District's tax assessment each year, regardless of when the taxes are collected. Under GAAP, 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:

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 the Fire Commissioners of the 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.