

**POQUONNOCK BRIDGE
FIRE DISTRICT**

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2018**

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

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COSTELLO COMPANY, LLC

Charles T. Costello, CPA

Certified Public Accountant and Consultants

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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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2018, 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.

1A

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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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated January 21, 2019, 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
January 21, 2019

**POQUONNOCK BRIDGE FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018**

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, 2018.

Financial Highlights

- The liabilities of the Poquonnock Bridge Fire District exceeded its assets at the close of the most recent fiscal year by \$17,214,353. Of this amount, unrestricted net position has a deficit of \$18,941,510.
- The government's total net position increased by \$26,225. This increase 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 \$2,020,778.

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, 2018

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 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.

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 \$17,214,353 at the close of the fiscal year ended June 30, 2018.

POQUONNOCK BRIDGE FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
For the Year Ended June 30, 2018

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, 2018 Governmental <u>Activities</u>	June 30, 2017 Governmental <u>Activities</u>
ASSETS		
Current Assets	\$ 2,187,359	\$ 2,108,830
Noncurrent Assets	1,727,157	1,913,532
Deferred outflow or resources	996,913	1,787,711
TOTAL ASSETS AND OUTFLOWS OF RESOURCES	4,911,429	5,810,073
LIABILITIES		
Current Liabilities	97,270	95,050
Noncurrent Liabilities	19,862,539	22,487,541
Deferred inflows of resources	2,165,973	468,060
TOTAL LIABILITIES AND INFLOWS OF RESOURCES	22,125,782	23,050,651
NET POSITION		
Invested in capital assets, net of debt	1,727,157	1,502,347
Unrestricted	(18,941,510)	(18,742,925)
TOTAL NET POSITION	\$ (17,214,353)	\$ (17,240,578)

Governmental Activities

Governmental activities increased the District's net position by \$26,225. Key element of this increase are as follows:

- The annual requirement to fund post-employment benefits for retirees and annual pension costs.

POQUONNOCK BRIDGE FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, *continued*
For the Year Ended June 30, 2018

Changes in Net Position	Year Ended June 30, 2018 Governmental <u>Activities</u>	Year Ended June 30, 2017 Governmental <u>Activities</u>
REVENUES		
Program Revenues:		
Charges for Services	\$ -	\$ -
Operating grants and contributions	-	-
Capital grants and contributions	73,423	93,650
General Revenues:		
Property Taxes	4,166,632	4,460,004
Grants and contributions not restricted to specific programs	154,548	154,550
Other	93,616	90,540
TOTAL REVENUES	<u>4,488,219</u>	<u>4,798,742</u>
EXPENSES:		
General Government	4,461,994	6,443,431
Capital Outlay	-	-
Interest on Long-Term Debt	-	-
TOTAL EXPENSES:	<u>4,461,994</u>	<u>6,443,431</u>
Increase (Decrease) in net position	26,225	(1,644,689)
Net Position, beginning of year	(17,240,578)	(15,595,889)
Net Position, end of year	<u>\$(17,214,353)</u>	<u>\$(17,240,578)</u>

Major revenue factors included:

- Property tax revenues recorded for fiscal year 2018 reflect a tax rate of 5.73 mills and growth in the total assessed value of all taxable property.

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, 2018

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 \$2,020,778, an increase of \$101,813 in comparison with the prior year.

General Fund

The fund balance of the District's General Fund increased by \$60,908 during the current fiscal year. A Key factor in this increase is as follows:

- Property tax revenues were higher than budgeted and expense were higher than budgeted.
- The District made a large contribution to the post employment benefit fund.

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 \$4,487,804 which exceeded budgetary estimates by \$259,170. Actual tax revenues exceeded the budget by \$108,548. Intergovernmental funds received were \$63,421 more than the budgeted amount.

Actual expenditures on a budgetary basis and other financing uses totaled \$4,386,406. This was higher than actual revenues on a budgetary basis by \$169,474.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$1,727,157, net of accumulated depreciation. This investment in capital assets includes land, buildings, related improvements, machinery and equipment, and vehicles.

