

CROMWELL FIRE DISTRICT

CROMWELL, CONNECTICUT

**BASIC FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

**REQUIRED SUPPLEMENTARY
INFORMATION,**

OTHER SUPPLEMENTARY INFORMATION,

AND

**GOVERNMENTAL AUDITING
STANDARDS REPORT**

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Cromwell Fire District
Cromwell, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cromwell Fire District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cromwell Fire District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows 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 on pages 4 - 15, the budgetary comparison information on page 61, and the pension schedules on pages 62 - 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cromwell Fire District's basic financial statements. The Report of the Property Tax Collector, Schedule of Debt Limitation, and the combining nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Report of the Property Tax Collector, Schedule of Debt Limitation, and the combining nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 our opinion, The Report of the Property Tax Collector, Schedule of Debt Limitation, and the combining nonmajor fund financial statements and schedules are 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*, we have also issued our report dated December 19, 2017, on our consideration of the District's internal control over financial reporting and on our 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 our 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.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut

December 19, 2017

CROMWELL FIRE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

This discussion and analysis of Cromwell Fire District's (the District) financial performance is prepared by management to provide an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read this MD&A in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

- The District's combined net position *increased* by 0.26% from a year ago. Combined net position amounted to \$21,904,253 as of June 30, 2017. Over time, *increases* in net position are an indicator that the District's financial position is improving.
- Net position for the District's governmental activities *decreased* to \$6,961,517 from \$7,166,870 as of June 30, 2016. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, *decreased* from \$1,406,272 at June 30, 2016 to \$1,326,736 at the end of this year.
- The District's total revenue was \$6,268,509 (net of transfers). The total cost of all programs and services was \$6,212,578 (net of transfers).
- The General Fund unassigned fund balance at June 30, 2017 is \$647,224.
- The tax collection rate for the current tax levy was 99.5%. Total tax and interest collections of \$2,743,711 were *over* the budgeted estimate by \$19,947.
- Ambulance billings amounted to \$669,333. Billable call volume *decreased* from 1,506 in fiscal 2016 to 1,477 in fiscal 2017.
- The District's share of fund balance of the Public Safety Communications Tower Fund is \$799,641 as of June 30, 2017. This balance is earmarked to finance communication systems, public safety tower structural replacements and upgrades, and other Fire Department capital programs but is also available to finance operating costs if needed.
- Water Division operating income amounted to \$261,120 and the change in net position after transfers, capital contributions, and non-operating revenue and interest expenses amounted to \$261,284. Water Division net position *increased* from \$14,681,452 as of June 30, 2016 to \$14,942,736 as of June 30, 2017.
- The District has an 'AA' long-term bond rating with a stable outlook from Standard and Poor's.

BASIC FINANCIAL STATEMENTS

Our discussion and analysis of the Cromwell Fire District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017; as such, it should be read in conjunction with the District's audited financial statements. The District's financials consists of two series of financial statements: Government-Wide and Fund Financial Statements. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent.

- 1) Government-Wide Financial Statements - These statements, which include the Statement of Net Position and the Statement of Activities, provide information about the activity of the District as a whole. These statements also present a longer-term view of the District's finances by presenting all assets, liabilities, net position, revenues, and expenses on the *accrual basis of accounting*, which is similar to the accounting methods used by many private-sector companies.

**CROMWELL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

For purposes of the government-wide financial statements, the Cromwell Fire District is divided into two kinds of activities:

- a) Governmental Activities – The majority of the District's services are reported here, including fire protection and general administration. These activities are financed primarily through an annual levy of property taxes.
 - b) Business-Type Activities – This consists of one proprietary fund called the Water Division, which derives its funding primarily from water sales to customers.
- 2) Fund Financial Statements - For governmental activities, these statements present how the services provided by the District were financed in the short term as well as what remains for future spending. Additionally, these statements report the District's activities in greater detail by highlighting the District's most significant funds. The District's funds are separated into three types:
- a) Governmental Funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the *modified accrual basis of accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations; these statements help you to determine whether there are more or fewer financial resources that can be spent in the near future to finance District operations. We describe the relationship (or differences) between governmental *activities* (reported in the government-wide financial statements) and government *funds* in a reconciliation at the bottom of the fund financial statements.
 - b) Proprietary Funds – When the District receives rental income from its commercial property, it reports this activity in its proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements.
 - c) Fiduciary Funds – The District is the administrator of a single employer defined benefit pension plan that covers individuals who have provided volunteer services to the Cromwell Fire Department. The Volunteer's Pension Plan is considered to be part of the District's financial reporting entity and is included in the District's financial reports as a pension trust fund. The District is also responsible for other assets that are in the Volunteer Activity Fund. These assets can only be used for specific volunteer activities as specified in the Fire Department's By-Laws. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**CROMWELL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

CONDENSED GOVERNMENT-WIDE STATEMENTS

Presented below are condensed versions of the government-wide financial statements.

Statement of Net Position

	Governmental Activities		Increase (Decrease)	Business-Type Activities		Increase (Decrease)
	2017	2016		2017	2016	
Current and other assets	\$ 2,226,633	\$ 2,317,022	\$ (90,389)	\$ 2,803,696	\$ 2,305,345	\$ 498,351
Capital assets, net	7,610,327	8,091,740	(481,413)	16,418,463	15,406,148	1,012,315
Deferred outflows of resources	435,761	368,229	67,532	809,576	1,015,826	(206,250)
Total assets	\$10,272,721	\$10,776,991	\$ (504,270)	\$ 20,031,735	\$ 18,727,319	\$ 1,304,416
Current liabilities	\$ 229,586	\$ 245,648	\$ (16,062)	\$ 466,765	\$ 383,243	\$ 83,522
Non-current liabilities	1,921,145	2,172,590	(251,445)	4,490,858	3,528,201	962,657
Deferred inflows of resources	1,160,473	1,191,883	(31,410)	131,376	134,423	(3,047)
Total liabilities	3,311,204	3,610,121	(298,917)	5,088,999	4,045,867	1,043,132
Net position						
Invested in capital assets, net of related debt	5,597,576	5,723,393	(125,817)	12,182,923	12,195,743	(12,820)
Restricted	37,205	37,205	-	-	-	-
Unrestricted	1,326,736	1,406,272	(79,536)	2,759,813	2,485,709	274,104
Total net position	6,961,517	7,166,870	(205,353)	14,942,736	14,681,452	261,284
Total liabilities and net position	\$10,272,721	\$10,776,991	\$ (504,270)	\$ 20,031,735	\$ 18,727,319	\$ 1,304,416

Current and other assets in the governmental activities *decreased* during the fiscal year ended June 30, 2017 due to a *decrease* in cash and cash equivalents at year end. The District's capital assets *decreased* from annual depreciation expense. Deferred outflows of resources *increased* due to changes in pension assumptions and projected pension investment earnings. Non-current liabilities in the governmental activities *decreased* in the 2016-2017 fiscal year due to scheduled debt payments. Deferred inflows of resources *decreased* primarily due to amortization relating to the West Street complex.

Current and other assets in the business-type activities *increased* during the fiscal year ended June 30, 2017 due to an *increase* in cash and cash equivalents at year end. The Water Division's capital assets *increased* from improvements to water mains. Deferred outflows of resources *decreased* primarily due to amortization relating to the West Street complex. Non-current liabilities *increased* as of June 30, 2017 primarily due to bonds issued for water main improvements.

**CROMWELL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

CONDENSED GOVERNMENT-WIDE STATEMENTS (Continued)

Significant capital outlays (>\$1,000) are being recorded as District capital assets and are being depreciated over their estimated useful lives. Capital assets presented here are shown net of their accumulated depreciation. Net position has been separated into three categories on the District's financial statements: 1) Invested in capital assets, net of related debt and 2) Restricted 3) Unrestricted net position. Because capital assets are not very liquid (i.e. easily converted to cash), the District's equity in these assets has been separated and labeled as such. Unrestricted net position, however, represents the liquid portion of the District's net position that can be used to finance daily operations without constraints.

Statement of Activities

	Governmental Activities		Increase (Decrease)	Business-Type Activities		Increase (Decrease)
	2017	2016		2017	2016	
Revenues						
Program revenues						
Charges for services	\$ 942,465	\$ 880,485	\$ 61,980	\$ 2,294,729	\$ 2,229,247	\$ 65,482
Grants and contributions						
Operating	59,650	64,773	(5,123)	-	-	-
Capital	113,333	113,333	-	25,000	-	25,000
General revenues						
Property taxes, interest and lien fees	2,746,918	2,924,998	(178,080)	-	-	-
Interest and miscellaneous income	40,229	15,605	24,624	46,185	49,202	(3,017)
Transfers	-	-	-	6,000	6,000	-
Total revenues	3,902,595	3,999,194	(96,599)	2,371,914	2,284,449	87,465
Program expenses						
Administration and finance	680,295	642,977	37,318	-	-	-
Public safety	3,385,121	3,285,533	99,588	-	-	-
Interest on long-term debt	36,532	53,266	(16,734)	77,021	80,272	(3,251)
Water services	-	-	-	2,033,609	1,920,810	112,799
Transfers	6,000	6,000	-	-	-	-
Total expenses	4,107,948	3,987,776	120,172	2,110,630	2,001,082	109,548
Change in net position	(205,353)	11,418	(216,771)	261,284	283,367	(22,083)
Net position,						
Beginning of year	7,166,870	7,155,452	11,418	14,681,452	14,398,085	283,367
End of year	\$ 6,961,517	\$ 7,166,870	\$ (205,353)	\$ 14,942,736	\$ 14,681,452	\$ 261,284

**CROMWELL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

CONDENSED GOVERNMENT-WIDE STATEMENTS (Continued)

Governmental Activities

The two primary sources of revenue used to finance governmental activities are property taxes and charges for services. Property taxes amounted to 70% of total revenue, which is a *decrease* from the previous year. Charges for services amounted to 24% of total revenue, which is an *increase* from the previous year. Total revenues *decreased* by 2.4% from the previous year. This is primarily the result of a *decrease* in revenue from property taxes. Charges for services include \$669,333 in ambulance billings and \$270,787 for fees related to the use of the Public Safety Communications Tower owned by the District.

The table below presents the cost of each of the District's programs. Public safety includes the operation of the Fire Department, EMS services, emergency communications and dispatch, signals and alarms and the office of the Fire Marshal. Administration and finance reflects the Fire Department's share of the total cost of administration for the District.

The net cost of services reflects the financial impact on the District's taxpayers by each of these functions:

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Administration and finance	\$ 680,295	\$ 642,977	\$ 680,295	\$ 642,977
Public safety	3,385,121	3,285,533	2,269,673	2,226,942
Interest and miscellaneous income	36,532	53,266	36,532	53,266
Totals	<u>\$ 4,101,948</u>	<u>\$ 3,981,776</u>	<u>\$ 2,986,500</u>	<u>\$ 2,923,185</u>

The total cost of services, as reflected in the above schedule, *increased* by \$120,172 or approximately 3%. This *increase* was the result of a \$37,318 *increase* in administration costs, a \$99,588 *increase* in public safety costs, and a *decrease* of \$16,734 in interest expense.

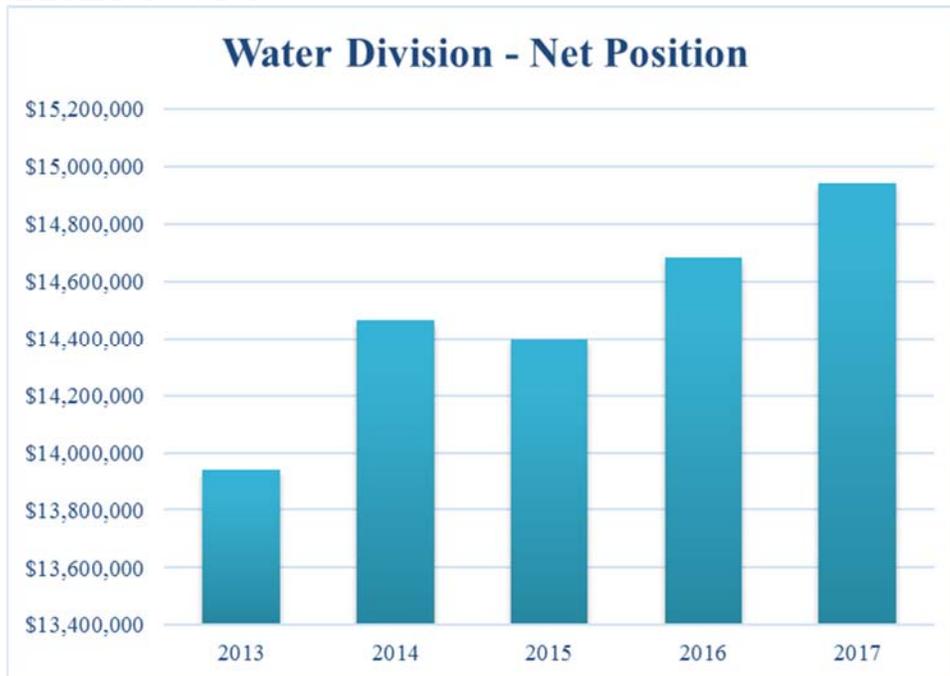
The net cost of services *increased* by \$63,315, or approximately 2%, primarily as a result of the *increases* in public safety and administration expenses mentioned above.

