

**POMFRET FIRE DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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### **INDEPENDENT AUDITOR'S REPORT**

January 8, 2013

To the Board of District Directors  
Pomfret Fire District  
Pomfret Center, CT 06259

I have audited the accompanying financial statements of the governmental activities and each major fund of the Pomfret Fire District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Pomfret Fire District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

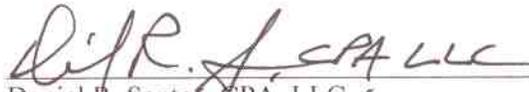
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Pomfret Fire District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated January 8, 2013, on my consideration of the Pomfret Fire District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Pomfret Fire District  
January 8, 2013

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 22 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pomfret Fire District's financial statements as a whole. The Report of the Property Tax Collector and Schedule of Revenues and Expenditures – Ambulance Fund are presented for purposes of additional analysis and are not a required part of the financial statements. The report and schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
Daniel R. Santos, CPA, LLC

**POMFRET FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

This discussion and analysis of the Pomfret Fire District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. This information is presented in conjunction with the audited financial statements that follow this section.

**FINANCIAL HIGHLIGHTS**

- \* The District's net assets increased by \$121,181 from the prior fiscal year.
- \* The District's total expenses of \$271,594 were \$121,181 less than the total revenues of \$392,775.
- \* The District's governmental funds reported an ending general fund balance of \$398,137 and an ending ambulance fund balance of \$87,293 at June 30, 2012. The District's voters had committed \$200,000 of the general fund balance to finance the purchase of a new fire truck.
- \* Revenues available for current expenditures exceeded the budgeted amount by \$35,512, while expenditures, excluding the new truck purchase and financing, were \$30,411 less than appropriations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements include all activities of the District and are presented in accordance with GASB Statement No. 34.

**Government-Wide Financial Statements**

The government-wide financial statements present the financial results of the District from the economic resources measurement basis using the accrual method of accounting.

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

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements illustrate the governmental activities of the District that are principally supported by taxes and intergovernmental revenues. The District's governmental activities are fire protection and emergency response. The District has no business-type activities. Business activities include functions that are supported by fees and charges.

**POMFRET FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds include governmental funds.

**Governmental Funds**

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 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 and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities, as presented in the Statement of Net Assets and Statement of Activities.

**Fiduciary Funds**

The District does not have any fiduciary funds as of June 30, 2012. Fiduciary activities are excluded from the District's other financial statements because the plan's assets cannot be used to finance its operations.

**POMFRET FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Government-Wide Financial Analysis**

The District's net assets increased by \$121,181 during the June 30, 2012, fiscal year. Net assets and changes in net assets are summarized as follows:

<b>Net Assets</b>	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Current and Other Assets	\$ 540,094	\$ 435,727
Capital Assets	<u>515,012</u>	<u>561,624</u>
Total Assets	1,055,106	997,351
Long-Term Debt Outstanding	270,900	344,643
Other Liabilities	<u>29,936</u>	<u>19,619</u>
Total Liabilities	300,836	364,262
Net Assets:		
Invested in Capital Assets, Net of Related Debt	244,112	216,981
Unrestricted	<u>510,158</u>	<u>416,108</u>
Total Net Assets	<u>\$ 754,270</u>	<u>\$ 633,089</u>
 <b>Changes in Net Assets</b>		
Revenues		
Program Revenues		
Charges for Services	\$ 72,877	\$ 59,265
General Revenues		
Property Taxes	290,602	287,911
Grants and Contributions Not Restricted to Specific Purposes	24,598	22,649
Unrestricted Investment Earnings	3,943	4,822
Other Revenues	<u>755</u>	<u>(6,020)</u>
Total General Revenues	<u>319,898</u>	<u>309,362</u>
Total Revenues	392,775	368,627
Program Expenses		
Fire Department	222,136	258,380
Ambulance Service	<u>49,458</u>	<u>40,523</u>
Total Program Expenses	<u>271,594</u>	<u>298,903</u>
Increase in Net Assets	<u>\$ 121,181</u>	<u>\$ 69,724</u>

**POMFRET FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

The District's largest source of revenues is from property taxes and related revenues representing 74% of the total revenues. Charges for ambulance services represented 19% of total revenues. Investment interest, grants, and other revenues represent the other remaining sources.

The District's expenditures for public fire protection and emergency response represent 82% of the total for the fiscal year. Expenditures for ambulance service represent the remaining amount. No major expenditure changes were incurred from the prior year.

