

**POQUONNOCK BRIDGE
FIRE DISTRICT**

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2015**

**TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
AND
SUPPLEMENTAL REPORT**

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COSTELLO COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Poquonnock Bridge Fire District
Groton, Connecticut

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the Poquonnock Bridge Fire District (the District), 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2015, and the respective changes in financial position thereof 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 2A through 2F 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information described in the table of contents and the Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Financial Assistance for the year ended June 30, 2015 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 19, 2016, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Hebron, Connecticut
February 19, 2016

**POQUONNOCK BRIDGE FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

As management of the Poquonnock Bridge Fire District (the District) we offer readers of the financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

Financial Highlights

- The liabilities of the Poquonnock Bridge Fire District exceeded its assets at the close of the most recent fiscal year by \$5,037,568. Of this amount, unrestricted net position has a deficit of \$6,740,075.
- The government's total net position decreased by \$286,488. This decrease is mostly attributable to the reporting of post-employment benefit obligations and net pension costs.
- As of the close to the current fiscal year, the District's governmental funds reported combined ending fund balances of \$958,251.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. All of the resources the District has at its disposal are shown, including major assets such as buildings, vehicles and equipment. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the District's overall financial status.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicator of whether the District's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; uncollected taxes and earned but unused vacation leave are examples.

The governmental activities of the District include public safety and general government services. Property taxes finance most of these activities. The District reports substantially all of its activities as general government, as it is a political subdivision of the Town of Groton providing emergency services.

The government-wide financials statements (statement of net position and statement of activities) can be found on pages 3-4 of this report.

POQUONNOCK BRIDGE FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
For the Year Ended June 30, 2015

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are categorized as governmental 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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. The Capital Reserve Fund is also considered to be a major fund. There are three other Special Revenue Funds. Individual fund data for these non-major governmental funds is provided elsewhere in this report.

The District adopted an annual appropriated budget for its general fund.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balance) can be found on pages 5-6 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Included in the notes is the information concerning the District's funding of its obligation to provide pension benefits to its employees, the notes to the financial statements can be found on pages 7A-7O of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds and proprietary funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on page 9A and 9B of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceed assets by \$5,037,568 at the close of the fiscal year ended June 30, 2015.

POQUONNOCK BRIDGE FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
For the Year Ended June 30, 2015

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The largest portion of the liabilities is the unfunded other post-employment benefits to which the District is committed.

Net Position	June 30, 2015 Governmental Activities	June 30, 2014 Governmental Activities
ASSETS		
Current and Other Assets	\$ 1,388,274	\$ 1,385,980
Capital Assets, net	2,200,507	1,645,747
Deferred outflow or resources	1,042,688	-
TOTAL ASSETS AND OUTFLOWS OF RESOURCES	<u>4,631,469</u>	<u>3,031,727</u>
LIABILITIES		
Long-Term Liabilities Outstanding	9,073,599	5,900,001
Other Liabilities	135,041	245,086
Deferred inflows of resources	460,397	-
TOTAL LIABILITIES AND INFLOWS OF RESOURCES	<u>9,669,037</u>	<u>6,145,087</u>
NET POSITION		
Invested in capital assets, net of debt	1,702,507	1,645,747
Unrestricted	(6,740,075)	(4,759,107)
TOTAL NET POSITION	<u>\$ (5,037,568)</u>	<u>\$ (3,113,360)</u>

Governmental Activities

Governmental activities decreased the District's net position by \$286,488. Key elements of this decrease are as follows:

- The annual requirement to fund post-employment benefits for retirees and annual pension costs.
- Actual expenses were higher than budgeted.

**POQUONNOCK BRIDGE FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
For the Year Ended June 30, 2015**

Changes in Net Position	Year Ended June 30, 2015 Governmental <u>Activities</u>	Year Ended June 30, 2014 Governmental <u>Activities</u>
REVENUES		
Program Revenues:		
Charges for Services	\$ -	\$ -
Operating grants and contributions	-	-
Capital grants and contributions	147,771	632,474
General Revenues:		
Property Taxes	4,127,655	3,862,398
Grants and contributions not restricted to specific programs	154,550	206,605
Other	12,737	27,092
TOTAL REVENUES	<u>4,442,713</u>	<u>4,548,569</u>
EXPENSES:		
General Government	4,729,201	6,108,697
Capital Outlay	-	-
Interest on Long-Term Debt	-	-
TOTAL EXPENSES:	<u>4,729,201</u>	<u>6,108,697</u>
Increase (Decrease) in net position	(286,488)	(1,560,128)
Net Position, beginning of year (as restated)	<u>(4,751,080)</u>	<u>(1,553,232)</u>
Restatement for net pension liability	<u>-</u>	<u>(1,637,720)</u>
Net Position, end of year	<u>\$ (5,037,568)</u>	<u>\$ (4,751,080)</u>

Major revenue factors included:

- Property tax revenues recorded for fiscal year 2015 reflect a tax rate of 5.90 mills and growth in the total assessed value of all taxable property. Actual property tax revenues were approximately \$75,848 over budget.

For Governmental Activities, the majority of the District's expenditures related to the general government's public safety as a fire district.

Major expenditure factors included an increase in the required accounting for post-employment benefits and pension expense.