**CROMWELL FIRE DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

CONDENSED GOVERNMENT-WIDE STATEMENTS (Continued)

Business-Type Activities

The District, through its Water Division, owns and operates the water distribution, pumping and treatment facilities that service the Town of Cromwell. The District’s Water Division is reported as a business-type activity, and these services are financed by fees charged to customers. For the year ending June 30, 2017, metered sales amounted to \$1,925,601. This was a *decrease* of 5.1% from the previous year. Water Division operating net income amounted to \$261,120 as compared to \$308,437 for 2015-2016. Net income after transfers, capital contributions, and non-operating revenue and interest expenses amounted to \$261,284, a *decrease* of \$22,083 from the previous year. Water Division net position *increased* from \$14,681,452 as of June 30, 2016 to \$14,942,736 as of June 30, 2017. The chart presented below reflects a five-year comparison of the net position of the Water Division from 2013 to 2017.



The District services 4,011 accounts, of which 3,636 are residential, 353 are commercial, and 22 are industrial.

With the addition of recently completed Well #4, the District’s groundwater system consists of four active production wells with a combined pumping rate of approximately 10.5 million gallons per day. The maximum day demand in fiscal 2017 was 3,864,000 gallons providing the District with a surplus of over six million gallons a day. This surplus in system capacity enables the District to rotate and rest wells, and provides the potential to supply additional water to surrounding communities. The District currently provides water to a portion of Berlin, Connecticut. In addition, with the newer wells now on line, the District has been able to improve

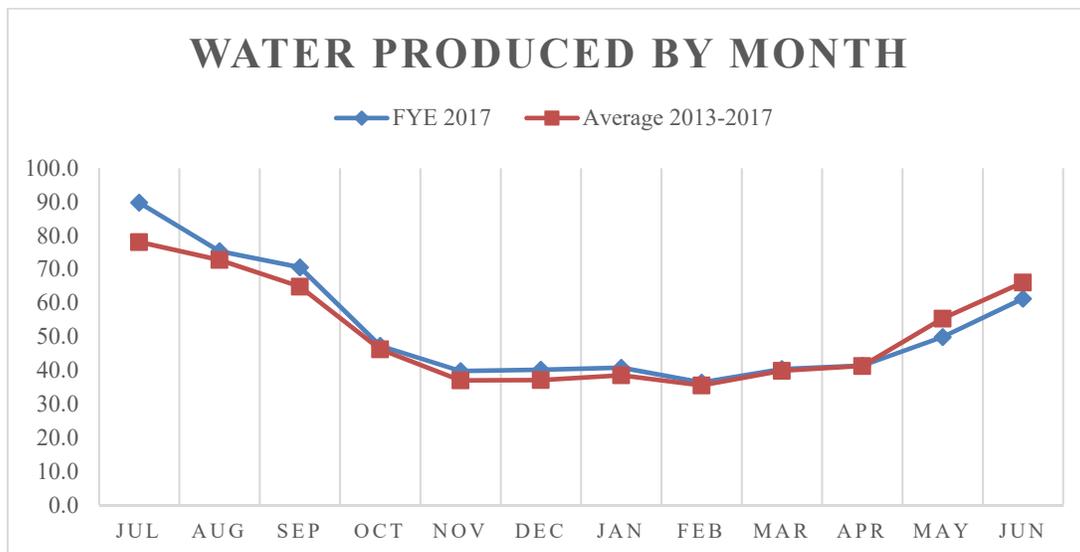
CROMWELL FIRE DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017

CONDENSED GOVERNMENT-WIDE STATEMENTS *(Continued)*

Business-Type Activities *(Continued)*

overall water quality. The system includes a treatment facility, a high service pump station and a three million gallon underground storage reservoir. The District's chemical feed and control facility includes some of the most advanced technology and monitoring systems that are available in the industry today. None of the District's water supply is derived from open reservoirs or above ground water sources. Presented below are a table and a graph showing a five-year monthly comparison of water produced and a five-year monthly average:

Month	Fiscal Year End					Five-Year Average	2017 Monthly Average	%
	2013	2014	2015	2016	2017			
Jul	74.7	69.0	75.2	81.9	89.8	78.12	16.1	21%
Aug	64.2	66.0	76.7	81.7	75.4	72.8	7.3	10%
Sep	56.6	57.3	67.4	72.5	70.6	64.88	9.5	15%
Oct	43.1	49.1	44.4	47.3	47.3	46.24	2.7	6%
Nov	35.4	38.6	36.4	35.0	39.8	37.04	2.9	8%
Dec	37.2	36.4	35.8	36.1	40.2	37.14	3.9	11%
Jan	38.6	38.1	37.5	37.8	40.8	38.56	3.3	9%
Feb	36.1	33.9	35.7	35.6	36.4	35.54	1.6	5%
Mar	40.0	38.9	40.6	39.6	40.4	39.9	0.8	2%
Apr	44.4	39.8	39.4	41.6	41.4	41.32	(0.5)	-1%
May	57.6	46.8	68.2	54.5	49.9	55.4	(3.4)	-6%
Jun	54.4	69	63.8	82.0	61.3	66.1	(1.1)	-2%
Total	582.3	582.9	621.1	645.6	633.3	613.04	43.1	



**CROMWELL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the Cromwell Fire 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. The District currently maintains seven (7) governmental funds, two (2) of which the District considers major funds: the General Fund and the Capital Projects Fund, and five (5) which the District considers nonmajor funds: the Public Safety Tower Fund, the Fire Department, the Sick Benefits Fund, the Memorial Fund, and the Neto Student Benefits Funds.

As the District completed the year, its governmental funds reported a combined fund balance \$1,825,896 as compared with a balance of \$1,905,776 a year ago. A schedule of the various components of the governmental fund balances is presented below:

	<u>2017</u>	<u>2016</u>
General fund	\$ 667,146	\$ 664,537
Capital projects:		
Equipment reserve fund	177,843	306,613
Firehouse renovation fund	14,518	14,518
Training facility fund	(24,438)	(21,927)
West Street complex fund	31,269	31,269
Court Street addition	10,265	10,265
Non-major special revenue funds:		
Public safety tower fund	799,641	764,220
Fire department fund	49,963	35,427
Sick benefits fund	63,868	63,649
Memorial fund	29,910	31,098
Neto student benefits fund	5,911	6,107
Total governmental funds	<u>\$ 1,825,896</u>	<u>\$ 1,905,776</u>

The *increase* in the General Fund total fund balance reflects the results from 2016-2017 budgetary operations. The District's results from budgetary operations had a *positive* variance of \$1,773.

The *decrease* in the Equipment Reserve Fund resulted from the planned use of the reserve balance to finance capital additions. These expenditures were made in accordance with the District's five-year capital plan. Total expenditures amounted to \$131,281 of which \$41,018 was capitalized.

**CROMWELL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (*Continued*)

Governmental Funds (*Continued*)

There were no transfers from other funds to the Equipment Reserve Fund in fiscal 2017.

The Firehouse Renovation Fund will be used in conjunction with the District's long-range facilities preventive maintenance program. The balance in the West Street Complex Fund is being held in reserve to cover any additional costs associated with the completion of the facility. The *increase* in the Public Safety Communications Tower Fund reflects the positive results of operations for the current year.

The following funds represent trust funds for the Fire Department:

- Fire Department Fund
- Sick Benefits Fund
- Memorial Fund
- Neto Student Benefit Fund

The operation of these trust funds is governed by the By-Laws of the Department and not the By-Laws of the District. All monies received by the Department by gift or donations are deposited into these funds. The funds may be used for general or specific expenses of the Department not covered by the District's annual budget or such other expenditures as defined in the Department's By-Laws

General Fund Budgetary Highlights

The Board of Commissioners made no additional appropriations to the 2016-2017 fiscal year approved budget; however, line item transfers were approved.

Overall actual revenues were *over* budget in total by \$10,295 and actual expenditures were *under* budget by \$37,478, with each individual budget line item varying differently in the amount of its variance with the budget.

The two primary sources that finance General Fund operations are property taxes and ambulance billings. Tax collections for the current year's levy amounted to \$2,716,949. The tax collection rate for the current levy was 99.46%.

Ambulance billings amounted to \$669,333 as compared with \$659,580 for 2015-2016. This represents a 1.5% *increase* in revenue. The District's charges for ambulance services are controlled by the State of Connecticut Department of Public Health. The authorized State rate for basic services was \$698 as of June 30, 2017. The Medicare rate is \$392.49. Regardless of the actual number of requests for service (911 calls), only completed calls result in a billable event. Cancellations, refusals, stand-bys and such do not result in any revenue, yet the District must expend resources to have an ambulance staffed and able to respond.

**CROMWELL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (*Continued*)

General Fund Budgetary Highlights (*Continued*)

The following factors have contributed to the *increase* in ambulance billings:

- Billable calls *decreased* from 1,506 in 2015-16 to 1,477 in 2016-17. The billable call volume for 2016-17 represented a 1.9% *decrease* from 2015-16.
- The average billable call amount *increased* primarily due to the *increase* in the authorized State rate for basic services.
- Self-pay payers remained consistent at 3% of total call volume for fiscal years 2016 and 2017.

General Fund expenditures include the District's public safety operations (Fire and EMS Services). Total General Fund expenditures for the year ended June 30, 2017 amounted to \$3,557,511. This was \$37,478 *less* than the adjusted budget.

General Fund revenues *exceeded* expenditures by \$2,609. The General Fund available fund balance as of June 30, 2017 is \$647,224 or 18% of 2016-2017 General Fund expenditures.

PUBLIC SAFETY COMMUNICATIONS TOWER FUND

The Cromwell Fire District owns a 170-foot communications tower, including appurtenances and equipment buildings. The Tower is utilized for District and town wide public safety communication purposes. The District also leases tower space to various cellular phone companies and other organizations requiring antennas for communications systems. Operations of the Tower are under control of a Public Safety Tower Committee made up of representatives from the District and the Town of Cromwell Police Department. Net revenues from the Tower are shared equally between the District and the Town. Revenues from Tower leases amounted to \$270,787 for the year ended June 30, 2017. The District's share of the fund balance of the Public Safety Communications Tower Fund is \$799,641 as of June 30, 2017. Within the fund the Public Safety Tower Committee established a reserve account for financing the future public safety tower structural replacements and upgrades. There were no contributions to the reserve account for 2016-17. During the fiscal year there were no charges to the reserve account and the balance is \$124,008 as of June 30, 2017. The remaining balance of \$675,633 is available to finance communication systems and other Fire Department capital programs.

**CROMWELL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had over \$39.9 million invested in various capital assets as listed below:

	Governmental Activities	Business-Type Activities	Total
Land	\$ 305,000	\$ 147,152	\$ 452,152
Construction in process	-	1,271,810	1,271,810
Buildings and improvements	7,127,247	21,706,039	28,833,286
Vehicles	4,381,110	276,337	4,657,447
Equipment	3,023,482	1,728,526	4,752,008
Total	<u>\$ 14,836,839</u>	<u>\$ 25,129,864</u>	<u>\$ 39,966,703</u>

During the fiscal year ended June 30, 2017, the District added \$41,018 of depreciable capital assets and \$46,967 from construction in progress to its governmental activities. These additions included the following:

- Liebert battery backup (\$11,464)
- Completion of a new training tower (\$46,967 total cost)
- Water heater (\$4,075) & Air conditioner (\$4,920) at the Court Street station

For its business-type activities, the District added capital assets of \$194,652 and \$1,432,083 to construction in progress, which consisted of the following:

- Water Treatment Facility Emergency Generator (\$189,724)
- Costs associated with the replacement of water mains (\$1,259,554)

Additional information on the District's capital assets can be found in *Notes 5* and *6* to the financial statements.

Noncurrent Liabilities

For its governmental activities, the District made principal payments totaling \$227,857 on its bonds payable long-term debt and amortized \$14,407 on the premium on bonds payable. Total indebtedness in the form of bonds and premiums at June 30, 2017 was \$1,332,747. Other obligations at June 30, 2017 include \$490,562 of net pension liability, \$6,989 of accrued interest, and \$90,847 of accrued compensated absences.

**CROMWELL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Noncurrent Liabilities *(Continued)*

For its business-type activities, the District made principal payments totaling \$587,143 on its bonds payable long-term debt and amortized \$39,021 on the premium on bonds payable. The District issued bonds in the amount of \$1,500,000 and received a \$151,299 loan from the State of Connecticut's Drinking Water State Revolving Fund Program. Total indebtedness in the form of bonds and premiums at June 30, 2017 was \$4,235,540. Other obligations at June 30, 2017 include \$196,951 of net pension liability and \$58,367 of accrued compensated absences.