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, 2018

Long-Term Debt

At the end of the current fiscal year, the District had \$351,666 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 \$29.21 million. As of June 30, 2018, 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 2018 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, 2018

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 2,113,528
Receivables	73,831
Total Assets	<u>2,187,359</u>
NONCURRENT ASSETS	
Capital Assets, net	<u>1,727,157</u>
Total Noncurrent Assets	<u>1,727,157</u>
Total Assets	3,914,516
DEFERRED OUTFLOW OF RESOURCES	
Differences between expected and actual experience	220,848
Change in assumptions	541,349
Net difference between projected and actual earnings on pension plan investments	<u>234,716</u>
Total Deferred outflows of Resources	<u>996,913</u>
 Total asstes and derferred outflows or resources	 <u>4,911,429</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES	
Accounts Payable and Accrued Expenses	<u>97,270</u>
NONCURRENT LIABILITIES	
Net Pension Liability	2,619,683
Compensated Absences	159,934
Net Other Post-Employment Obligation	<u>17,082,922</u>
Total noncurrent Liabilities	<u>19,862,539</u>
Total Liabilities	<u>19,959,809</u>
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual experience	1,293,517
Change in assumptions	<u>872,456</u>
Total Deferred inflow of Resources	<u>2,165,973</u>
 Total liabilities and deferred inflows of resources	 22,125,782
NET POSITION	
Investment in Capital Assets, net of related debt	1,727,157
Unrestricted	<u>(18,941,510)</u>
 TOTAL NET POSITION	 <u><u>\$(17,214,353)</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, 2018

<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	\$ 4,461,994	\$ 73,423	\$ (4,388,571)
Total Primary Government	<u>\$ 4,461,994</u>	<u>\$ 73,423</u>	<u>(4,388,571)</u>
General Revenues:			
Property Taxes			4,166,632
Grants and Contributions not restricted to specific programs			154,548
Unrestricted Investment Earnings			2,925
Miscellaneous			90,691
Total General Revenues			<u>4,414,796</u>
Change in Net Position			26,225
Net Position (deficit) - Beginning, as restated			<u>(17,240,578)</u>
Net Position (deficit) - Ending			<u><u>\$(17,214,353)</u></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, 2018

	<u>General</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash & Cash Equivalents	\$ 1,459,135	\$ 513,448	\$ 140,945	\$ 2,113,528
Due from other funds	-	-	405	405
Receivables, net of uncollectibles	73,831	-	-	73,831
TOTAL ASSETS	<u>\$ 1,532,966</u>	<u>\$ 513,448</u>	<u>\$ 141,350</u>	<u>\$ 2,187,764</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 97,270	\$ -	\$ -	\$ 97,270
Due to Other Funds	405	-	-	405
Deferred Revenues	69,311	-	-	69,311
Total Liabilities	<u>166,986</u>	<u>-</u>	<u>-</u>	<u>166,986</u>
FUND BALANCES				
Restricted	-	-	141,350	141,350
Committed	-	513,448	-	513,448
Assigned	-	-	-	-
Unassigned	1,365,980	-	-	1,365,980
Total Fund Balances	<u>1,365,980</u>	<u>513,448</u>	<u>141,350</u>	<u>2,020,778</u>
 TOTAL LIABILITIES & FUND BALANCE	 <u>\$ 1,532,966</u>	 <u>\$ 513,448</u>	 <u>\$ 141,350</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	1,727,157
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	69,311
Deferred outflows or resources change	(790,798)
Deferred infows of resources change	(1,697,913)
Net pension liability	-
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(18,542,888)</u>
 Net position of governmental activities (Exhibit A)	 <u><u>\$(17,214,353)</u></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, 2018

	General	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Tax Revenue	\$ 4,166,632	\$ -	\$ -	\$ 4,166,632
Intergovernmental	227,971	-	-	227,971
Investment Income	2,510	290	125	2,925
Other	90,691	-	-	90,691
TOTAL REVENUE	<u>4,487,804</u>	<u>290</u>	<u>125</u>	<u>4,488,219</u>
EXPENDITURES				
General Government	4,344,937	-	-	4,344,937
Capital Outlay	41,469	-	-	41,469
TOTAL EXPENDITURES	<u>4,386,406</u>	<u>-</u>	<u>-</u>	<u>4,386,406</u>
EXCESS (deficiency) of REVENUES OVER EXPENDITURES	101,398	290	125	101,813
OTHER FINANCIAL SOURCES (USES)				
Operating Transfers In (Out)	(40,490)	15,480	25,010	-
NET CHANGE IN FUND BALANCES	60,908	15,770	25,135	101,813
FUND BALANCES JUNE 30, 2017	<u>1,305,072</u>	<u>497,678</u>	<u>115,295</u>	<u>1,918,045</u>
FUND BALANCES JUNE 30, 2018	<u>\$ 1,365,980</u>	<u>\$ 513,448</u>	<u>\$ 140,430</u>	<u>\$ 2,019,858</u>

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

Net Change in fund balances - total governmental funds	101,813
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 depreciation expense exceeded capital outlays in the current year.	(41,469)
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>(34,119)</u>
Change in net position (Exhibit B)	<u>\$ 26,225</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, 2018

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, 2018

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, 2018

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.