**POQUONNOCK BRIDGE FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
For the Year Ended June 30, 2015**

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$958,251, an increase of \$49,361 in comparison with the prior year.

General Fund

The fund balance of the District's General Fund increased by \$225,920 during the current fiscal year. A Key factor in this increase is as follows:

- Property tax revenues were higher than budgeted and expense were lower than budgeted.

General Fund Budgetary Highlights

The final budget contained no additional appropriations approved during the year.

During the year, actual revenues on a budgetary basis were \$4,421,516 which exceeded budgetary estimates by \$221,679. Actual tax revenues exceeded the budget by \$109,072. Intergovernmental funds received were \$111,011 more than the budgeted amount.

Actual expenditures on a budgetary basis and other financing uses totaled \$4,165,596. This was less than actual revenues on a budgetary basis by \$255,920.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$2,200,507, net of accumulated depreciation. This investment in capital assets includes land, buildings, related improvements, machinery and equipment, and vehicles.

The District purchased a new ladder truck during the year at a cost of \$698,000.

Additional information on the District's capital assets can be found in Note 7 of this report.

**POQUONNOCK BRIDGE FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
For the Year Ended June 30, 2015**

Long-Term Debt

At the end of the current fiscal year, the District had \$489,000 of non-current debt outstanding, for the financing of the new ladder truck.

The overall statutory debt limit for the District is equal to seven times annual receipts from taxation or about \$28.67 million. As of June 30, 2015, the Town recorded no long-term debt related to Governmental Activities, well below its statutory debt limits.

Additional information on the District's long-term debt can be found in Note 8 of this report.

Economic Factors and Next Year's Budgets and Rates

The management of the District considered the following in preparing the FY 2016 budget:

- Continued low interest rates.
- Increase in pension costs due to the economic crisis.
- Hard-to-control increases in health and liability insurance.

Request for Information

The financial report from which this management discussion is drawn is designed to provide a general overview of the District finances for all those with an interest in the government's finances. The financial statements themselves are available at the Poquonnock Bridge Fire District offices. Questions concerning any of the information provided in this discussion or requests for additional information should be addressed to:

District Office
Poquonnock Bridge Fire District
373 Long Hill Road
Groton, CT 06340

POQUONNOCK BRIDGE FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Cash and Cash Equivalents	\$ 1,161,903
Receivables, net	226,371
Capital Assets, net	<u>2,200,507</u>
TOTAL ASSETS	<u>3,588,781</u>
DEFERRED OUTFLOW OF RESOURCES	
Total asstes and derferred outflows or resources	<u>1,042,688</u>
	<u>4,631,469</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Accounts Payable and Accrued Expenses	135,041
Long-Term Liabilities	
Net Pension Liability	2,388,470
Compensated Absences	391,084
Net Other Post-Employment Obligation	<u>6,294,045</u>
TOTAL LIABILITIES	<u>9,208,640</u>
DEFERRED INFLOWS	<u>460,397</u>
NET POSITION	
Investment in Capital Assets, net of related debt	1,702,507
Unrestricted	<u>(6,740,075)</u>
TOTAL NET POSITION	<u><u>\$ (5,037,568)</u></u>

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

POQUONNOCK BRIDGE FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue - Grant and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Primary Government:			
General Government	<u>\$ 4,729,201</u>	<u>\$ 147,771</u>	<u>\$ (4,581,430)</u>
Total Primary Government	<u>\$ 4,729,201</u>	<u>\$ 147,771</u>	<u>(4,581,430)</u>
General Revenues:			
Property Taxes			4,127,655
Grants and Contributions not restricted to specific programs			154,550
Unrestricted Investment Earnings			2,392
Miscellaneous			10,345
Total General Revenues			<u>4,294,942</u>
Change in Net Position			(286,488)
Net Position (deficit) - Beginning (as restated)			<u>(4,751,080)</u>
Net Position (deficit) - Ending			<u>\$ (5,037,568)</u>

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

POQUONNOCK BRIDGE FIRE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	<u>General</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash & Cash Equivalents	\$ 578,728	\$ 530,819	\$ 52,356	\$ 1,161,903
Due from other funds	-	-	405	405
Receivables, net of uncollectibles	226,371	-	-	226,371
TOTAL ASSETS	<u>\$ 805,099</u>	<u>\$ 530,819</u>	<u>\$ 52,761</u>	<u>\$ 1,388,679</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 135,041	\$ -	\$ -	\$ 135,041
Due to Other Funds	405	-	-	405
Deferred Revenues	294,982	-	-	294,982
Total Liabilities	<u>430,428</u>	<u>-</u>	<u>-</u>	<u>430,428</u>
 FUND BALANCES				
Restricted	-	-	52,761	52,761
Committed	-	530,819	-	530,819
Assigned	-	-	-	-
Unassigned	374,671	-	-	374,671
Total Fund Balances	<u>374,671</u>	<u>530,819</u>	<u>52,761</u>	<u>958,251</u>
 TOTAL LIABILITIES & FUND BALANCE	 <u>\$ 805,099</u>	 <u>\$ 530,819</u>	 <u>\$ 52,761</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit A) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,200,507
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	294,982
Deferred outflows or resources	1,042,688
Deferred inflows of resources	(460,397)
Net pension liability	(2,388,470)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(6,685,129)</u>
 Net position of governmental activities (Exhibit A)	 <u>\$ (5,037,568)</u>