Additional information on the District's long term debt can be found in *Notes 7 and 8* to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The unemployment rate in the Town of Cromwell now stands at 4.7% as of June 2017, versus 4.9% as of June 2016. This compares favorably with the Hartford Labor Market area's unemployment rate of 5.2% and the State rate of 5.1%.

According to the U.S. Census Bureau's American Community Survey 5-Year Estimates, 2012-2016, per capita income in Cromwell was \$43,171 compared to the county rate of \$42,573 and the State rate of \$39,906. Median family income was \$83,739 for Cromwell versus \$79,837 for the county and \$71,755 for the State. The percent of families below poverty level was 5.2% for the Town. The county percentage was 7.9% and the State's was 9.8%.

General Fund

At its annual budget meeting on May 22, 2017, the Cromwell Fire District adopted its budget for 2017-2018. The General Fund budget for 2017-2018 reflects revenues of \$3,691,398, operating expenditures of \$3,333,318, capital transfers of \$88,500 and debt service expenditures of \$269,580. The 2017-2018 budget is a balanced budget with no projected use of available General Fund fund balance to balance revenues with expenditures. There is no budgeted mill rate increase for the 2017-2018 fiscal year, therefore, the District's mill rate remains at 2.25 mills.

General Fund revenues are projected to increase by 2.7% as a result of an increase in property tax revenue (\$58,000) and transfers from other funds (\$73,000).

General Fund expenditures reflect an increase of 2.7% over the current budget. An increase in the contribution to the Equipment Reserve Fund (\$88,500) is the primary factor for the increase.

**CROMWELL FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES *(Continued)*

Water Division Enterprise Fund

The total projected revenue for the Water Division is \$2,154,300. This represents a decrease of 0.5% from the current year. The District is not considering any increase in water rates at this time.

The operating budget for the Water Division, which amounts to \$1,577,157, is a slight increase compared to 2016-2017. Projected operating revenues exceed operating expenditures by \$558,693. Net results of operations reflect no change after taking into consideration the contribution from assessments (\$18,450) and the payment of debt principal (\$577,143).

Capital Budget

The budget for the Equipment Reserve Fund includes:

1. \$34,000 for turnout gear & firehose replacement
2. \$30,000 appropriated for SCBA equipment
3. \$48,000 for fire dispatch software
4. \$50,000 for radio replacements and upgrades

Funding for the Equipment Reserve Fund includes a General Fund contribution of \$88,500 and \$48,000 from the District's share of available fund balance in the Public Safety Communications Tower Fund. The projected balance for the Equipment Reserve Fund at the end of the 2017-2018 fiscal year is \$118,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director of the Cromwell Fire District, One West Street, Cromwell, Connecticut 06416.

BASIC FINANCIAL STATEMENTS

CROMWELL FIRE DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CURRENT ASSETS			
Cash and cash equivalents	\$ 1,934,203	\$ 1,439,984	\$ 3,374,187
Receivables, net	272,509	1,304,185	1,576,694
Prepaid expenses	19,921	12,422	32,343
Inventory	-	47,105	47,105
Total current assets	<u>2,226,633</u>	<u>2,803,696</u>	<u>5,030,329</u>
NONCURRENT ASSETS			
Capital assets, non-depreciable	305,000	1,418,962	1,723,962
Capital assets, net of accumulated depreciation	<u>7,305,327</u>	<u>14,999,501</u>	<u>22,304,828</u>
Total noncurrent assets	<u>7,610,327</u>	<u>16,418,463</u>	<u>24,028,790</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	7,910	7,910
West Street Complex contribution	-	680,003	680,003
Changes in pension assumptions	96,625	46,310	142,935
Changes in projected pension investment earnings	204,571	75,353	279,924
Changes in proportional share	15,297	-	15,297
Changes in actuarial experience	35,021	-	35,021
Pension contributions made subsequent to the Measurement date	<u>84,247</u>	<u>-</u>	<u>84,247</u>
Total deferred outflows of resources	<u>435,761</u>	<u>809,576</u>	<u>1,245,337</u>
Total assets and deferred outflows of resources	<u>\$ 10,272,721</u>	<u>\$ 20,031,735</u>	<u>\$ 30,304,456</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES			
Accounts payable	\$ 159,319	\$ 115,301	\$ 274,620
Accrued expenses	70,267	27,976	98,243
Unearned revenue	-	323,488	323,488
Total current liabilities	<u>229,586</u>	<u>466,765</u>	<u>696,351</u>
NONCURRENT LIABILITIES			
Due within one year	304,454	629,307	933,761
Due in more than one year	<u>1,616,691</u>	<u>3,861,551</u>	<u>5,478,242</u>
Total noncurrent liabilities	<u>1,921,145</u>	<u>4,490,858</u>	<u>6,412,003</u>
Total liabilities	<u>2,150,731</u>	<u>4,957,623</u>	<u>7,108,354</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in projected pension investment earnings	43,468	-	43,468
Changes in actuarial experience	437,002	131,376	568,378
West Street Complex contribution	<u>680,003</u>	<u>-</u>	<u>680,003</u>
Total deferred inflows of resources	<u>1,160,473</u>	<u>131,376</u>	<u>1,291,849</u>
NET POSITION			
Invested in capital assets, net of related debt	5,597,576	12,182,923	17,780,499
Restricted	37,205	-	37,205
Unrestricted	<u>1,326,736</u>	<u>2,759,813</u>	<u>4,086,549</u>
Total net position	<u>6,961,517</u>	<u>14,942,736</u>	<u>21,904,253</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 10,272,721</u>	<u>\$ 20,031,735</u>	<u>\$ 30,304,456</u>

The accompanying notes are an integral part of these financial statements

**CROMWELL FIRE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
Administration and finance	\$ 680,295	\$ -	\$ -	\$ -	\$ (680,295)	\$ -	\$ (680,295)
Public safety	3,385,121	942,465	59,650	113,333	(2,269,673)	-	(2,269,673)
Interest on long-term debt	36,532	-	-	-	(36,532)	-	(36,532)
Total governmental activities	4,101,948	942,465	59,650	113,333	(2,986,500)	-	(2,986,500)
BUSINESS-TYPE ACTIVITIES							
Water services	2,033,609	2,294,729	-	25,000	-	286,120	286,120
Interest on long-term debt	77,021	-	-	-	-	(77,021)	(77,021)
Total business-type activities	2,110,630	2,294,729	-	25,000	-	209,099	209,099
Total primary government	<u>\$ 6,212,578</u>	<u>\$ 3,237,194</u>	<u>\$ 59,650</u>	<u>\$ 138,333</u>	(2,986,500)	209,099	(2,777,401)
GENERAL REVENUES							
Property taxes, interest, and liens					2,746,918	-	2,746,918
Interest and miscellaneous income					40,229	46,185	86,414
TRANSFERS							
Total general revenues and transfers					<u>2,781,147</u>	<u>52,185</u>	<u>2,833,332</u>
Change in net position					(205,353)	261,284	55,931
NET POSITION, beginning of year					7,166,870	14,681,452	21,848,322
NET POSITION, end of year					<u>\$ 6,961,517</u>	<u>\$ 14,942,736</u>	<u>\$ 21,904,253</u>

The accompanying notes are an integral part of these financial statements

**CROMWELL FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

ASSETS

	GENERAL FUND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and cash equivalents	\$ 685,363	\$ 212,944	\$ 1,035,896	\$ 1,934,203
Receivables, net	272,509	-	-	272,509
Prepays	19,921	-	-	19,921
Total assets	<u>\$ 977,793</u>	<u>\$ 212,944</u>	<u>\$ 1,035,896</u>	<u>\$ 2,226,634</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

LIABILITIES				
Accounts payable	\$ 69,229	\$ 3,487	\$ 86,603	\$ 159,319
Accrued expenses	70,267	-	-	70,267
Total liabilities	<u>139,496</u>	<u>3,487</u>	<u>86,603</u>	<u>229,586</u>
DEFERRED INFLOWS OF RESOURCES				
Revenue - unavailable	171,151	-	-	171,151
Total deferred inflows of resources	<u>171,151</u>	<u>-</u>	<u>-</u>	<u>171,151</u>
Total liabilities and deferred inflows of resources	<u>310,647</u>	<u>3,487</u>	<u>86,603</u>	<u>400,737</u>
FUND BALANCES				
Nonspendable	19,921	-	-	19,921
Restricted	-	-	35,821	35,821
Committed	-	209,457	913,472	1,122,929
Unassigned	647,225	-	-	647,225
Total fund balances	<u>667,146</u>	<u>209,457</u>	<u>949,293</u>	<u>1,825,896</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 977,793</u>	<u>\$ 212,944</u>	<u>\$ 1,035,896</u>	<u>\$ 2,226,634</u>

The accompanying notes are an integral part of these financial statements

**CROMWELL FIRE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2017**

Reconciliation of the Balance Sheet - Governmental Funds

to the Governmental Activities in the Statement of Net Position:

Total fund balances - governmental funds	\$ 1,825,896
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,610,327
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Other assets or deferred outflows of resources are not available to pay for current-period expenditures and therefore are deferred or not recorded in the funds.

Deferred outflows related to changes in pension assumptions.	96,625
Deferred outflows related to changes in projected pension investment earnings.	204,571
Deferred outflows related to changes in proportional share.	15,297
Deferred outflows related to changes in actuarial experience.	35,021
Deferred outflows related to pension contributions made subsequent to the measurement date.	84,247
Receivables outstanding beyond 60 days of fiscal year end.	171,151

Other liabilities or deferred inflows of resources are not due and payable in the current period and therefore are deferred or not recorded in the funds.

Bonds payable	(1,257,142)
Interest payable on bonds	(6,988)
Compensated absences	(90,847)
Bond premium	(75,606)
Deferred contribution - West Street	(680,003)
Deferred inflows related to projected pension investment earnings	(43,468)
Deferred inflows related to pension actuarial experience	(437,002)
Net pension liability	<u>(490,562)</u>

Net position of governmental activities	<u><u>\$ 6,961,517</u></u>
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**CROMWELL FIRE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	GENERAL FUND	CAPITAL PROJECTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
General property taxes	\$ 2,743,711	\$ -	\$ -	\$ 2,743,711
Intergovernmental	4,332	-	-	4,332
Charges for services	669,333	-	270,787	940,120
Interest income	4,310	-	456	4,766
Other revenue	58,434	-	32,347	90,781
Total revenues	<u>3,480,120</u>	<u>-</u>	<u>303,590</u>	<u>3,783,710</u>
EXPENDITURES				
Current				
Administration and finance	541,281	-	-	541,281
Public safety	704,992	-	17,236	722,228
Building and utilities	211,784	-	149,366	361,150
Training	19,234	-	-	19,234
Ambulance operations	925,695	-	-	925,695
Insurance and benefits	687,647	-	-	687,647
Apparatus and equipment	185,419	-	-	185,419
Other expenditures	-	-	2,196	2,196
Capital outlay	2,664	131,281	-	133,945
Debt Service	278,795	-	-	278,795
Total expenditures	<u>3,557,511</u>	<u>131,281</u>	<u>168,798</u>	<u>3,857,590</u>
Excess (deficiency) of revenues over expenditures	<u>(77,391)</u>	<u>(131,281)</u>	<u>134,792</u>	<u>(73,880)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	80,000	-	-	80,000
Transfers out	-	-	(86,000)	(86,000)
	<u>80,000</u>	<u>-</u>	<u>(86,000)</u>	<u>(6,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	<u>2,609</u>	<u>(131,281)</u>	<u>48,792</u>	<u>(79,880)</u>
FUND BALANCES, beginning of year	664,537	340,738	900,501	1,905,776
FUND BALANCES, end of year	<u>\$ 667,146</u>	<u>\$ 209,457</u>	<u>\$ 949,293</u>	<u>\$ 1,825,896</u>

The accompanying notes are an integral part of these financial statements

**CROMWELL FIRE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds \$ (79,880)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated by the amount by which depreciation (\$522,431) exceeded capital outlays (\$41,018) in the current period. (481,413)

(Proceeds from) repayment of noncurrent liabilities are revenues and expenditures in the governmental funds; the proceeds increase and the repayment reduces noncurrent liabilities in the statement of net position. 251,446

Revenues and deferred outflows of resources in the government-wide statements that do not provide financial resources are not reported in the funds.

Change in unavailable revenues	5,552
Deferred outflows related to changes in pension assumptions	(40,477)
Deferred outflows related to changes in projected pension investment earnings	44,646
Deferred outflows related to changes in proportionate share	15,297
Deferred outflows related to pension actuarial experience	35,021
Deferred outflows related to pension contributions made subsequent to the measurement date	13,045
West Street Complex contribution	113,333

Expenses and deferred inflows of resources in the government-wide statements that do not use current financial resources are not reported in the funds.