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, 2018

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, 2018

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.

Compensated Absences	\$ 159,934
Net Other Post-Employment Benefit (OPEB) Obligation	<u>17,082,922</u>
Net Adjustment to Reduce Fund Balance – Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ 17,242,856</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.

Capital Outlay	\$ (41,469)
Depreciation Expense and deferred inflows and outflows	<u>(34,199)</u>
Net Adjustment to Increase Net Changes in Fund Balances – total Governmental Funds to arrive at changes in Net Position of Governmental Activities	<u>\$ (75,668)</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, 2018.

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 or 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, 2018

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, 2018

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

Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2018:

Deposits:	
Demand Accounts	\$ 2,113,528
Certificates of Deposit	-
Total Deposits	<u>2,113,528</u>
Less: Certificates of Deposits Classified as Investments	-
Total Cash and Cash Equivalents	<u>\$ 2,113,528</u>

Deposits

At June 30, 2018, the carrying amount of the District deposits was \$2,113,528 and the bank balance was \$2,148,553.

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, 2018 bank balance, \$760,284 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 \$1,353,244 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, 2018, the District did not have any cash equivalents.

Investments

As of June 30, 2018, 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, 2018

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, 2018, 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	\$ 73,831

6. INTERFUND RECEIVABLES / PAYABLES AND TRANSFERS

Interfund Receivables and Payables at June 30, 2018 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.

The net interfund transfers during the year ended June 30, 2018 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 40,490
Capital Reserve Fund	15,480	-
Pension Obligation Fund	25,010	-
Total	\$ 40,490	\$ 40,490

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, 2018

7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	1,971,933	-	-	1,971,933
Machinery and Equipment	515,526	-	-	515,526
Vehicles	2,384,820	41,469	-	2,426,289
Total Capital Assets being depreciated	<u>4,872,279</u>	<u>41,469</u>	<u>-</u>	<u>4,913,748</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	1,073,693	39,877	-	1,113,570
Machinery and Equipment	378,117	23,144	-	401,261
Vehicles	1,656,937	164,823	-	1,821,760
Total Accumulated Depreciation	<u>3,108,747</u>	<u>227,844</u>	<u>-</u>	<u>3,336,591</u>
Total Capital Assets, being depreciated, net	<u>1,763,532</u>	<u>(186,375)</u>	<u>-</u>	<u>1,577,157</u>
Governmental activities capital assets, net	<u>\$ 1,913,532</u>	<u>\$ (186,375)</u>	<u>\$ -</u>	<u>\$ 1,727,157</u>

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

Governmental Activities:	
General Government Services	\$ <u>227,844</u>
Total Depreciation Expense - Governmental Activities	\$ <u>227,844</u>

8. LONG TERM DEBT

The District had the following long term for the year ended June 30, 2018:

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>351,666</u>
Due within one year	\$ 59,519
Due in more than one year	<u>292,147</u>
	\$ <u>351,666</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 \$9,388,000 at June 30, 2018.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2018

9. COMPENSATED ABSENCES

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

Beginning Balance July 1, 2017	\$ 253,438
Decrease	<u>(93,504)</u>
Ending Balance June 30, 2018	<u>\$ 159,934</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 seven percent (7%) of their gross pay

The District's required contributions to this plan totaled \$389,100 for the year ended June 30, 2018 and were paid during that fiscal year. Pension expense recognized for the year ended June 30, 2018 was \$611,606. As of June 30, 2018, there were no current District employees, nineteen 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, 2018

NOTE 7 - PENSION PLANS (Continued)

The District reported the following deferred outflows of resources and deferred inflows of resources in connection with the pension on the statement of net position as of June 30, 2018:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Changes of actuarial assumptions	\$ 541,349	\$ (88,423)
Net difference between projected and actual investment earnings	233,806	
Difference between expected and actual experience	<u>220,848</u>	<u>(789,906)</u>
	<u>\$ 996,003</u>	<u>\$(878,329)</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>		
2019	\$	169,797
2020		86,017
2021		(60,640)
2022		(17,337)
2023		(46,077)
Thereafter		<u>(14,086)</u>
	\$	<u>117,674</u>
Deferred outflows	\$	996,003
Deferred inflows		<u>(878,329)</u>
	\$	<u>117,674</u>