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

POQUONNOCK BRIDGE FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Tax Revenue	\$ 4,107,099	\$ -	\$ -	\$ 4,107,099
Intergovernmental	302,321	-	-	302,321
Investment Income	1,751	597	44	2,392
Other	10,345	-	-	10,345
TOTAL REVENUE	<u>4,421,516</u>	<u>597</u>	<u>44</u>	<u>4,422,157</u>
EXPENDITURES				
General Government	4,158,396	-	7,200	4,165,596
Capital Outlay	498,000	200,000	-	698,000
TOTAL EXPENDITURES	<u>4,656,396</u>	<u>200,000</u>	<u>7,200</u>	<u>4,863,596</u>
EXCESS (deficiency) of REVENUES OVER EXPENDITURES	(234,880)	(199,403)	(7,156)	(441,439)
OTHER FINANCIAL SOURCES (USES)				
Proceeds from financing	498,000			498,000
Operating Transfers In (Out)	(7,200)	-	-	(7,200)
NET CHANGE IN FUND BALANCES	255,920	(199,403)	(7,156)	49,361
FUND BALANCES JUNE 30, 2014	<u>118,751</u>	<u>730,222</u>	<u>59,917</u>	<u>908,890</u>
FUND BALANCES JUNE 30, 2015	<u>\$ 374,671</u>	<u>\$ 530,819</u>	<u>\$ 52,761</u>	<u>\$ 958,251</u>

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net Change in fund balances - total governmental funds	49,361
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year.	554,760
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.	20,556
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(911,165)</u>
Change in net position (Exhibit B)	<u>\$ (286,488)</u>

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

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Poquonnock Bridge Fire District (the District) is located in Groton, Connecticut. The Executive Committee is the governing body for the legislative power and is responsible for the administration of the District. The District provides fire services to the Town of Groton, and is a separate taxing authority.

For financial reporting purposes, the District includes all funds, account groups, agencies, boards, commissions and authorities that are controlled by or dependent on the District. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, outstanding debt which represents a general obligation of the District, obligation of the District to finance any deficits that may occur or receipt of significant subsidies from the District.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criteria provided in Government Accounting Standards Board Statement No. 14 have been considered and there are no agencies or entities which should be presented with the District.

Government-Wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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 they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Property taxes, when levied for, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the District, or specifically identified.

The government reports the following major governmental funds:

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

The Capital Reserve Fund is used to fund future capital improvements and major equipment acquisitions.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 the end of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Property Taxes

Property taxes are assessed on property as of October 1. Real estate and personal property taxes are billed in the following July and are payable on July 1, real property bills \$250 and over are payable at July 1 and January 2. Motor vehicle taxes are billed July 1 and are due in a single payment on July 1. Liens are effective on the assessment date and are continued by filing on July 1, following the due date.

Property taxes that have been levied and are due on or before year-end are recognized as revenue if they have been collected within sixty days after year-end. Property taxes receivable not collected within sixty days after year-end are reflected as deferred revenue. An allowance based on historical collection experience is provided for uncollectible taxes.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Cash and Investments

The District considers all highly liquid investments and those with original maturities of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value based on quoted market price.

Effective July 1, 2004, the District adopted Statement Number 40 of the Governmental Accounting Standards Board (GASB). The required implementation date for GASB Statement 40 is for periods beginning after June 15, 2004.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. GASB No. 34 requires the District to report and depreciate new infrastructure assets effective July 1, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The District has implemented the general provisions of GASB No. 34 with the exception of the retroactive reporting of infrastructure assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Vehicles, Machinery and Equipment	5-20

Capital outlay is considered an expenditure in the governmental fund financial statements.

Compensated Absences

Employees are paid a prescribed formula for absences due to sickness or vacation.

Long-Term Obligation

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing resources. Premiums received on debt issuances are reported as other sources while discounts on debt are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures 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 an assignment of fund balance as they do not constitute expenditures or liabilities.

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, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Unrestricted Net Assets – This category represents the net assets of the District which are not restricted for any project or other purpose by third parties.

Effective July 1, 2010, the District adopted the provisions of Governmental Accounting Standards Board Statement #54 (GASB 54), which defines the different types of fund balances that the District must use for its governmental funds. GASB 54 requires the fund balances to be properly reported within one of the following categories for financial reporting purposes.

Nonspendable – fund balance amounts associated with inventories, prepaids, and long-term receivables and payables.

Restricted – fund balance amounts that can be spent only for the specific purposes stipulated by external source providers or enabling legislation.

Committed – fund balance amounts that can be used only for specific purposes determined by a formal action of the District's highest level of decision-making authority.

Assigned – fund balance amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed fund balances.

Unassigned – fund balance amounts remaining for the General Fund that are spendable.