Deferred inflows related to changes in projected pension investment earnings	(4,283)
Deferred inflows related to pension actuarial experience	(77,640)

Change in net position of governmental activities \$ (205,353)

**CROMWELL FIRE DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>WATER DIVISION ENTERPRISE FUND</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,439,984
Receivables, net	1,304,185
Prepaid expenses	12,422
Inventory	47,105
Total current assets	<u>2,803,696</u>
NONCURRENT ASSETS	
Capital assets, non-depreciable	1,418,962
Capital assets, net of accumulated depreciation	14,999,501
Total noncurrent assets	<u>16,418,463</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	7,910
Water Street Complex contribution	680,003
Changes in pension assumptions	46,310
Changes in projected pension investment earnings	75,353
Total deferred outflows of resources	<u>809,576</u>
Total assets and deferred outflows of resources	<u>\$ 20,031,735</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 115,301
Accrued expenses	27,976
Unearned revenue	323,488
Total current liabilities	<u>466,765</u>
NONCURRENT LIABILITIES	
Due within one year	629,307
Due in more than one year	3,861,551
Total noncurrent liabilities	<u>4,490,858</u>
Total liabilities	<u>4,957,623</u>
DEFERRED INFLOWS OF RESOURCES	
Changes in actuarial experience	131,376
Total deferred inflows of resources	<u>131,376</u>
NET POSITION	
Invested in capital assets, net of related debt	12,182,923
Unrestricted	2,759,813
Total net position	<u>14,942,736</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 20,031,735</u>

The accompanying notes are an integral part of these financial statements

**CROMWELL FIRE DISTRICT
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	WATER DIVISION ENTERPRISE FUND
OPERATING REVENUES	
Metered sales - general customers	\$ 1,925,601
Revenue from services and seasonal sales	364,175
Employee contributions - other	4,953
Total operating revenues	2,294,729
OPERATING EXPENSES	
Payroll expenses	474,312
Pumping and power	247,654
Purification	45,728
Transmission and distribution	47,432
General administration	244,427
Amortization	117,289
Depreciation	424,696
Maintenance	188,131
Employee benefits	243,940
Total operating expenses	2,033,609
Operating income	261,120
NON-OPERATING REVENUE (EXPENSES)	
Grants	25,000
Interest income	46,185
Interest expense	(77,021)
Total non-operating revenue (expenses)	(5,836)
Income before transfers	255,284
TRANSFERS	6,000
Change in net position	261,284
NET POSITION, beginning of year	14,681,452
NET POSITION, end of year	\$ 14,942,736

The accompanying notes are an integral part of these financial statements

**CROMWELL FIRE DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>WATER DIVISION ENTERPRISE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers for services	\$ 2,315,924
Payments to vendors	(701,125)
Payments to employees for salaries and benefits	(694,070)
Net cash provided by operating activities	<u>920,729</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers from other funds	6,000
Principal collections on assessments	29,676
Proceeds from bond issuance	1,500,000
Proceeds from loan issuance	151,299
Capital grant proceeds	25,000
Capital asset purchases	(194,652)
Construction in progress	(1,242,359)
Interest payments on long-term debt	(110,022)
Principal payments on long-term debt	(587,143)
Net cash used in capital and related financing activities	<u>(422,201)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on cash, assessments, and delinquent accounts	62,186
Net cash provided by investing activities	<u>62,186</u>
Net increase in cash and cash equivalents	560,714
CASH AND CASH EQUIVALENTS, beginning of year	879,270
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,439,984</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 261,120
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	424,696
Amortization expense	117,289
Decrease in user fee receivables	21,195
Increase in prepaid expenses	(1,085)
Increase in inventory	(3,423)
Decrease in deferred outflows - changes in pension assumptions	41,526
Decrease in deferred outflows - changes in projected plan earnings	47,434
Increase in accounts payable	76,755
Increase in accrued expenses	747
Decrease in compensated absences	(2,858)
Decrease in net pension liability	(59,620)
Decrease in deferred inflows - changes in actuarial experience	(3,047)
Net cash provided by operating activities	<u>\$ 920,729</u>

The accompanying notes are an integral part of these financial statements

CROMWELL FIRE DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>PENSION TRUST FUND</u>	<u>AGENCY FUND</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 32,664
Investments	1,462,403	-
Total assets	<u>1,462,403</u>	<u>32,664</u>
 LIABILITIES		
Due to volunteers and others	<u>-</u>	<u>32,664</u>
Total current liabilities	<u>-</u>	<u>32,664</u>
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS	 <u><u>\$ 1,462,403</u></u>	 <u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements

CROMWELL FIRE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND - PENSION TRUST FUND
JUNE 30, 2017

ADDITIONS

Contributions	\$	60,438
Investment income:		
Interest and dividends		29,173
Net increase in fair value of investments		104,744
Total investment income		133,917
Less investment expense		(18,747)
Net investment income		115,170
Total additions		175,608

DEDUCTIONS

Benefits		48,603
Administrative expenses		11,024
Total deductions		59,627
Net increase		115,981

NET POSITION HELD IN TRUST FOR PENSION BENEFITS

Beginning of year		1,346,422
End of year	\$	1,462,403

The accompanying notes are an integral part of these financial statements

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cromwell Fire District (the District) operates under the direction of an Executive Director and is governed by a Board of Commissioners. The District provides fire protection and ambulance services to the Town of Cromwell, Connecticut (the Town). In addition, the District, through its Water Division, provides water distribution, pumping, and treatment services to the Town.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

REPORTING ENTITY

The reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature of significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be incomplete or misleading as set forth by GASB. In evaluating how to define the reporting entity for financial statement reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities which should be presented with this government.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's fire protection and ambulance services are classified as governmental activities. The District's Water Division is classified as a business-type activity. The District's fiduciary funds are excluded from these statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – invested in capital assets net of related debt, restricted, and unrestricted net position.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

**BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS
(*Continued*)**

The government-wide statement of activities reports both the gross and net cost of each of the District's functions and business-type activities (fire protection and ambulance services, collectively referred to as "Public Safety," and the Water Division). The functions are also supported by general government revenues (property taxes and other revenues). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating grants, and capital grants and contributions. Program revenues must be directly associated with the function or a business-type activity. The net costs (by function or business-type activity) are normally covered by general revenue (property taxes and other revenues). The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

1) Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

- a) General Fund. This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund.
- b) Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are restricted or committed for specific purposes, excluding capital projects and debt service. The District currently maintains five special revenue funds, none of which is considered a major fund.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS (*Continued*)

1) Governmental Funds (*Continued*):

- c) Capital Projects Fund. This fund is used to account for the acquisition or construction of capital assets. This fund is considered a major fund for the year ended June 30, 2017.

2) Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds distinguish operating revenues and expenses from non-operating revenues. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The following is a description of the proprietary fund of the District:

- a) Enterprise Fund. This fund is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) established fees and charges based on a pricing policy designed to recover similar costs. The District currently maintains one enterprise fund, the Water Division Enterprise Fund. This fund is considered a major proprietary fund and is used to finance the water distribution, pumping and treatment services provided to the Town.

3) Fiduciary Funds:

These funds are used to report assets held in a trustee or agency capacity and therefore are not available to support the District's programs. The following is a description of the fiduciary funds of the District:

- a) Pension Trust Fund. This fund is used to account for the resources held in trust of the District's volunteer defined benefit pension plan.
- b) Volunteer Activity Fund. This agency fund is used to account for the funds held on behalf of the District's volunteers.

When restricted, committed, assigned and unassigned resources are available for use, it is the District's policy to use restricted resources first, then committed, assigned and unassigned as they are needed.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

- 1) Accrual: Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

- 2) Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e. both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The District uses the consumption method with regard to its expenditures for insurance premiums and other prepayments.

CASH EQUIVALENTS

The District defines cash equivalents as liquid investments with an original maturity of three months or less. The District had cash equivalents totaling \$9,202 between all funds at June 30, 2017, which consisted of monies held in the State of Connecticut's Short Term Investment Fund.

CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$1,000 or more and an estimated useful life in excess of one year are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the asset's useful life. Useful lives for the assets of the District range from a minimum of seven (7) years for vehicles and equipment to a maximum of sixty-seven (67) years for transmission and distribution assets.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Based upon experience, management has established an allowance for doubtful accounts for certain delinquent property taxes and ambulance billing fees in its General Fund and governmental activities. In addition, an allowance for doubtful accounts has been established in

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

ALLOWANCE FOR DOUBTFUL ACCOUNTS (*Continued*)

the Water Division Enterprise Fund for delinquent water usage fees. No allowance has been established for this fund's assessments receivable as these are secured by real estate.

INVESTMENTS

The District reports the investments held in its Pension Trust Fund using the fair value measurement guidelines established by accounting principles generally accepted in the United States of America. These guidelines recognize a three-tiered fair value hierarchy as outlined below:

- Level 1: Quoted prices for identical investments in active markets
- Level 2: Observable inputs other than quoted prices
- Level 3: Unobservable inputs

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents the consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports a deferred charge on refunding and deferred outflows related to pensions in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pensions results from differences between expected and actual experience, and changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees (active and inactive) that are provided with benefits through the pension plans. In addition, the District reports a deferred outflow related to its West Street Complex (See *Note 15*).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports a deferred inflow on the government-wide financial position related to its West Street Complex (See *Note 15*) and reports deferred inflows related to pensions. As with deferred outflows related to pensions, deferred inflows of resources related to pensions result from differences between expected and actual experience and changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner equal to the average of the expected remaining services lives all employees (active and inactive) that are provided with benefits through the pension plan. With regard to governmental funds, the District reports

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (*Continued*)

deferred inflows of resources related to unavailable property tax and ambulance fee revenues. These unavailable revenues consist of property tax and ambulance fee receivables that are not collected within 60 days of year end and therefore are not considered "available".

INVENTORY

Inventory consists of spare parts and supplies in the Water Division Enterprise Fund and is stated at historical cost.

COMPENSATED ABSENCES

The liability for compensated absences reported in the government-wide and proprietary fund financial statements consists of unpaid, but earned vacation and sick pay balances. Expenditures and liabilities related to these obligations are recognized in the governmental fund financial statements when they mature such as upon the termination of employment. Compensated absences are reported as noncurrent liabilities in the government-wide statement of net position and the statement of net position of the District's proprietary fund.

Employees can carryforward all earned vacation time, which must be used during the first six months of the subsequent year. Employee's accrued sick time is vested after ten years of services. Upon termination, an employee is entitled to 25% of his or her accrued sick time up to a maximum of 120 days. Annually in July, employees shall be paid in cash 30% of the accrued sick time that is in excess of the 120-day limit. The balance of accrued compensated absences as of June 30, 2017 in the District's governmental and business-type activities was \$90,847 and \$58,367, respectively.

NET PENSION LIABILITY

The net pension liability is measured as the portion of the actuarial value of projected benefits that is attributed to past periods of employee service in the District's defined benefit pension plans, net of the corresponding pension plan's fiduciary net position. Each pension plan's fiduciary net position is determined using the same valuation methods that are used by the related pension plan for purposes of preparing its statement of fiduciary net position.

LONG-TERM DEBT OBLIGATIONS

Long-term debt and other related obligations of the District are reported as noncurrent liabilities in the government-wide and proprietary fund financial statements. The District's bonds payable are reported net of the associated bond premiums. These premiums are amortized over the life of the bonds on the straight line method.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

FUND EQUITY AND NET POSITION

In the government-wide financial statements, net position is classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position – This category represents constraints placed on net position use which are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of the District, which is not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in five separate categories as follows:

Nonspendable Fund Balance – Amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts restricted by enabling legislation. Also reported if (a) externally imposed by creditors, grantors, contributors, or laws regulated by other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board of Commissioners. A vote by the Board of Commissioners members is required to establish and modify or rescind a fund balance commitment.

Assigned Fund Balance – Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance – Residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

BUDGETING

A) Budget Basis

The District is required by state law to adopt annual budgets for the General Fund. The budget is adopted on a modified accrual basis consistent with generally accepted accounting principles with the exception of the use of encumbrances. 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. Any encumbrances outstanding at year-end are reflected as expenditures in the current year budgetary reports.

B) Budget Procedures

The Board of Commissioners prepares and submits a proposed budget and mill rate for approval at the annual district budget meeting.

C) Budget Control

The Board of Commissioners may amend the annual budget subject to the requirements of the Connecticut General Statutes. These statutes allow the governing body to make a one time additional appropriation up to \$20,000 to any one appropriation line. A District meeting (consisting of residents) must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation. The Board of Commissioners is authorized to approve transfers between budgeted line items and between funds. Unexpended appropriations lapse at the end of the fiscal year, unless specifically continued in force to the subsequent period by approval of the Board of Commissioners.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SUBSEQUENT EVENTS

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through December 19, 2017, the date that the financial statements were available to be issued. There were no subsequent events identified that require disclosure.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

APPLICATION OF ACCOUNTING STANDARDS

The District implemented the following new accounting standard during the year ended June 30, 2017:

GASB Statement 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73. The requirements of this Statement is to clarify certain issues in regard to GASB Statements No. 67, 68, and 73 with regard to (1) required supplementary information presentation for payroll related measures, (2) assumption selections and treatment of deviations from an Actuarial Standard of Practice guidance for financial reporting purposes, and (3) payment classification for employee contribution requirements.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits - The District does not have a policy for deposits. The District also does not have a custodial credit risk policy. However, as a practice, the District follows Connecticut State Statutes. The State of Connecticut requires that each depositor maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk based capital ratio.