The District's net pension liability for the year ended June 30, 2018 was derived as follows:

Total pension liability	\$ 13,363,971
Less: Plan fiduciary net position	<u>10,744,288</u>
Net pension liability	<u>\$ 2,619,683</u>

Plan fiduciary net position as a percentage of the total pension liability	80.40%
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The total pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	Varies by age group
Investment rate of return	7.34%

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2018

NOTE 7 - PENSION PLANS (Continued)

Mortality rates were based on the RP-2017 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017

The actuarial assumptions used in the July 1, 2017 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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap	6.00%
US Small Cap	6.40%
Developed International Equities	6.10%
Emerging International Equities	7.10%
Core Fixed Income	2.25%
High-Yield Bonds	4.50%
Real Estate (REITs)	4.50%

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that 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 6.50%, the net pension liability would *increase* to \$2,619,683, while if the District's discount rate was *increased* to 8.50%, the net pension liability would *decrease* to \$2,352,825.

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2018

Changes in the net pension liability for the year ended June 30, 2018 were as follows:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance, June 30, 2017	\$ 13,063,971	\$10,132,682	\$ 2,931,289
Changes for the year:			
Service Cost	267,597	-	267,597
Interest on total pension liability	976,011	-	976,011
Differences between expected and actual experience	(243,622)	-	(243,622)
Changes in benefit terms			
Changes in assumptions	(52,104)	-	(52,104)
Employer contributions	-	389,100	389,100
Member contributions	-	120,435	120,435
Net investment income	-	754,460	(754,460)
Benefit payments, including employee contribution refunds	(647,882)	(647,882)	-
Administrative expenses	-	(4,507)	4,507
Net changes	<u>300,000</u>	<u>611,606</u>	<u>(311,606)</u>
Balance, June 30, 2018	<u>\$ 13,363,971</u>	<u>\$10,744,288</u>	<u>\$ 2,619,683</u>

Amounts reported as changes of assumptions resulted primarily from adjustments to the actuarial cost method from adjusting the investment rate of return from 7.75% to 7.50%.

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, 2018

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

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. For the year ended June 30, 2018, the District is reporting OPEB costs and liability in accordance with GASB No. 74.

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	July 1, 2017
Measurement Date	July 30, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Remaining Amortization Period	23 years closed
Asset Valuation Method	Market Value
 <u>Actuarial Assumptions</u>	
Investment rate of return	3.75%
Salary increase	2.70%
Inflation	2.70%
Discount rate	6.75%
Healthcare inflation rate	Raging from 5.20% to 4.60% over 60 years.

Four Year Trend Information

Fiscal Year Ending	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
6/30/2015	\$1,180,328	\$314,394	\$865,934	\$1,537,201	20.45%
6/30/2016	\$1,180,328	\$364,394	\$815,934	\$1,537,201	23.71%
6/30/2017	\$1,276,411	\$372,668	\$903,743	\$1,537,201	24.24%
6/30/2018	\$1,312,190	\$396,145	\$916,045	\$1,623,188	24.41%

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2018

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

Changes in Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance, June 30, 2017	\$ 17,836,099	\$ 63,652	\$17,772,447
Changes for the year:			
Service Cost	645,119	-	645,119
Interest on total OPEB liability	655,592	-	655,592
Effects of economic/demographic gains and losses	(615,525)	-	(615,525)
Effect of assumptions changes or inputs	(958,262)	-	(958,262)
Benefit payments	(340,151)	(340,151)	-
Employer contributions	-	396,145	(396,145)
Member contributions	-	14,935	(14,935)
Net investment income	-	5,544	(5,544)
Administrative expenses	-	(175)	175
Balance, June 30, 2018	\$ 17,222,872	\$ 139,950	\$ 17,082,922

If the District's discount rate was *lowered* to 2.87%, the net OPEB liability would *increase* to \$20,733,936, while if the District's discount rate was *increased* to 4.87%, the net OPEB liability would *decrease* to \$14,286,696.