The District's committed fund balance reporting is required when funds have been committed at a District Meeting. The District's assigned fund balance reporting is required when funds have been assigned by the District's Executive Committee. The District's policy is to apply expenditures against the applicable fund balances in the following order: nonspendable, restricted, committed, assigned, and unassigned.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$6,685,129 difference are as follows:

Compensated Absences	\$ 391,084
Net Other Post-Employment Benefit (OPEB) Obligation	<u>6,294,045</u>
Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ 6,685,129</u>

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$120,229 difference are as follows:

Capital Outlay	\$ 698,000	-
Depreciation Expense	<u>(143,240)</u>	
Net Adjustment to Increase Net Changes in Fund Balances – total Governmental Funds to arrive at changes in Net Position of Governmental Activities	<u>\$ 554,760</u>	

3. BUDGETS AND BUDGETARY ACCOUNTING

The District Chief reviews the budget estimates with the Deputy Chief and related personnel. Not later than one hundred twenty (120) days prior to the end of the fiscal year, the District Chief presents to the Executive Committee a proposed budget. The Executive Committee reviews the budget estimates and makes further revisions. The Executive Committee then prepares a budget to be presented to the annual District budget meeting.

The District charter provides the manner in which it is to be utilized by District meeting in acting upon the budget. The Executive Committee is authorized to approve transfers between budgeted line items and between funds. Unexpected appropriations lapse at the end of the fiscal year unless specifically continued in force to the subsequent period. There were no additional appropriations made during the year ended June 30, 2015.

The General Fund budget is prepared on a modified accrual basis of accounting. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract of other commitment is issued, and accordingly encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year.

Legal Level of Control

No officer of the District shall expend or enter into any contract by which the District shall become liable for any sum which, with any contract then in force, shall exceed the appropriation for the department, except in case of necessity connected with the repair of highways, bridges, sidewalks, and water and sewer systems and the care of the Town poor, and then not more than \$1,000.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

3. BUDGETS AND BUDGETARY ACCOUNTING, *continued*

Formal budgetary integration of these budgets is employed as a management control device in the General Fund. Formal budgetary integration is not employed in other funds because budgetary control is alternately achieved by constraints imposed by the project authorization or grant awards related to these funds.

All encumbered appropriations lapse at year-end except for those in a Capital Projects Fund. Appropriations for these funds are continued until completion of the applicable projects, which often last more than one fiscal year but cannot exceed five (5) years.

The District's budgeting system requires accounting for certain transactions to be on a basis other than accounting principles generally accepted in the United States of America (GAAP basis). The major differences between the budget and GAAP basis are as follows:

- Taxes collected 60 days subsequent to June 30 are recognized as revenue for GAAP purposes during the current year compared to recognition in the year received for budgetary purposes. In addition, allowance for uncollectible amounts is utilized for GAAP purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The deposit of public funds is controlled by Connecticut General Statutes (Section 7-402). Deposits can be made in a "qualified public depository" as defined by statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation (FDIC) insurance limit in an "out of state bank", as defined by statutes, which is not a "qualified public depository".

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (a) obligations of the United States and its agencies; (b) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (c) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net assets values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations.

Other provisions of the statutes cover specific municipal funds with particular investment authority. The provisions of the statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF) and the State Tax Exempt Proceeds Fund (TEPF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer's Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

4. CASH, CASH EQUIVALENTS AND INVESTMENTS, *continued*

Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2015:

Deposits:	
Demand Accounts	\$ 1,161,903
Certificates of Deposit	-
Total Deposits	<u>1,161,903</u>
Less: Certificates of Deposits Classified as Investments	-
Total Cash and Cash Equivalents	<u>\$ 1,161,903</u>

Deposits

At June 30, 2015, the carrying amount of the District deposits was \$1,161,903 and the bank balance was \$1,203,332.

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. Of the June 30, 2015 bank balance, \$631,980 was covered by Federal Depository Insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with Federal law) in an amount equal to a defined percentage of its public deposited based upon the depository's risk based capital ratio. The balance of deposits of \$529,923 was uninsured and uncollateralized.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2015, the District did not have any cash equivalents.

Investments

As of June 30, 2015, the District did not have any investments.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Investments - As indicated above, State Statutes limit the investment options of municipalities. The District has no investment policy that would further limit its investment choices. The provisions of the statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, the investment of such funds is generally controlled by laws applicable to fiduciaries and the provisions of the applicable plan.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

4. CASH, CASH EQUIVALENTS AND INVESTMENTS, *continued*

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the District or that sells investments to or buys them for the District), the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2015, the District did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the District's name.

5. RECEIVABLES

Receivables as of year-end are as follows:

	<u>General Fund</u>
Receivables:	
Property Taxes	\$ 226,371

6. INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS

Interfund Receivables and Payables at June 30, 2015 were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 405
Non-Major Governmental Funds	405	-
Total	\$ 405	\$ 405

All interfund balances result from the time lag between dates payments occur between funds for various activities.