Cash Equivalents / Investments - The District does not have a custodial credit risk policy with regard to cash equivalents, investments, or related credit risk for debt securities, however, it is the District's practice to follow Connecticut State Statutes (CGS). CGS Section 7-400 permit municipalities and local governments to invest in: (1) obligations of the United States and its agencies (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. CGS Sections 3-27a to 3-27f permit the investment in the shares of the Connecticut Short Term Investment Fund (STIF).

The STIF is a money market investment pool managed by a division of the State of Connecticut's Treasurer's Office. Investments must be made in instruments authorized by the State's CGS using guidelines adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares and investments held by the fund and are stated at amortized cost. STIF is rated by Standard & Poor's at AAAM, its highest rating for money funds and investment pools.

Interest Rate Risk - Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. 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 interest rate increases. With the exception of its Pension Trust Fund, the District generally does not invest in any long-term investment obligations.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

At June 30, 2017, the District's cash and cash equivalents, exclusive of its fiduciary funds were as follows:

	Carrying Amount
Deposit accounts	\$ 3,364,985
Connecticut Short Term Investment Fund	9,202
Total cash and cash equivalents	\$ 3,374,187

Concentration of Credit Risk – Custodial credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The District does not have a concentration of credit risk policy. At June 30, 2017, the carrying amount of the District's deposits with financial institutions was \$3,374,187 and the bank balance was \$3,470,423 of which \$595,098 was covered by federal depository insurance, \$346,122 was collateralized by debt securities held by the financial institution, and \$2,529,203 was uninsured and uncollateralized at June 30, 2017.

At June 30, 2017, the District had the following investments within the Pension Trust Fund:

Investment Type	S&P Credit Rating	Fair Value	Fair Value Measurements		
			Level 1	Level 2	Level 3
U.S. Government	AAA to N/A	\$ 280,286	\$ 280,286	\$ -	\$ -
Corporate bonds	AA+ to BB+	130,041	130,041	-	-
Common stock	N/A	884,485	884,485	-	-
Fixed income mutual funds	N/A	119,729	119,729	-	-
Money market funds	N/A	47,862	47,862	-	-
		\$ 1,462,403	\$ 1,462,403	\$ -	\$ -

Investment Type	Investment Maturities (Years)			
	N/A	Less than 1	1-10	More than 10
U.S. Government	\$ -	\$ -	\$ 214,918	\$ 65,368
Corporate bonds	-	-	96,904	33,137
Common stock	884,485	-	-	-
Fixed income mutual funds	119,729	-	-	-
Money market funds	47,862	-	-	-
	\$ 1,052,076	\$ -	\$ 311,822	\$ 98,505

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 - PROPERTY TAXES

The District's property tax is levied and due on July 1 on the assessed value listed as of the prior October 1. Property taxes that have been levied and are due on or before year end are recognized as revenue on the fund financial statements if they are collected within sixty days after year end. Property taxes receivable not collected within sixty days after year end are reflected as revenue - unavailable under deferred inflows of resources. An allowance has been established for uncollectible taxes based on historical collection experience.

NOTE 4 - RECEIVABLES

At June 30, 2017, receivables consisted of the following:

	Fund Financials		Government-Wide Financials	
	General Fund	Water Division Enterprise Fund	Governmental Activities	Business-type Activities
Property taxes	\$ 36,591	\$ -	\$ 36,591	\$ -
Interest and liens	15,059	156,861	15,059	156,861
Intergovernmental	3,764	-	3,764	-
Service fees	242,917	779,189	242,917	779,189
Other	15,054	-	15,054	-
Special assessments	-	461,646	-	461,646
Receivables, gross	313,385	1,397,696	313,385	1,397,696
Allowance for doubtful accounts	(40,876)	(93,511)	(40,876)	(93,511)
Receivables, net	<u>\$ 272,509</u>	<u>\$ 1,304,185</u>	<u>\$ 272,509</u>	<u>\$ 1,304,185</u>

Governmental funds report deferred inflows of resources in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Resources received that have not yet been earned and therefore do not qualify for revenue recognition are reported in both the government-wide and fund financial statements as unearned revenue.

At June 30, 2017, the District's unearned revenues and deferred inflows of resources consisted of the following:

	Fund Financials		Government-Wide Financials	
	General Fund	Water Division Enterprise Fund	Governmental Activities	Business-type Activities
Current liabilities				
Unearned revenue	\$ -	\$ 323,488	\$ -	\$ 323,488
Deferred inflows of resources				
Revenue - unavailable	171,151	-	-	-
	<u>\$ 171,151</u>	<u>\$ 323,488</u>	<u>\$ -</u>	<u>\$ 323,488</u>

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 - CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES

Changes in capital assets of governmental activities are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable assets				
Land	\$ 305,000	\$ -	\$ -	\$ 305,000
Construction in progress	44,456	2,511	46,967	-
Total nondepreciable assets	349,456	2,511	46,967	305,000
Depreciable assets				
Building and improvements	7,080,280	46,967	-	7,127,247
Vehicles	4,381,110	-	-	4,381,110
Equipment	2,984,975	38,507	-	3,023,482
Total depreciable assets	14,446,365	85,474	-	14,531,839
Totals at historical cost	<u>\$ 14,795,821</u>	<u>\$ 87,985</u>	<u>\$ 46,967</u>	<u>\$ 14,836,839</u>
Less accumulated depreciation				
Building and improvements	\$ 1,989,686	\$ 183,134	\$ -	\$ 2,172,820
Vehicles	2,565,812	174,750	-	2,740,562
Equipment	2,148,583	164,547	-	2,313,130
Total accumulated depreciation	6,704,081	522,431	-	7,226,512
Governmental activities capital assets, net	<u>\$ 8,091,740</u>	<u>\$ (434,446)</u>	<u>\$ 46,967</u>	<u>\$ 7,610,327</u>

Depreciation expense was charged to governmental functions as follows:

Administration and finance	\$ 34,054
Public safety	488,377
Total depreciation expense	<u>\$ 522,431</u>

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 - CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES

Changes in capital assets of business-type activities are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable assets				
Land	\$ 147,152	\$ -	\$ -	\$ 147,152
Construction in progress	29,451	1,432,083	189,724	1,271,810
Total nondepreciable assets	<u>176,603</u>	<u>1,432,083</u>	<u>189,724</u>	<u>1,418,962</u>
Depreciable assets				
Building and improvements	21,706,039	-	-	21,706,039
Vehicles	276,337	-	-	276,337
Equipment	1,533,874	194,652	-	1,728,526
Total depreciable assets	<u>23,516,250</u>	<u>194,652</u>	<u>-</u>	<u>23,710,902</u>
Totals at historical cost	<u>\$ 23,692,853</u>	<u>\$ 1,626,735</u>	<u>\$ 189,724</u>	<u>\$ 25,129,864</u>
Less accumulated depreciation				
Building and improvements	\$ 6,966,763	\$ 360,504	\$ -	\$ 7,327,267
Vehicles	198,416	13,944	-	212,360
Equipment	1,121,526	50,248	-	1,171,774
Total accumulated depreciation	<u>8,286,705</u>	<u>424,696</u>	<u>-</u>	<u>8,711,401</u>
Business-type activities capital assets, net	<u>\$ 15,406,148</u>	<u>\$ 1,202,039</u>	<u>\$ 189,724</u>	<u>\$ 16,418,463</u>

Depreciation expense was charged to business-type functions as follows:

Water Division Enterprise Fund	<u>\$ 424,696</u>
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**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES

Noncurrent liabilities of the governmental activities for the year ended June 30, 2017 consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable	\$ 1,484,999	\$ -	\$ 227,857	\$ 1,257,142	\$ 227,857
Premium on bonds payable	90,012	-	14,407	75,605	-
	<u>1,575,011</u>	<u>-</u>	<u>242,264</u>	<u>1,332,747</u>	<u>227,857</u>
Net pension liability	513,684	165,536	188,658	490,562	-
Accrued interest	6,989	-	-	6,989	6,989
Compensated absences	76,906	38,801	24,860	90,847	69,608
Total noncurrent liabilities	<u>\$ 2,172,590</u>	<u>\$ 204,337</u>	<u>\$ 455,782</u>	<u>\$ 1,921,145</u>	<u>\$ 304,454</u>

A schedule of bonds at June 30, 2017 is presented below:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Original Amount	Ending Balance
West Street Complex	12/15/2005	12/15/2021	3.75-5.0	\$ 1,650,000	\$ 550,000
Series 2012A	10/4/2012	10/1/2022	2.25-4.0	1,175,000	707,142
					<u>\$1,257,142</u>

The following is a schedule of bond maturities:

Description	West Street Complex	Series 2012A	Total
Principal Maturities			
<u>June 30,</u>			
2018	\$ 110,000	\$ 117,857	\$ 227,857
2019	110,000	117,857	227,857
2020	110,000	117,857	227,857
2021	110,000	117,857	227,857
2022	110,000	117,857	227,857
2023	-	117,857	117,857
Total	<u>\$ 550,000</u>	<u>\$ 707,142</u>	<u>\$ 1,257,142</u>
Due within one year	\$ 110,000	\$ 117,857	\$ 227,857
Due in more than one year	440,000	589,285	1,029,285
	<u>\$ 550,000</u>	<u>\$ 707,142</u>	<u>\$ 1,257,142</u>

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES (Continued)

Description	<u>West Street Complex</u>	<u>Series 2012A</u>	<u>Total</u>
Interest Maturities			
<u>June 30,</u>			
2018	\$ 24,750	\$ 16,973	\$ 41,723
2019	19,250	13,701	32,951
2020	13,750	11,049	24,799
2021	8,250	8,397	16,647
2022	2,750	5,304	8,054
2023	-	1,768	1,768
Total	<u>\$ 68,750</u>	<u>\$ 57,192</u>	<u>\$ 125,942</u>
Due within one year	\$ 24,750	\$ 16,973	\$ 41,723
Due in more than one year	44,000	40,219	84,219
	<u>\$ 68,750</u>	<u>\$ 57,192</u>	<u>\$ 125,942</u>

The above amounts represent general obligations of the District and are expected to be paid from future taxation.

Presented below is the statutory debt limitation for the Town of Cromwell including the District:

	<u>Total Debt Limitation</u>	<u>Statutory Indebtedness</u>	<u>Debt Limitation in Excess of Outstanding and Authorized Debt</u>
General Purpose	\$ 101,088,537	\$ 14,018,445	\$ 87,070,092
Schools	202,177,075	10,783,698	191,393,377
Sewers	168,480,896	-	168,480,896
Urban Renewal	146,016,776	-	146,016,776
Pension deficit	134,784,717	-	134,784,717

In accordance with Connecticut General Statutes (CGS), municipalities and their coterminous entities may not incur indebtedness the issuance of bonds that will cause aggregate indebtedness to be exceeded by class as outlined above, and in no case shall total indebtedness exceed seven times the base, which equals \$314,497,673 at June 30, 2017. The above schedule does not include \$4,235,540 of debt issued for the supply of water as such amounts are excluded from the debt limit calculation by the CGS.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 - NONCURRENT LIABILITIES – GOVERNMENTAL ACTIVITIES (Continued)

The Town of Cromwell is a member of the Mattabassett District (Mattabassett), a regional sewer district whose other constituent members are the City of New Britain, Town of Berlin, and the City of Middletown. Mattabassett, which is a separate reporting entity from the constituent members, has issued debt in connection with Connecticut’s Clean Water Program. This debt is proportionately secured by a pledge of payments by its members as determined by the Mattabasset District Board.