The District reported the following deferred outflows of resources and deferred inflows of resources in connection with the OPEB on the statement of net position as of June 30, 2018:

	Deferred Outflows	Deferred Inflows
Changes of assumptions	\$ -	\$ (784,033)
Net difference between projected and actual investment earnings	910	-
Difference between expected and actual experience	-	(503,611)
	\$ 910	\$ (1,287,644)

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>	
2019	\$ (285,915)
2020	(285,915)
2021	(285,915)
2022	(285,915)
2023	(143,072)

POQUONNOCK BRIDGE FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS, *continued*
June 30, 2018

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. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 21, 2019, 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, 2018

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Property Taxes:				
Receipts from taxation	\$ 4,058,084	\$ 4,058,084	\$ 4,085,800	\$ 27,716
Interest and Lien Fees	-	-	80,832	80,832
Total Tax Collector	<u>4,058,084</u>	<u>4,058,084</u>	<u>4,166,632</u>	<u>108,548</u>
Investment Income				
Interest on Temporary Cash Investments	<u>2,000</u>	<u>2,000</u>	<u>2,510</u>	<u>510</u>
Intergovernmental Revenues:				
Federal Grant	-	-	65,158	65,158
State of Connecticut - Miscellaneous Grant	10,000	10,000	8,265	(1,735)
Groton - Lieu of Taxes	154,550	154,550	154,548	(2)
Total Intergovernmental Reveune	<u>164,550</u>	<u>164,550</u>	<u>227,971</u>	<u>63,421</u>
Other Revenues:				
Inspection Fees and Permits	35,000	35,000	73,116	38,116
Miscellaneous	4,000	4,000	17,575	13,575
	<u>4,000</u>	<u>4,000</u>	<u>90,691</u>	<u>86,691</u>
Total Revenues	<u>\$ 4,228,634</u>	<u>\$ 4,228,634</u>	<u>\$ 4,487,804</u>	<u>\$ 259,170</u>

POQUONNOCK BRIDGE FIRE DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGETARY BASIS
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL AMOUNT	VARIANCE- FAVORABLE (UNFAVORABLE)
EXPENDITURES				
Personnel Services:				
Salaries	\$ 2,095,292	\$ 2,095,292	\$ 2,120,102	\$ (24,810)
Administrative Salaries	279,059	279,059	279,536	(477)
Pensions and employment taxes	440,156	440,156	439,593	563
Insurance - Life & Health	1,005,000	1,005,000	687,467	317,533
Benefits - Heart & Hypertension	55,819	55,819	55,276	543
Physical Health & Safety	15,420	15,420	9,190	6,230
Salaries - Elected Officials	-	-	-	-
Total Personnel Services	<u>3,890,746</u>	<u>3,890,746</u>	<u>3,591,164</u>	<u>299,582</u>
Operating Expenses:				
Insurance - Property & Liability	32,000	32,000	30,537	1,463
Apparatus Maintenance	76,900	76,900	80,273	(3,373)
Consumable Supplies	16,780	16,780	11,540	5,240
Alarm System Maintenance	2,270	2,270	2,959	(689)
Building Maintenance	77,330	77,330	58,320	19,010
Staff Expenses	300	300	65	235
Training Expense	15,500	15,500	5,258	10,242
Clothing	28,000	28,000	22,314	5,686
Fire Prevention	1,800	1,800	2,021	(221)
New Equipment	20,600	20,600	62,993	(42,393)
Hydrant Rentals	99,512	99,512	99,511	1
Office Equipment & Supplies	3,870	3,870	3,191	679
IT Communications	16,040	16,040	13,061	2,979
District Administrative Services	133,567	133,567	64,688	68,879
Dues and Publications	844	844	629	215
Debt Service	-	-	59,519	(59,519)
Contingency Fund	89,821	89,821	-	89,821
Post Employment Benefit	50,000	50,000	278,363	(228,363)
Total Operating Expenses	<u>665,134</u>	<u>665,134</u>	<u>795,242</u>	<u>(130,108)</u>
Total General Government	4,555,880	4,555,880	4,386,406	169,474
Transfer From Capital Reserve Fund	-	-	-	-
Transfer to the Capital Reserve Fund	75,000	75,000	40,490	34,510
Transfer to Pension Obligation	32,800	32,800	-	32,800
Total Expenditures	<u>4,663,680</u>	<u>4,663,680</u>	<u>4,426,896</u>	<u>236,784</u>
Change in Fund Balance	<u>\$ (435,046)</u>	<u>\$ (435,046)</u>	<u>\$ 60,908</u>	<u>\$ 495,954</u>

POQUONNOCK BRIDGE FIRE DISTRICT
NON-MAJOR GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	Special Revenue		Total
	Obligation Fund	ASG Grant Fund	
ASSETS			
Cash	\$ 140,945	\$ -	\$ 140,945
Due from other funds	-	405	405
Total Assets	<u>140,945</u>	<u>405</u>	<u>141,350</u>
LIABILITIES	-	-	-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 140,945</u>	<u>\$ 405</u>	<u>\$ 141,350</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, 2018**