Interfund transfers during the year ended June 30, 2015 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 7,200
Capital Reserve Fund	7,200	-
Pension Obligation Fund	-	-
Total	\$ 7,200	\$ 7,200

Transfers are used to account for unrestricted revenues collected mainly in the General Fund to finance various programs accounted for in other funds in accordance with budget authorizations.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital Assets, not being depreciated	\$ -	\$ -	\$ -	\$ -
Land	150,000	-	-	150,000
Construction in Progress	-	-	-	-
Total Capital Assets, not being depreciated	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Capital Assets, being depreciated				
Buildings and Improvements	2,216,933	-	-	2,216,933
Machinery and Equipment	428,922	-	-	428,922
Vehicles	1,656,703	698,000	-	2,354,703
Total Capital Assets being depreciated	<u>4,302,558</u>	<u>698,000</u>	<u>-</u>	<u>5,000,558</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	1,065,374	40,367	-	1,105,741
Machinery and Equipment	314,214	20,529	-	334,743
Vehicles	1,427,223	82,344	-	1,509,567
Total Accumulated Depreciation	<u>2,806,811</u>	<u>143,240</u>	<u>-</u>	<u>2,950,051</u>
Total Capital Assets, being depreciated, net	<u>1,495,747</u>	<u>554,760</u>	<u>-</u>	<u>2,050,507</u>
Governmental activities capital assets, net	<u>\$ 1,645,747</u>	<u>554,760</u>	<u>\$ -</u>	<u>\$ 2,200,507</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government Services	\$ <u>143,240</u>
Total Depreciation Expense - Governmental Activities	\$ <u>143,240</u>

8. LONG TERM DEBT

The District had the following long term for the year ended June 30, 2015:

Purpose: Purchase of Aerial Ladder Truck	
Commercial 10 year loan dated January 26, 2015	
Payable in annual principal and interest payments	
of \$59,519, with fixed interest rate of 2.85%	\$ <u>498,000</u>
Due within one year	\$ 42,686
Due in more than one year	<u>455,314</u>
	<u>\$498,000</u>

The District is limited in the amount of its outstanding debt by state statute. The limitation is lower of a multiple, ranging from 2.25 to 4.50, of a base related to total tax collections or seven times annual receipts from taxation. Under this limitation, the District has excess debt capacity of approximately \$9,200,000 at June 30, 2015.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

9. COMPENSATED ABSENCES

Compensated absences are shown as long-term liabilities and are broken down as follows:

Beginning Balance July 1, 2014	\$ 456,581
Decrease	<u>(65,497)</u>
Ending Balance June 30, 2015	<u>\$ 391,084</u>

10. PENSION PLAN

The District employees are covered by a defined benefit pension plan from the Town of Groton.

Town of Groton Retirement System, an agent multiple employer Public Employee Retirement System (PERS), administered by the Town of Groton's Retirement Board. The PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The Town of Groton (the Town's) Charter provides the Town Council with the authority to establish and amend benefit provisions, by ordinance, through the Retirement Board. The plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. Those reports may be obtained by writing to the Finance Department of the Town of Groton, 45 Fort Hill Road, Groton, Connecticut.

The District is required to contribute at an actuarially determined rate. As a condition of the plan, participating employees will contribute four percent (4%) of their gross pay. District employees hired after January 1, 2008 are prohibited from participating in this plan.

The District's required contributions to this plan totaled \$414,790 for the year ended June 30, 2015 and were paid during that fiscal year. Pension expense recognized for the year ended June 30, 2015 was \$491,186. As of June 30, 2015, there were no current District employees, eighteen retiree and/or beneficiary receiving benefits, and no terminated employee entitled to benefits but not yet receiving them, participating in the plan.

Plan benefits are calculated as 2.75% of average annual pay for highest paid 4 years multiplied by the number of years of continuous service to a maximum of 30 years of service.

The PERS plan's fiduciary net position has been determined on the same basis as that used by the plan. The PERS plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. The plan's investment are reported at fair value. Investment income is recognized as earned, and gains or losses on sales or exchanges of investments are recognized on the transaction date.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

NOTE 7 - PENSION PLANS (Continued)

The District reported the following deferred outflows of resources and deferred inflows of resources in connection with the PERS on the statement of net position as of June 30, 2015:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Changes of actuarial assumptions	\$ 707,545	\$ -
Net difference between projected and actual investment earnings	335,143	-
Difference between expected and actual experience	<u>-</u>	<u>460,397</u>
	<u>\$ 1,042,688</u>	<u>\$460,397</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

<u>Year ending June 30,</u>		<u>Expense</u>
2016	\$	115,881
2017		115,881
2018		115,881
2019		115,881
2020		32,097
Thereafter		<u>86,670</u>
	<u>\$</u>	<u>582,291</u>
Deferred outflows	\$	1,042,688
Deferred inflows		<u>(460,397)</u>
	<u>\$</u>	<u>582,291</u>

The District's net pension liability for the year ended June 30, 2015 was derived as follows:

Total pension liability	\$ 11,874,472
Less: Plan fiduciary net position	<u>9,486,002</u>
Net pension liability	<u>\$ 2,388,470</u>

Plan fiduciary net position as a percentage of the total pension liability	79.89%
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The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	Varies by age group
Investment rate of return	7.75%

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

NOTE 7 - PENSION PLANS (Continued)

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. The actuarial assumptions used in July 1, 2014 valuation were based on the 2014 Experience Study Report published in August 2014. The long-term expected rate of return on pension plan investments was determined using a building block method 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	7.05%
US Small Cap	8.10%
Developed International Equities	7.60%
Emerging International Equities	10.00%
Core Fixed Income	1.85%
High-Yield Bonds	4.85%
Real Estate (REITs)	5.95%
Cash	0.25%

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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 benefit payments to determine the total pension liability. The discount rate was changed from 8.00% since the prior measurement date.