NOTE 8 - NONCURRENT LIABILITIES – BUSINESS-TYPE ACTIVITIES

Noncurrent liabilities of the business-type activities for the year ended June 30, 2017 consist of the following:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds and notes payable	\$ 3,004,999	\$ 1,651,299	\$ 587,143	\$ 4,069,155	\$ 587,827
Premium on bonds payable	205,406	-	39,021	166,385	-
	<u>3,210,405</u>	<u>1,651,299</u>	<u>626,164</u>	<u>4,235,540</u>	<u>587,827</u>
Net pension liability	256,571	-	59,620	196,951	-
Compensated absences	<u>61,225</u>	<u>-</u>	<u>2,858</u>	<u>58,367</u>	<u>41,480</u>
Total noncurrent liabilities	<u>\$ 3,528,201</u>	<u>\$ 1,651,299</u>	<u>\$ 688,642</u>	<u>\$ 4,490,858</u>	<u>\$ 629,307</u>

A schedule of bonds and notes at June 30, 2017 is presented below:

Description	Date of Issue	Date of Maturity	Interest Rate (%)	Original Amount	Ending Balance
Water Main Project	12/15/2005	12/15/2021	3.75-5.0	\$ 2,890,000	\$ 975,000
Series 2012A	10/4/2012	10/1/2022	2.25-4.0	2,115,000	1,272,856
Series 2012B	10/4/2012	4/1/2018	2.0-3.0	1,020,000	170,000
Series 2016	10/18/2016	9/1/2026	1.55	1,500,000	1,500,000
DWSRF Project Loan	1/26/2017	12/31/2036	2.0	151,299	151,299
					<u>\$4,069,155</u>

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 - NONCURRENT LIABILITIES – BUSINESS-TYPE ACTIVITIES (Continued)

The following is a schedule of bond and note maturities:

Description	Drinking Water State Revolving Loan Fund	Series 2016	Water Main Project	Series 2012A	Series 2012B	Total
Principal Maturities						
<u>June 30,</u>						
2018	\$ 10,684	\$ -	\$ 195,000	\$ 212,143	\$ 170,000	\$ 587,827
2019	6,345	170,000	195,000	212,143	-	583,488
2020	6,473	170,000	195,000	212,143	-	583,616
2021	6,604	170,000	195,000	212,143	-	583,747
2022	6,737	165,000	195,000	212,143	-	578,880
2023 and thereafter	114,456	825,000	-	212,141	-	1,151,597
Total	<u>\$ 151,299</u>	<u>\$ 1,500,000</u>	<u>\$ 975,000</u>	<u>\$ 1,272,856</u>	<u>\$ 170,000</u>	<u>\$ 4,069,155</u>
Due within one year	\$ 10,684	\$ -	\$ 195,000	\$ 212,143	\$ 170,000	\$ 587,827
Due in more than one year	140,615	1,500,000	780,000	1,060,713	-	3,481,328
	<u>\$ 151,299</u>	<u>\$ 1,500,000</u>	<u>\$ 975,000</u>	<u>\$ 1,272,856</u>	<u>\$ 170,000</u>	<u>\$ 4,069,155</u>
Interest Maturities						
<u>June 30,</u>						
2018	\$ 2,944	\$ 23,250	\$ 43,875	\$ 30,552	\$ 5,100	\$ 105,721
2019	2,754	21,933	34,125	24,662	-	83,474
2020	2,626	19,298	24,375	19,888	-	66,187
2021	2,496	16,663	14,625	15,115	-	48,899
2022	2,362	14,066	4,875	12,728	-	34,031
2023 and thereafter	17,485	31,969	-	-	-	49,454
Total	<u>\$ 30,667</u>	<u>\$ 127,179</u>	<u>\$ 121,875</u>	<u>\$ 102,945</u>	<u>\$ 5,100</u>	<u>\$ 387,766</u>
Due within one year	\$ 2,944	\$ 23,250	\$ 43,875	\$ 30,552	\$ 5,100	\$ 105,721
Due in more than one year	27,723	103,929	78,000	72,393	-	282,045
	<u>\$ 30,667</u>	<u>\$ 127,179</u>	<u>\$ 121,875</u>	<u>\$ 102,945</u>	<u>\$ 5,100</u>	<u>\$ 387,766</u>

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 - FUND BALANCE

At June 30, 2017, fund balances reported on the fund financial statements consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>
General Fund:				
Prepaid expenditures	\$ 19,921	\$ -	\$ -	\$ -
Remaining fund balance	-	-	-	647,224
Capital Projects Fund:				
For capital outlay	-	-	209,457	-
Nonmajor Governmental Funds:				
Building and utilities	-	-	799,641	-
Insurance and benefits	-	-	63,868	-
Public safety	-	35,821	49,963	-
Total fund balances	<u>\$ 19,921</u>	<u>\$ 35,821</u>	<u>\$ 1,122,929</u>	<u>\$ 647,224</u>

NOTE 10 - INTERFUND BALANCES AND TRANSFERS

Interfund balances between governmental and proprietary funds arise when receipts or disbursements are processed through one fund's cash accounts on behalf of another fund or from temporary advances of receipts. All balances are expected to be repaid within one year.

As of June 30, 2017, the District had no interfund balances.

Interfund receivables and payables between governmental funds or between proprietary funds are eliminated upon consolidation in the government-wide financial statements.

Transfers represent nonreciprocal transactions between funds. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 - INTERFUND BALANCES AND TRANSFERS (Continued)

The District made the following transfers during the year ended June 30, 2017:

	Transfers In	Transfers Out
Fund Financial Statements		
Major funds:		
General Fund	\$ 80,000	\$ -
Proprietary fund - Water Division Enterprise Fund	6,000	-
Nonmajor funds:		
Public Safety Tower	-	86,000
Total transfers - Fund Financial Statements	\$ 86,000	\$ 86,000
 Government-wide Financial Statements		
Governmental Activities	\$ -	\$ 6,000
Business-type Activities	6,000	-
Total transfers - Government-wide Financial Statements	\$ 6,000	\$ 6,000

Interfund transfers were made for the purpose of reimbursing expenditures incurred by other funds.

NOTE 11 - PENSION PLANS

The District participates in three defined benefit pension plans:

- 1) Volunteer Pension Plan
- 2) Town of Cromwell Employee Retirement System
- 3) State of Connecticut Municipal Employees' Retirement System

VOLUNTEER PENSION PLAN

The District is the administrator of a single employer defined benefit pension plan (PERS), which covers individuals who have provided volunteer services to the District. The PERS is considered to be part of the District's reporting entity and is included in the District's financial statements as a Pension Trust Fund.

Management of the plan rests with the five-member pension advisory board. Four members are elected commissioners, and one is an appointed staff member.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS *(Continued)*

VOLUNTEER PENSION PLAN *(Continued)*

At June 30, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	<u>99</u>
	<u><u>124</u></u>

Under the provisions of the plan, normal retirement age is age 62 and completion of 5 years of credited service. For an individual to participate in the plan, they must meet the requirements for a volunteer. All participants become fully vested upon 10 years of credited service or upon reaching age 62 with 5 years of credited service. Upon retirement, eligible participants receive \$15.00 per month for each year of credited service (up to a maximum of 25 years) plus additional amounts ranging from \$2.00 to \$5.00 per month for each year, up to a maximum total of 5 years credit, if the participant retired as an officer.

The plan's financial statements are prepared on the accrual basis of accounting. District contributions are recognized as revenues when due, and the District has made or has committed to provide the contributions. Benefit payments and refunds are payable when due and are paid in accordance with the terms of the plan.

The District establishes contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, the actuarially determined contribution was \$60,438 and the actual contribution was \$60,438.

The plan's policy in regard to the allocation of invested assets is established and may be amended by the Cromwell Fire District. It is the policy of the Cromwell Fire District's board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS (Continued)

VOLUNTEER PENSION PLAN (Continued)

The following was the target asset allocation as of June 30, 2017:

Asset Class	Target Allocation
Domestic equity	46%
International equity	12%
Fixed income	38%
Short term investments	2%
Cash	2%
	100%

For the year ended June 30, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expenses was 7.31%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The components of the net pension liability of the District at June 30, 2017 were as follows:

Total pension liability	\$ 1,489,901
Plan fiduciary net position	(1,462,402)
Net pension liability	\$ 27,499

Plan fiduciary net position as a percentage of the total pension liability	98.15%
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The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0%
Salary increases	2.0%, average, including inflation
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females. As appropriate, with adjustments for future mortality improvements using Mortality Improvement Scale MP-2014.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS (Continued)

VOLUNTEER PENSION PLAN (Continued)

The long-term expected rate of return on 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 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 plan's targeted asset allocation as of June 30, 2017 (see the earlier discussion of the plan's investment policy) are summarized as follows:

Asset Class	Long-Term Expected Rate of Return
Domestic equity	7.83%
International equity	7.64%
Fixed income	4.42%
Short term investments	3.23%
Cash	0.00%

The discount rate used to measure the total pension liability is 6.50%. For the fiscal year ended June 30, 2017, the projection of cash flows used to determine the discount rate resulted that the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Since no changes have been made to the funding policy, benefit terms, or actuarial cost method, and contributions are historically in excess of the actuarially determine amount, it was considered by the actuaries to be reasonable to conclude that the plan's fiduciary net position is sufficient to pay all projected benefits for the fiscal year ended June 30, 2017. The long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for 2017.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS (Continued)

VOLUNTEER PENSION PLAN (Continued)

The following is a schedule of the changes in the net pension liability for the year ended June 30, 2017:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances, June 30, 2016	\$ 1,443,357	\$ 1,346,422	\$ 96,935
2016-2017 changes:			
Service cost	51,216	-	51,216
Interest on total pension liability	95,453	-	95,453
Differences between expected and actual experience	(47,994)	-	(47,994)
Employer contributions	-	60,438	(60,438)
Net investment income	-	118,697	(118,697)
Benefit payments, including employee contribution refunds	(52,131)	(52,131)	-
Administrative expenses	-	(11,024)	11,024
Net Changes	46,544	115,980	(69,436)
Balances, June 30, 2017	\$ 1,489,901	\$ 1,462,402	\$ 27,499

The following schedule presents the net pension liability, calculated using the discount rate of 6.50%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.50%) or 1 percentage point higher (7.50%) than the current rate:

	1 % Decrease (5.50%)	Current Discount Rate (6.50%)	1 % Increase (7.50%)
Net Pension Liability (Asset)	\$ 223,560	\$ 27,499	\$ (136,599)

For the year ended June 30, 2017, the District recognized pension expense of \$34,580. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to this pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 263,206
Changes of assumptions	61,524	-
Net difference between projected and actual earnings on pension plan investments	44,965	43,468
Total	\$ 106,489	\$ 306,674

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS (Continued)

VOLUNTEER PENSION PLAN (Continued)

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

June 30,		
2018	\$	(34,261)
2019		(14,667)
2020		(17,074)
2021		(30,457)
2022		(24,489)
Thereafter		(79,237)
Total	\$	(200,185)

TOWN OF CROMWELL EMPLOYEE RETIREMENT SYSTEM

The District (including its Water Division Enterprise Fund) participates in the Town's Employee Retirement System. The plan is administered by the Town of Cromwell and was established to provide pension benefits for its employees and the employees of the District.

The plan provides retirement, disability and death benefits and annual cost-of-living adjustments to plan members and their beneficiaries. Employees are eligible to retire at age 65 or 5 years of continuous service, whichever is later. Early retirement is available at age 55 plus 15 years of service. Normal retirement benefit formulas apply, subject to actuarial reduction.

Covered employees are required to contribute 2.5% of earnings to the plan. Each participating organization is required to contribute at an actuarially determined amount. The District's required rate of contribution as a percentage of covered payroll was 7.50%. The contribution requirements for the plan are established and may be amended by the Town of Cromwell.

At June 30, 2017, the District reported the following pension liabilities in its governmental and business-type activities for its proportionate share of the net pension liability:

	Governmental Activities	Business-Type Activities
Total pension liability - proportionate share	\$ 1,106,314	\$ 1,582,052
Plan fiduciary net position - proportionate share	(1,062,129)	(1,385,101)
Net pension liability - proportionate share	\$ 44,185	\$ 196,951
Plan fiduciary net position as a percentage of the total pension liability	96.01%	87.55%

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS (Continued)

TOWN OF CROMWELL EMPLOYEE RETIREMENT SYSTEM (Continued)

The net pension liability was measured at June 30, 2017, and the total pension liability was determined by an actuarial valuation date of July 1, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2017, the District's proportion for its Governmental Activities and Business-Type Activities was 1.89% and 8.43%, respectively.

For the year ended June 30, 2017, the District recognized pension expense for this plan in the amount of \$57,908 and \$55,186 in its governmental and business-type activities, respectively. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources in its governmental and business-type activities as follows:

	Governmental Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 173,796	\$ -	\$ 131,376
Changes of assumptions	35,101	-	46,310	-
Net difference between projected and actual earnings on pension plan investments	49,066	-	75,353	-
Total	<u>\$ 84,167</u>	<u>\$ 173,796</u>	<u>\$ 121,663</u>	<u>\$ 131,376</u>

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

June 30,	Governmental Activities	Business-Type Activities
2018	\$ (5,407)	\$ 14,905
2019	(5,411)	14,905
2020	(14,366)	288
2021	(27,654)	(19,445)
2022	(24,082)	(14,606)
Thereafter	(12,709)	(5,760)
Total	<u>\$ (89,629)</u>	<u>\$ (9,713)</u>

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS (Continued)

TOWN OF CROMWELL EMPLOYEE RETIREMENT SYSTEM (Continued)

The following actuarial assumptions were used in determining the total pension liability:

Inflation	2.75%
Salary increases	Graded
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2016.