	Special Revenue		
	Obligation Fund	ASG Grant Fund	Total
REVENUES			
Intergovernmental Revenue	\$ -	\$ -	\$ -
Investment income	415	-	415
Other Revenue	-	-	-
TOTAL REVENUES	<u>415</u>	<u>-</u>	<u>415</u>
EXPENDITURES			
General Government	-	-	-
Capital Outlay	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (deficiency) OF REVENUES OVER EXPENDITURES	415	-	415
OTHER FINANCIAL SOURCES (USES)			
Operating Transfers In (Out)	25,010	-	25,010
NET CHANGE IN FUND BALANCES	<u>25,425</u>	<u>-</u>	<u>25,425</u>
FUND BALANCES,			
Beginning of year	<u>115,520</u>	<u>405</u>	<u>115,925</u>
End of year	<u>\$ 140,945</u>	<u>\$ 405</u>	<u>\$ 141,350</u>

See accompanying notes to financial statements.

**POQUONNOCK BRIDGE FIRE DISTRICT
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Grand List Year</u>	<u>Due Date of Tax</u>	<u>Uncollected Taxes July 1, 2017</u>	<u>Current year Levy</u>	<u>Net Lawful Corrections</u>	<u>Transfers to Suspense and Adjustments</u>	<u>Adjusted Amount of Taxes Collectible</u>	<u>Taxes Collected</u>	<u>Interest, Liens & Fees</u>	<u>Suspense Taxes Collected</u>	<u>Total Collections</u>	<u>Amount of Taxes Collectible June 30, 2018</u>
2016	7/1/2017		\$ 4,106,395	\$ (13,831)	\$ 18,651	\$ 4,073,913	\$ 4,029,437	\$ 15,211	\$ 486	\$ 4,045,134	\$ 44,476
2015	7/1/2016	\$ 62,064	-	569	5,481	57,152	42,871	14,642	9,501	67,014	14,281
2014	7/1/2015	14,804		1,461	1,141	15,124	9,345	8,911	9,717	27,973	5,779
2013	7/1/2014	7,816		(9)	487	7,320	5,073	6,881	4,958	16,912	2,247
2012	7/1/2013	3,523		(8)	265	3,250	1,929	2,136	259	4,324	1,321
2011	7/1/2012	2,621		(8)	301	2,312	1,377	2,203	563	4,143	935
2010	7/1/2011	2,984		-	377	2,607	1,399	1,929	114	3,442	1,208
2009	7/1/2010	1,595		-	329	1,266	211	504	123	838	1,055
2008	7/1/2009	944		-	329	615	112	658	311	1,081	503
2007	7/1/2008	920		-	330	590	114	400	107	621	476
2006	7/1/2007	786		-	253	533	179	601	98	878	354
2005	7/1/2006	446		-	111	335	-	96	47	143	335
2004	7/1/2005	365		-	175	190	-	86	39	125	190
2003	7/1/2004	263		-	166	97	-	38	15	53	97
2002 and after	7/1/2003	490		241	157	574	-	144	54	198	574
		<u>\$ 99,621</u>	<u>\$ 4,106,395</u>	<u>\$ (11,585)</u>	<u>\$ 28,553</u>	<u>\$ 4,165,878</u>	<u>\$ 4,092,047</u>	<u>\$ 54,440</u>	<u>\$ 26,392</u>	<u>4,172,879</u>	<u>\$ 73,831</u>

60 day collections 6/30/17 (21,563)
60 day collections 6/30/18 15,316
\$ 4,166,632

POQUONNOCK BRIDGE FIRE DISTRICT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT STATUTES, SECTIONS 7-374(B)
JUNE 30, 2018
(UNAUDITED)

TAX BASE: (including interest and lien fees) \$ 4,172,879

<u>DEBT LIMITATION:</u>	<u>GENERAL PURPOSE</u>	<u>PENSION DEFICIT</u>
2 1/4 times base	\$ 9,388,978	
3 times base		<u>\$ 12,518,637</u>
TOTAL LIMITATIONS	9,388,978	12,518,637
INDEBTEDNESS:	<u>-</u>	<u>-</u>
DEBT LIMITATION IN EXCESS OF OUTSTANDING DEBT	<u>\$ 9,388,978</u>	<u>\$ 12,518,637</u>

The total net indebtedness above amounts to: \$ 21,907,615

In no event shall total indebtedness exceed seven times
the base for debt limitation computation: \$ 29,210,153