If the District's discount rate was *lowered* to 6.75%, the net pension liability would *increase* to \$3,964,425, while if the District's discount rate was *increased* to 8.75%, the net pension liability would *decrease* to \$1,079,240.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

Changes in the net pension liability for the year ended June 30, 2015 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, June 30, 2014	\$ 11,105,762	\$ 9,468,042	\$ 1,637,720
2014-2015 changes:			
Service Cost	413,904	-	413,904
Interest on total pension liability	889,636	-	889,636
Differences between expected and actual experience	(520,189)	-	(520,189)
Changes in assumptions	799,434	-	779,434
Employer contributions	-	414,790	(414,790)
Member contributions	-	94,356	(94,356)
Net investment income	-	326,423	(326,423)
Benefit payments, including employee contribution refunds	(814,075)	(814,075)	-
Administrative expenses	-	(3,534)	3,534
Net changes	<u>768,710</u>	<u>(17,960)</u>	<u>750,750</u>
Balance, June 30, 2015	<u>\$11,874,472</u>	<u>\$ 9,486,002</u>	<u>\$ 2,388,470</u>

Amounts reported as changes of assumptions resulted primarily from adjustments to the actuarial cost method from adjusting the investment rate of return from 8.00% to 7.75%.

11. POST-EMPLOYMENT BENEFITS

Plan Description

The District administers one single-employer, post-retirement healthcare plan, for the District's Other Post-Employment Benefits (OPEB). The plan provides medical benefits and life insurance to eligible retirees and their spouses.

Benefit Provisions

- a. **Benefit Provisions**
The District's plan provides for medical and life insurance benefits for all eligible District retirees.
- b. **Benefits and contributions are established by contract and may be amended by union negotiations.**
Administration costs are financed from current operations.
- c. **Employer Contributions**
The District's contributions are actuarially determined on an annual basis using the Entry Age Actuarial Cost Method.
- d. **Employee Contributions**
There are no employee contributions to the plan.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

11. POST-EMPLOYMENT BENEFITS, *(continued)*

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2015 was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarially Accrued Liability (AAL) Projected Unit Credit	Over (Under) Funded (UAAL)	Funded (AAL) Ratio	Covered Payroll	Over (Under) Funded AAL as a Percent of Covered Payroll
June 30, 2015	\$ -	\$ 14,787,255	\$ (14,787,255)	0.0%	\$ 1,537,201	-962.08%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits. The year ended June 30, 2015 is the fifth year the District is reporting in accordance with GASB No. 45.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefits costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and the plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarially accrued liabilities and the actuarial value of assets.

The data presented in the schedules of funding progress and schedules of contributions were determined as part of the actuarial valuation at the date indicated. Additional information for all plans as of the latest valuation date is as follows:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	30 years open
Asset Valuation Method	Market Value
 <u>Actuarial Assumptions</u>	
Investment rate of return	3.75%
Healthcare inflation rate	Raging from 5.60% to 4.60% over 62 years.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2015

11. POST-EMPLOYMENT BENEFITS, (continued)

Annual OPEB Cost and Net OPEB Obligation (NOO)

The changes in the NOO were as follows:

Annual required contribution (ARC)	\$ 1,180,328
Interest on the net OPEB obligation	217,737
Adjustment to the annual required contribution	<u>(233,046)</u>
Annual OPEB cost	1,165,019
Contributions made	314,394
Benefit Payments	<u>-</u>
Increase (decrease) in net OPEB obligation	850,625
OPEB obligation, beginning of year	<u>5,443,420</u>
Net OPEB obligation, end of year	<u>\$ 6,294,045</u>

Trend Information

Fiscal Year Ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation	Actual Contributions
A6/30/2011	\$ 1,050,382	0%	\$ 2,100,764	
6/30/2012	1,050,382	0%	3,151,146	
6/30/2013	1,330,328	0%	4,481,474	
6/30/2014	961,946	0%	5,443,420	
6/30/2015	1,165,019	26.99%	6,294,045	\$314,394

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God. The town purchases commercial insurance for all risks of loss. During the past three years, deductibles paid by the District were not significant.

13. ADJUSTMENT

The District made the following adjustment to the July 1, 2014 opening balance of its net position to record the reporting of its net pension liability under GASB 68:

Net position, beginning of year, as originally reported	\$(3,113,360)
Beginning of year net pension liability	<u>(1,637,720)</u>
Net position, beginning of year, as restated	<u><u>\$(4,751,080)</u></u>

14. SUBSEQUENT EVENTS

Subsequent events were evaluated through February 19, 2016, which is the date that the financial statements were available to be issued.