The long-term expected rate of return on pension plan investments was determined using a building block method on which best-estimated ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major class are included in the plan's target asset allocation below:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
US large cap core	30%	6.40%
US mid cap core	10%	7.30%
US small cap core	7%	7.80%
International equity	13%	6.40%
Real estate investment trusts	5%	6.20%
Taxable fixed income	35%	1.30%
	<u>100%</u>	

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined contribution rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan assets was applied to all periods of projected benefit payments to determine the total pension liability.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS (Continued)

TOWN OF CROMWELL EMPLOYEE RETIREMENT SYSTEM (Continued)

The following schedule presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	Governmental Activities		
	Current		
	1 % Decrease (6.00%)	Discount Rate (7.00%)	1 % Increase (8.00%)
District's proportionate share of net pension liability	\$ 202,807	\$ 44,185	\$ (88,856)

	Business-Type Activities		
	Current		
	1 % Decrease (6.00%)	Discount Rate (7.00%)	1 % Increase (8.00%)
District's proportionate share of net pension liability	\$ 413,774	\$ 196,951	\$ 14,372

STATE OF CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

The District participates in the State of Connecticut Municipal Employees' Retirement System (MERS), which is a cost-sharing multiple employer public employee defined benefit plan established by the State of Connecticut and administered by the State Retirement Commission to provide benefits for the employees of participating municipalities. Full time District Fire and EMS personnel participate in the plan. MERS is considered to be a part of the State of Connecticut's financial reporting entity and is included in the State's financial statements as a pension trust fund. Information regarding the plan can be obtained on the State of Connecticut's website www.osc.ct.gov.

The plan has 4 sub plans: general employees with social security; general employees without social security; policemen and firemen with social security; and policemen and firemen without social security.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS *(Continued)*

STATE OF CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM *(Continued)*

Plan provisions are set by statute of the State of Connecticut and may be amended by legislative action. MERS provides retirement benefits, as well as death and disability benefits. General employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. Police and firemen have a compulsory retirement age of 65.

For members not covered by social security, the benefit is 2% of average final compensation times years of service. For members covered by social security, the benefit is 1 ½ % of the average final compensation not in excess of the year's breakpoint plus 2% of the average final compensation in excess of the year's breakpoint, times years of service.

The maximum benefit is 100% of the average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and maximum include workers' compensation and social security benefits.

If any member covered by social security retires before age 62, the member's benefit until the member reaches age 62 or social security disability award is received, is computed as if the member is not under social security.

Members are eligible for early retirement after 5 years of continuous or 15 years of active aggregate service. The benefit is calculated on the basis of average final compensation and service to date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty. Disability benefits are calculated based on compensation and service to the date of the disability with a minimum benefit (including workers' compensation benefits) of 50% of compensation at the time of disability.

Employees are eligible for non-service-related disability benefits with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS (Continued)

STATE OF CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Continued)

Participating municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability, and a prior service amortization payment which covers the liabilities of the system not met by member contributions.

For employees not covered by social security, each person is required to contribute 5% of compensation. For employees covered by social security, each person is required to contribute 2 ¼ % of compensation up to the social security taxable wage base plus 5% of compensation, if any, in excess of such base.

The components associated with pension expense and deferred outflows and inflows of resources have been determined based on fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2016.

At June 30, 2017, the District reported a liability of \$418,878 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2016, and the total pension liability used to calculate the net pension liability was measured the net pension liability was determined by an actuarial valuation of that date. The District's proportion of the net pension liability was based upon an allocation percentage calculated to six decimal places derived from the District's payroll as compared to the total. The District's allocation percentage for the reporting period ended June 30, 2017 was 0.895978%.

The total pension liability was calculated based on the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25-11.00%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females). The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 - June 30, 2012.

Future Cost-of-Living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5% and the maximum is 6%.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS (Continued)

STATE OF CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Continued)

The following is the plan's target allocation and the long-term expected real rate of return:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	16.0%	5.8%
Developed non-U.S. equities	14.0%	6.6%
Emerging markets (non-U.S.)	7.0%	8.3%
Core fixed income	8.0%	1.3%
Inflation linked bond fund	5.0%	1.0%
Emerging market bond	8.0%	3.7%
High yield bonds	14.0%	3.9%
Real estate	7.0%	5.1%
Private equity	10.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	3.0%	0.4%
TOTAL	100.0%	

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at 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 rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the year ended June 30, 2017, the District recognized pension expense of \$95,026. At June 30, 2017, the District reported deferred outflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources
District contributions after the measurement date	\$ 84,247
Change in proportional share	15,297
Differences between expected and actual experience	35,021
Net difference between projected and actual earnings on pension plan investments	110,540
Total	\$ 245,105

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 - PENSION PLANS (Continued)

STATE OF CONNECTICUT MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (Continued)

Amounts reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the subsequent year. Amounts reported as deferred outflows related to the net difference between projected and actual earnings on plan investments will be recognized in pension expense as follows:

June 30,	
2018	\$ 37,025
2019	37,025
2020	52,516
2021	34,292
2022	-
Thereafter	-
Total	\$ 160,858

The following schedule presents the net pension liability, calculated using the discount rate of 8.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	1 % Decrease (7.00%)	Current Discount Rate (8.00%)	1 % Increase (9.00%)
District's proportionate share of net pension liability	\$ 857,300	\$ 418,878	\$ 49,780

NOTE 12-RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. There have been no significant reductions in insurance coverage and settlements have not exceeded insurance coverage for each of the past three fiscal years. All risk management activities are accounted for in the general fund.

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 - BUDGET MODIFICATIONS

ANNUAL BUDGET

The following line item transfers were made to the 2016-2017 annual budget:

<u>Budget Line</u>	<u>Increases (decreases)</u>
Expenditures:	
Public Safety	
Signals & alarms	(5,000)
Communications center	5,000

NOTE 14 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2017, the following line items were expended in excess of their budgeted appropriations by the indicated amounts:

<u>Budget Line</u>	<u>Amount</u>
Expenditures:	
Administrative and finance	
Administrative salaries and operations	12,608
Computer operations	7,007
Tax collector	205
Public safety	
EMS/Fire operations	31,195
Fire marshal	8,640
Communications center	10,775
Other:	
Apparatus and equipment	1,525

NOTE 15 - WEST STREET COMPLEX – WATER DIVISION CONTRIBUTION

The West Street Complex project involved the demolition of the existing fire station at 1 West Street in Cromwell, Connecticut, and the subsequent construction at that location, of a facility to house district offices for the Water Division, Fire Department, and the Fire Marshal, as well as a three-bay fire station. The appropriation for this project was \$3,400,000 which was funded with the issuance of bonds and an appropriation of \$1,700,000 from the District's Water Division Enterprise Fund. In the Statement of Net Position, the West Street Complex is reported as a capital asset of the District's governmental activities. The Water Division Enterprise Fund's contribution is amortized over the life of the bonds and is currently reported as a deferred outflow of resources in the business-type activities and a corresponding deferred inflow of resources in the governmental activities. Amortization for the year ended June 30, 2017 was \$113,333 and the unamortized balance as of June 30, 2017 was \$680,003.

CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 17 - PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2017 that have effective dates that may impact future financial presentations.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The provisions of this statement are effective for fiscal years beginning after June 15, 2017 (the District's year ending June 30, 2018).

GASB Statement 81, Irrevocable Split-Interest Agreements. The requirements of this Statement provide recognition and measurement guidance for instances in which the government is a beneficiary of a split-interest agreement by requiring the recognition of assets, liabilities, and deferred inflows of resources at the inception of the agreement. The provisions of this statement are effective for fiscal years beginning after December 15, 2016 (the District's year ending June 30, 2018).

GASB Statement 83, Certain Asset Retirement Obligations. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (ARO). The provisions of this statement are effective for reporting periods beginning after June 15, 2018 (the District's year ending June 30, 2019).

GASB Statement 84, Fiduciary Activities. The purpose of the statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes. The provisions of this statement are effective for reporting periods beginning after December 15, 2018 (the District's year ending June 30, 2020).

GASB Statement 85, Omnibus 2017. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. The provisions of this statement are effective for reporting periods beginning after June 15, 2017 (the District's year ending June 30, 2018).

**CROMWELL FIRE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 17 - PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE (*Continued*)

GASB Statement 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The provisions of this statement are effective for reporting periods beginning after June 15, 2017 (the District’s year ending June 30, 2018).

GASB Statement 87, Leases. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions of this statement are effective for reporting periods beginning after December 15, 2019 (the District’s year ending June 30, 2021).

CROMWELL FIRE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	ADDITIONAL APPROPRIATIONS AND TRANFERS	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES					
Property taxes-current year	\$ 2,696,764	\$ -	\$ 2,696,764	\$ 2,716,949	\$ 20,185
Property tax-prior year	15,000	-	15,000	18,786	3,786
Interest on property taxes	12,000	-	12,000	7,976	(4,024)
Liens on Property Taxes	(1,500)	-	(1,500)	-	1,500
EMS billing	710,000	-	710,000	669,333	(40,667)
State grants	1,500	-	1,500	4,332	2,832
FD training classes	500	-	500	2,466	1,966
Interest income	1,000	-	1,000	4,310	3,310
Revenue fire marshal's office	1,000	-	1,000	2,355	1,355
Miscellaneous revenue	7,500	-	7,500	32,390	24,890
Employee insurance contribution	26,063	-	26,063	21,224	(4,839)
Total revenues	<u>3,469,827</u>	<u>-</u>	<u>3,469,827</u>	<u>3,480,120</u>	<u>10,293</u>
EXPENDITURES					
Administrative and finance:					
Administrative salaries and operations	345,525	-	345,525	358,133	(12,608)
Computer operations	85,222	-	85,222	92,229	(7,007)
Tax collector	75,000	-	75,000	75,205	(205)
Commission expense	16,000	-	16,000	15,714	286
Total administrative and finance	<u>521,747</u>	<u>-</u>	<u>521,747</u>	<u>541,281</u>	<u>(19,535)</u>
Public safety:					
Office of the fire chief	159,400	-	159,400	152,109	7,291
EMS/Fire operations	894,500	-	894,500	925,695	(31,195)
Signals & alarms	6,500	(5,000)	1,500	1,333	167
Fire marshal	175,135	-	175,135	183,775	(8,640)
Communications center	352,000	5,000	357,000	367,775	(10,775)
Total public safety	<u>1,587,535</u>	<u>-</u>	<u>1,587,535</u>	<u>1,630,687</u>	<u>(43,152)</u>
Other:					
Buildings & grounds	234,260	-	234,260	211,784	22,476
Volunteer training	25,000	-	25,000	19,234	5,766
Insurance and benefits	761,096	-	761,096	687,647	73,449
Apparatus and equipment	186,558	-	186,558	188,083	(1,525)
Miscellaneous	-	-	-	-	-
Debt services	278,795	-	278,795	278,795	-
Total other	<u>1,485,709</u>	<u>-</u>	<u>1,485,709</u>	<u>1,385,543</u>	<u>100,165</u>
Total expenditures	<u>3,594,991</u>	<u>-</u>	<u>3,594,991</u>	<u>3,557,511</u>	<u>37,478</u>
Other financing sources (uses):					
Transfer in from public safety tower fund	126,000	-	126,000	80,000	(46,000)
Total other financing sources (uses)	<u>126,000</u>	<u>-</u>	<u>126,000</u>	<u>80,000</u>	<u>(46,000)</u>
Excess (deficiency) of revenues over expenditures - GAAP Basis	<u>\$ 836</u>	<u>\$ -</u>	<u>\$ 836</u>	<u>\$ 2,609</u>	<u>\$ 1,773</u>
FUND BALANCE, beginning of year				664,537	
FUND BALANCE, end of year				<u>\$ 667,146</u>	

See independent auditors' report

**CROMWELL FIRE DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
VOLUNTEER PENSION PLAN
LAST FOUR FISCAL YEARS**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability:				
Service cost	\$ 33,899	\$ 33,262	\$ 32,167	\$ 51,216
Interest	94,499	87,858	94,892	95,454
Differences between expected and actual experience	(183,820)	(51,131)	(85,339)	(47,994)
Changes of assumptions	-	87,519	-	-
Benefit payments, including refunds of member contributions	(47,927)	(44,279)	(52,131)	(52,131)
Net change in total pension liability	(103,349)	113,229	(10,411)	46,545
Total pension liability - beginning	1,443,888	1,340,539	1,453,768	1,443,357
Total pension liability - ending	1,340,539	1,453,768	1,443,357	1,489,902
Plan fiduciary net position:				
Contributions -employer	100,000	53,000	49,000	60,438
Net investment income	171,047	69,459	21,413	118,698
Benefit payments, including refunds of member contributions	(47,927)	(44,279)	(52,131)	(52,131)
Administrative expenses	(8,914)	(9,515)	(9,622)	(11,024)
Net change in fiduciary net position	214,206	68,665	8,660	115,981
Plan fiduciary net position - beginning	1,054,891	1,269,097	1,337,762	1,346,422
Plan fiduciary net position - ending	1,269,097	1,337,762	1,346,422	1,462,403
Net Pension Liability - Ending	<u>\$ 71,442</u>	<u>\$ 116,006</u>	<u>\$ 96,935</u>	<u>\$ 27,499</u>
Plan fiduciary net position as a percentage of the total pension liability	94.67%	92.02%	93.28%	98.15%
Covered-employee payroll	866,144	731,346	1,025,705	777,457
Net pension liability as a percentage of covered-employee payroll	8.25%	15.86%	9.45%	3.54%

See independent auditors' report

**CROMWELL FIRE DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
VOLUNTEER PENSION PLAN
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	\$ 56,887	\$ 86,154	\$ 90,686	\$ 94,314	\$ 89,898	\$ 99,400	\$ 98,108	\$ 52,590	\$ 48,699	\$ 60,438
Contributions in relation to the actuarially determined contribution	56,887	71,740	106,088	94,314	89,898	100,000	100,000	53,000	49,000	60,438
Contribution deficiency (excess)	\$ -	\$ 14,414	\$ (15,402)	\$ -	\$ -	\$ (600)	\$ (1,892)	\$ (410)	\$ (301)	\$ -
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	820,909	866,144	731,346	1,025,705	777,457
Contributions as a percentage of covered-employee payroll						12.18%	11.55%	7.25%	4.78%	7.77%

Notes to Schedule

Valuation date: June 30, 2017
Measurement Date: June 30, 2017
Actuarially determined contribution rates are calculated as of the first day of the fiscal year and rolled forward assuming mid-year payment.