POQUONNOCK BRIDGE FIRE DISTRICT
SCHEDULE OF GENERAL FUND REVENUES - BUDGETARY BASIS
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>				
Property Taxes:				
Receipts from taxation	\$ 3,998,027	\$ 3,998,027	\$ 4,073,875	\$ 75,848
Interest and Lien Fees	-	-	33,224	33,224
Total Tax Collector	<u>3,998,027</u>	<u>3,998,027</u>	<u>4,107,099</u>	<u>109,072</u>
Investment Income				
Interest on Temporary Cash Investments	<u>2,000</u>	<u>2,000</u>	<u>1,751</u>	<u>(249)</u>
Intergovernmental Revenues:				
State of Connecticut - Miscellaneous Grant	36,760	36,760	147,771	111,011
Groton - Lieu of Taxes	154,550	154,550	154,550	-
Total State of Connecticut	<u>191,310</u>	<u>191,310</u>	<u>302,321</u>	<u>111,011</u>
Other Revenues:				
Miscellaneous	500	500	10,072	9,572
Old Mystic Fire Alarm Reimbursement	8,000	8,000	273	(7,727)
	<u>8,500</u>	<u>8,500</u>	<u>10,345</u>	<u>1,845</u>
Total Revenues	<u><u>\$ 4,199,837</u></u>	<u><u>\$ 4,199,837</u></u>	<u><u>\$ 4,421,516</u></u>	<u><u>\$ 221,679</u></u>

POQUONNOCK BRIDGE FIRE DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGETARY BASIS
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>EXPENDITURES</u>	<u>ORIGINAL BUDGET</u>	<u>REVISED BUDGET</u>	<u>ACTUAL AMOUNT</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Personnel Services:				
Salaries	\$ 1,678,132	\$ 1,678,132	\$ 1,932,712	\$ (254,580)
Administrative Salaries	186,564	186,564	206,113	(19,549)
Pensions and employment taxes	451,066	451,066	519,893	(68,827)
Insurance - Life & Health	928,467	928,467	846,601	81,866
Benefits - Heart & Hypertension	51,805	51,805	53,099	(1,294)
Physical Health & Safety	9,160	9,160	6,478	2,682
Salaries - Elected Officials	1,200	1,200	1,200	-
Total Personnel Services	<u>3,306,394</u>	<u>3,306,394</u>	<u>3,566,096</u>	<u>(259,702)</u>
Operating Expenses:				
Insurance - Property & Liability	34,782	34,782	35,909	(1,127)
Apparatus Maintenance	61,550	61,550	39,770	21,780
Consumable Supplies	16,760	16,760	15,820	940
Alarm System Maintenance	3,135	3,135	478	2,657
Building Maintenance	89,215	89,215	74,215	15,000
Staff Expenses	300	300	282	18
Training Expense	18,700	18,700	3,050	15,650
Clothing	23,900	23,900	8,908	14,992
Fire Prevention	1,595	1,595	-	1,595
New Equipment	10,330	10,330	-	10,330
Hydrant Rentals	99,512	99,512	99,511	1
Office Equipment & Supplies	5,265	5,265	4,494	771
IT Communications	18,752	18,752	11,104	7,648
District Administrative Services	181,700	181,700	182,117	(417)
Dues and Publications	907	907	694	213
Contingency	77,456	77,456	-	77,456
Regional Radio Grant	-	-	115,948	(115,948)
Total Operating Expenses	<u>643,859</u>	<u>643,859</u>	<u>592,300</u>	<u>51,559</u>
Total General Government	3,950,253	3,950,253	4,158,396	(208,143)
Transfer to the Capital Reserve Fund	-	-	-	-
Transfer Pension Obligation	<u>7,200</u>	<u>7,200</u>	<u>7,200</u>	<u>-</u>
Total Expenditures	<u>3,957,453</u>	<u>3,957,453</u>	<u>4,165,596</u>	<u>(208,143)</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$ 242,384</u>	<u>\$ 242,384</u>	<u>\$ 255,920</u>	<u>\$ 13,536</u>

POQUONNOCK BRIDGE FIRE DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	Special Revenue		
	Obligation Fund	ASG Grant Fund	Total
ASSETS			
Cash	\$ 52,356	\$ -	\$ 52,356
Due from other funds	-	405	405
Total Assets	<u>52,356</u>	<u>405</u>	<u>52,761</u>
LIABILITIES			
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 52,356</u>	<u>\$ 405</u>	<u>\$ 52,761</u>

See accompanying notes to financial statements.

**POQUONNOCK BRIDGE FIRE DISTRICT
NON MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2015**

	Special Revenue		Total
	Obligation Fund	ASG Grant Fund	
REVENUES			
Intergovernmental Revenue	\$ -	\$ -	\$ -
Investment income	44	-	44
Other Revenue	-	-	-
TOTAL REVENUES	44	-	44
EXPENDITURES			
General Government	7,200	-	7,200
Capital Outlay	-	-	-
TOTAL EXPENDITURES	7,200	-	7,200
EXCESS (deficiency) OF REVENUES OVER EXPENDITURES	(7,156)	-	(7,156)
OTHER FINANCIAL SOURCES (USES)			
Operating Transfers In (Out)	-	-	-
NET CHANGE IN FUND BALANCES	(7,156)	-	(7,156)
FUND BALANCES,			
Beginning of year	59,512	405	59,917
End of year	<u>\$ 52,356</u>	<u>\$ 405</u>	<u>\$ 52,761</u>

See accompanying notes to financial statements.