Actuarial cost method: Aggregate
Amortization method: Included in cost as level amortization over weighted average working life
Remaining amortization period: N/A
Asset valuation method: Market value
Inflation: 2.00%
Salary increases: N/A
Discount Rate: 6.50%
Retirement age: 62
Form of Benefit: Normal Form - Life Annuity
Mortality: RP-2014 Table projected with scale MP-2014

See independent auditors' report

**CROMWELL FIRE DISTRICT
SCHEDULE OF INVESTMENT RETURNS
VOLUNTEER PENSION PLAN
LAST FOUR FISCAL YEARS**

	2014	2015	2016	2017
Annual money-weighted rate of return, net of investment expense	15.95%	5.53%	1.42%	7.31%

See independent auditors' report

**CROMWELL FIRE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
CONNECTICUT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.827991%	0.827991%	0.895978%
District's proportionate share of the net pension liability	\$ 187,335	\$ 253,342	\$ 418,878
District's covered-employee payroll	\$ 377,153	\$ 331,713	\$ 414,911
District's proportionate share of the net pension liability as a percentage of its covered payroll	49.67%	76.37%	100.96%
Plan fiduciary net position as a percentage of the total pension liability	96.10%	92.72%	88.29%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	None
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Amortization period	25 years
Asset valuation method	5-year smoothed market

See independent auditors' report

**CROMWELL FIRE DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
CONNECTICUT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	\$ 28,228	\$ 26,683	\$ 36,245	\$ 50,565	\$ 62,870	\$ 58,976	\$ 56,307	\$ 70,993	\$ 71,202	\$ 84,247
Contributions in relation to the actuarially determined contribution	28,228	26,683	36,245	50,565	62,870	58,976	56,307	70,993	71,202	84,247
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	266,487	247,769	282,268	332,727	341,202	317,173	331,673	377,153	331,713	414,911
Contributions as a percentage of covered-employee payroll	10.59%	10.77%	12.84%	15.20%	18.43%	18.59%	16.98%	18.82%	21.46%	20.30%

Notes to Schedule

Valuation date: June 30, 2016
Measurement Date: June 30, 2016
Actuarially determined contribution rates are calculated as of June 30, each biennium for the fiscal years ending two and three years after the valuation date

Actuarial cost method Entry age
Amortization method Level dollar, closed
Amortization period 25 years
Asset valuation method 5 years smoothed market (20% write up)
Inflation 3.25%
Salary increases 4.25 - 11.00%, including inflation
Investment rate of return 8.00%, net of pension plan investment expense, including inflation
Changes in assumptions None

See independent auditors' report

**CROMWELL FIRE DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TOWN OF CROMWELL RETIREMENT PLAN
LAST THREE FISCAL YEARS**

	Governmental Activities			Business-Type Activities		
	2015	2016	2017	2015	2016	2017
District's proportion of the net pension liability	4.26%	4.16%	1.89%	6.34%	6.54%	8.43%
District's proportionate share of the net pension liability	\$ 97,709	\$ 163,407	\$ 44,185	\$ 145,422	\$ 256,571	\$ 196,951
District's covered-employee payroll	\$ 746,809	\$ 750,857	\$ 710,871	\$ 406,391	\$ 395,366	\$ 464,424
District's proportionate share of the net pension liability as a percentage of its covered payroll	13.08%	21.76%	6.22%	35.78%	64.89%	42.41%
Plan fiduciary net position as a percentage of the total pension liability	89.81%	84.94%	96.01%	90.14%	83.59%	87.55%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	None
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Amortization period	20 years
Asset valuation method	5-year smoothed market

See independent auditors' report

**CROMWELL FIRE DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
TOWN OF CROMWELL RETIREMENT PLAN
LAST TEN FISCAL YEARS**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Actuarially determined contribution	\$ 50,999	\$ 55,935	\$ 58,993	\$ 70,812	\$ 76,116	\$ 79,192	\$ 78,257	\$ 77,886	\$ 79,176	\$ 80,452
Contributions in relation to the actuarially determined contribution	50,999	55,935	58,993	70,812	76,116	79,192	78,257	77,886	79,176	80,452
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	1,068,943	911,783	964,179	999,204	975,846	1,034,975	1,068,982	1,159,678	1,146,223	1,175,295
Contributions as a percentage of covered-employee payroll	4.77%	6.13%	6.12%	7.09%	7.80%	7.65%	7.32%	6.72%	6.91%	6.85%

Notes to Schedule

Valuation date: July 1, 2016
Measurement Date: June 30, 2017
Actuarially determined contribution rates are calculated as of June 30, each biennium for the fiscal years ending two and three years after the valuation date

Actuarial cost method: Entry Age Normal Actuarial Cost Method
Amortization method: Included in normal cost
Amortization period: Average future working lives of participants
Asset valuation method: Market value
Inflation: 2.75%
Investment rate of return: 7.00%, net of investment related and administrative expenses
Retirement age: Age 62 or 5 years of plan participation, whichever is later
Mortality: RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2016

This schedule presents the combined figures for both the Governmental Activities and Business-Type Activities

See independent auditors' report

**CROMWELL FIRE DISTRICT
REPORT OF THE PROPERTY TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2017**

Grand List	Taxes Receivable	Current Year	Lawful Corrections		Transfer to Suspend	Net Taxes Collectible	Collections during the Year			Refunds	Taxes Receivable
	July 1, 2016		Additions	Deductions	Add-backs		Taxes	Interest & Liens	Total		June 30, 2017
2015	\$ -	\$ 2,742,830	\$ 905	\$ (6,160)	\$ (56)	\$ 2,737,519	\$ 2,722,605	\$ 4,663	\$ 2,727,268	\$ -	\$ 14,914
2014	26,721	-	175	(916)	(97)	25,883	15,556	3,303	18,859	-	10,327
2013	7,386	-	51	(20)	(59)	7,358	2,081	813	2,894	-	5,277
2012	4,734	-	-	-	(97)	4,637	979	519	1,498	-	3,658
2011	2,091	-	-	-	-	2,091	45	38	83	-	2,046
2010	591	-	-	-	(241)	350	26	56	82	-	324
2009	63	-	-	-	(18)	45	-	19	19	-	45
2008	-	-	-	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	9	9	-	-
2004	-	-	-	-	-	-	-	49	49	-	-
2003	-	-	-	-	-	-	-	122	122	-	-
Prior	-	-	-	-	-	-	-	45	45	-	-
	<u>\$ 41,586</u>	<u>\$ 2,742,830</u>	<u>\$ 1,131</u>	<u>\$ (7,096)</u>	<u>\$ (568)</u>	<u>\$ 2,777,883</u>	<u>\$ 2,741,292</u>	<u>\$ 9,636</u>	<u>\$ 2,750,928</u>	<u>\$ -</u>	<u>\$ 36,591</u>

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**CROMWELL FIRE DISTRICT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES SECTION 7-374(B)
FOR THE YEAR ENDED JUNE 30, 2017**

Total Tax Collections (including interest and
lien fees) Received by Treasurer for the Year
Ended June 30, 2017 \$ 2,750,928

<u>Debt Limitation</u>	<u>General Purpose</u>	<u>School</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
2 1/4 times base	\$ 6,189,588	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	12,379,176	-	-	-
3 3/4 times base	-	-	10,315,980	-	-
3 1/4 times base	-	-	-	8,940,516	-
3 times base	-	-	-	-	8,252,784
Total Debt Limitation	<u>6,189,588</u>	<u>12,379,176</u>	<u>10,315,980</u>	<u>8,940,516</u>	<u>8,252,784</u>
<u>Indebtedness</u>					
Authorized, outstanding Bonds payable	<u>1,257,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Indebtedness	<u>1,257,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Debt Limitation in excess of outstanding and authorized debt</i>	<u>\$ 4,932,446</u>	<u>\$ 12,379,176</u>	<u>\$ 10,315,980</u>	<u>\$ 8,940,516</u>	<u>\$ 8,252,784</u>

Note: In no event shall total indebtedness exceed seven times annual receipts from taxation
(\$ 19,256,496)

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**CROMWELL FIRE DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017**

ASSETS

	SPECIAL REVENUE					TOTAL NONMAJOR GOVERNMENTAL FUNDS
	PUBLC SAFETY TOWER FUND	FIRE DEPARTMENT FUND	SICK BENEFITS FUND	MEMORIAL FUND	NETO STUDENT BENEFITS FUND	
CURRENT ASSETS						
Cash and cash equivalents	\$ 886,244	\$ 49,963	\$ 63,868	\$ 29,910	\$ 5,911	\$ 1,035,896
Total current assets	\$ 886,244	\$ 49,963	\$ 63,868	\$ 29,910	\$ 5,911	\$ 1,035,896

LIABILITIES AND FUND BALANCES

CURRENT LIABILITIES						
Accounts payable	\$ 86,603	\$ -	\$ -	\$ -	\$ -	\$ 86,603
Total current liabilities	86,603	-	-	-	-	86,603
FUND BALANCES						
Restricted	-	-	-	29,910	5,911	35,821
Committed	799,641	49,963	63,868	-	-	913,472
Total fund balances	799,641	49,963	63,868	29,910	5,911	949,293
Total liabilities and fund balances	\$ 886,244	\$ 49,963	\$ 63,868	\$ 29,910	\$ 5,911	\$ 1,035,896

See independent auditors' report

**CROMWELL FIRE DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017**

	SPECIAL REVENUE				NETO STUDENT BENEFITS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	PUBLIC SAFETY TOWER FUND	FIRE DEPARTMENT FUND	SICK BENEFITS FUND	MEMORIAL FUND		
REVENUES						
Charges for services	\$ 270,787	\$ -	\$ -	\$ -	\$ -	\$ 270,787
Interest income	-	144	219	93	-	456
Other revenue	-	31,628	-	719	-	32,347
Total revenues	<u>270,787</u>	<u>31,772</u>	<u>219</u>	<u>812</u>	<u>-</u>	<u>303,590</u>
EXPENDITURES						
Current						
Public safety	-	17,236	-	-	-	17,236
Building and utilities	149,366	-	-	-	-	149,366
Other expenditures	-	-	-	2,000	196	2,196
Total expenditures	<u>149,366</u>	<u>17,236</u>	<u>-</u>	<u>2,000</u>	<u>196</u>	<u>168,798</u>
Excess (deficiency) of revenues over expenditures	121,421	14,536	219	(1,188)	(196)	134,792
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(86,000)	-	-	-	-	(86,000)
	<u>(86,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(86,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	35,421	14,536	219	(1,188)	(196)	48,792
FUND BALANCES, beginning of year	<u>764,220</u>	<u>35,427</u>	<u>63,649</u>	<u>31,098</u>	<u>6,107</u>	<u>900,501</u>
FUND BALANCES, end of year	<u>\$ 799,641</u>	<u>\$ 49,963</u>	<u>\$ 63,868</u>	<u>\$ 29,910</u>	<u>\$ 5,911</u>	<u>\$ 949,293</u>

See independent auditors' report

**CROMWELL FIRE DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - VOLUNTEER ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2017**

	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE
ASSETS				
Cash and cash equivalents	\$ 54,123	\$ 76,109	\$ 97,567	\$ 32,665
 LIABILITIES				
Due to Volunteers and others	\$ 54,123	\$ 76,109	\$ 97,567	\$ 32,665

See independent auditors' report

**INDEPENDENT AUDITORS' 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 Commissioners of
Cromwell Fire District
Cromwell, Connecticut

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Cromwell Fire District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 19, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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.

Our 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut

December 19, 2017