**POQUONNOCK BRIDGE FIRE DISTRICT
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2015**

Grand List Year	Due Date of Tax	Uncollected Taxes June 30, 2013	Current year Levy	Net Lawful Corrections	Transfers to Suspense	Adjusted Amount of Taxes Collectible	Taxes Collected	Interest Collected	Liens & Fees Collected	Total Collections	Amount of Taxes Collectible June 30, 2014
2013	7/1/2014		\$ 4,155,433	\$ (34,198)	\$ 19,753	\$ 4,101,482	\$ 4,025,284	\$ 15,545	\$ 360	\$ 4,041,189	\$ 76,198
2012	7/1/2013	\$ 67,794	-	(3,521)	2,255	62,018	29,250	8,035	1,150	38,435	32,768
2011	7/1/2012	45,726		(549)	807	44,370	10,283	4,181	433	14,897	34,087
2010	7/1/2011	26,804		(6)	894	25,904	2,739	-	-	2,739	23,165
2009	7/1/2010	20,723		(17)	474	20,232	1,445	1,144	120	2,709	18,787
2008	7/1/2009	19,631		(17)	474	19,140	1,148	1,075	96	2,319	17,992
2007	7/1/2008	12,734		-	436	12,298	920	1,006	72	1,998	11,378
2006	7/1/2007	6,988		-	373	6,615	-	-	-	-	6,615
2005	7/1/2006	4,124		-	-	4,124	34	7	-	41	4,090
2004	7/1/2005	414		-	-	414	-	-	-	-	414
2003	7/1/2004	309		-	-	309	-	-	-	-	309
2002	7/1/2003	250		-	-	250	-	-	-	-	250
2001	7/1/2002	241		-	-	241	-	-	-	-	241
2000	7/1/2001	77		-	-	77	-	-	-	-	77
1999	7/1/2000	-		-	-	-	-	-	-	-	-
1998	7/1/1999	-		-	-	-	-	-	-	-	-
		<u>\$ 205,815</u>	<u>\$ 4,155,433</u>	<u>\$ (38,308)</u>	<u>\$ 25,466</u>	<u>\$ 4,297,474</u>	<u>\$ 4,071,103</u>	<u>\$ 30,993</u>	<u>\$ 2,231</u>	<u>4,104,327</u>	<u>\$ 226,371</u>

60 day collections 6/30/14 (14,649)
60 day collections 6/30/15 17,421
\$ 4,107,099

POQUONNOCK BRIDGE FIRE DISTRICT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT STATUTES, SECTIONS 7-374(B)
JUNE 30, 2015
(UNAUDITED)

TAX BASE: (including interest and lien fees) \$ 4,104,327

<u>DEBT LIMITATION:</u>	<u>GENERAL PURPOSE</u>	<u>PENSION DEFICIT</u>
2 1/4 times base	\$9,234,736	
3 times base		<u>\$ 12,312,981</u>
TOTAL LIMITATIONS	9,234,736	12,312,981
INDEBTEDNESS:	<u>-</u>	<u>-</u>
DEBT LIMITATION IN EXCESS OF OUTSTANDING DEBT	<u>\$9,234,736</u>	<u>\$ 12,312,981</u>

The total net indebtedness above amounts to: \$ 21,547,717

In no event shall total indebtedness exceed seven times
the base for debt limitation computation: \$ 28,730,289

COSTELLO COMPANY, LLC

Charles T. Costello, CPA

Certified Public Accountant and Consultants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Poquonnock Bridge Fire District
Groton, Connecticut

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Poquonnock Bridge Fire District (the District) 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 and have issued my report thereon dated February 19, 2016.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs (2015-1 and 2015-2), that I consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Costy Company, LLC". The signature is written in a cursive, flowing style.

Hebron, Connecticut
February 19, 2016

POQUONNOCK BRIDGE FIRE DISTRICT

**SCHEDULE OF FINDINGS AND REPOSES
FOR THE YEAR ENDED JUNE 30, 2015**

FINDING # 2015-1 (Repeat Finding)

Condition

The District has no Accounting and Procedures manual.

Criteria

Transactions are entered into the District's accounting system by administrative personnel, but if a question arises on how to record certain transactions, there is no source document to refer to.

Condition

Internal controls over financial reporting require that transactions to be recorded in a consistent basis.

Questioned Cost

There were no questioned costs.

Context

This finding was for the fiscal year ended June 30, 2015.

Effect

If the current administrative employee (bookkeeper) could not report to work, there is no reference document that someone could review to perform accounting function. In addition, having a manual will help current staff record transactions on a consistent basis.

Cause

Did not know a manual was needed.

Recommendation

I recommend that the District produce an Accounting and Procedures manual.

Views of Responsible Officials and Planned Corrective Actions

Management agrees with this finding and will start compiling information for the manual.

FINDING # 2015-2 (Repeat Finding)

Condition

Accounting Limitations - Current accounting personnel can not prepare the District's financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria

Internal controls over financial reporting require that someone within the District can produce a full set of financial statement in accordance with accounting principles generally accepted in the United States of America.

Questioned Cost

There were no questioned costs.

Context

This finding was for the fiscal year ended June 30, 2015.

Effect

Internally prepared financial statements are not prepared in accordance with current accounting principles and could differ significantly from those principles.

Cause

Management did not know accounting personnel was required to have full knowledge of accounting principles.

Recommendation

I recommend that the District consider the need to have someone with the proper accounting background reviewing its financial statements.

Views of Responsible Officials and Planned Corrective Actions

Management will review the recommendation.