**District Funds Financial Analysis**

**Governmental Funds**

The District's fund balances totaled \$485,430 at June 30, 2012, an increase of \$84,998. The general fund increase of \$79,923 was \$279,080 more than budgeted. The District's final budget had planned for a \$200,000 decrease in the fund balance. This decrease was to have resulted from the purchase of a new fire truck, which was not completed during the year. An appropriation of \$14,000 for payments on a loan to finance the purchase of the truck was also not used. Lower than expected administrative, operating and capital expenditures accounted for \$30,411 of reduced expenditures. Revenues were \$35,512 more than budgeted and is primarily due to higher than expected receipts of charitable contributions and investment interest income. The ambulance fund increased by \$5,918.

**General Fund Budgetary Highlights**

The original budget was changed to add an additional \$150,000 to the new truck appropriation. An equal increase to the expected loan proceeds was also included.

Budgetary-based revenues totaled \$320,616, an increase of \$35,515 over budgeted amounts. This increase was primarily due to charitable contributions, grants and investment interest income not included in the budgeted amounts.

Budgetary-based expenditures totaling \$240,693 were \$544,411 less than budgeted amounts. As noted above, this decrease is mostly due to the fact that the purchase of the fire truck was not completed during the fiscal year along with the related financing. This accounts for \$514,000 of the reduction. The remaining decrease of \$30,411 is due to reductions in administrative, operating and other capital expenditures.

**POMFRET FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Capital Assets**

At June 30, 2012, the District had invested \$1,523,853 in capital assets, including land, buildings, vehicles and equipment. No new assets were acquired during the fiscal year. The District sold a fire truck to the Town of Pomfret for a nominal amount. Capital assets, net of depreciation, as of June 30, 2012, are summarized as follows:

Governmental Assets	
Land	\$ 4,000
Land Improvements	17,782
Buildings and Improvements	127,529
Vehicles and Equipment	<u>365,701</u>
Total	\$ <u>515,012</u>

**Debt Administration**

The District had \$270,900 of outstanding long-term debt at June 30, 2012. No new debt was incurred this fiscal year. Principal payments of \$73,743 were made on outstanding bonds payable and the lease obligations during the fiscal year.

**Economic Factors and Next Year's Budget and Rates**

The District's Board of Directors considered many economic factors when formulating the 2012-2013 general fund budget. These factors included the present grand list and mill rate and expected capital acquisitions. The Board's consideration of these factors resulted in a budget of \$357,239. Revenues were projected to be \$357,239. The budget increases appropriations by approximately \$72,000. The increases include approximately \$19,000 of building improvement costs, \$26,000 for additional debt service for the new fire truck, \$20,000 for new Scott air packs, and \$8,000 for truck maintenance costs. The District's budget includes a \$500,000 appropriation to purchase a new engine tanker truck. The voters committed \$200,000 of the general fund balance to finance the purchase. A bank loan is to be obtained for the remaining balance of \$300,000. The mill rate was established at 1 mill, and is an increase of .2 mills from the prior year.

**Contacting the District's Management**

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's commitment to public accountability. If you have any questions about this report or need additional information, contact the District's management at P.O. Box 306, 67 Hampton Road, Pomfret Center, Connecticut, 06259.

**POMFRET FIRE DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**Assets**

Cash	\$	89,931
Property Taxes Receivable (Net)		7,189
Other Receivables (Net)		41,420
Due from the Town of Pomfret		401,554
Capital Assets, Net of Depreciation		<u>515,012</u>
<b>Total Assets</b>		<b>1,055,106</b>

**Liabilities**

Accounts Payable		18,253
Accrued Interest		11,683
Notes Payable – Current Portion		39,143
Notes Payable – Long-Term Portion		84,102
Capital Lease Obligation – Current Portion		18,009
Capital Lease Obligation – Long-Term Portion		<u>129,646</u>
<b>Total Liabilities</b>		<b>300,836</b>

**Net Assets**

Invested in Capital Assets, Net of Related Debt		244,112
Unrestricted		<u>510,158</u>
<b>Total Net Assets</b>	<b>\$</b>	<b><u>754,270</u></b>

**POMFRET FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

**Expenses**

Fire Department	\$ 169,967
Ambulance Service	44,994
Depreciation	42,595
Interest	<u>14,038</u>
 Total Program Expenses	 271,594

**Program Revenues**

Charges for Services	<u>72,877</u>
 Net Program Expenses	 198,717

**General Revenues**

Property Taxes	285,918
Interest on Delinquent Taxes	3,707
Lien and Other Fees	977
Grants and Contributions	24,598
Investment Interest	3,943
Miscellaneous	3,572
Sale of Vehicle and Equipment	<u>(2,817)</u>
 Total General Revenues	 <u>319,898</u>

**Increase in Net Assets** 121,181

**Net Assets – June 30, 2011** 633,089

**Net Assets – June 30, 2012** \$ 754,270

**POMFRET FIRE DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash	\$ 10,105	\$ 79,826	\$ 89,931
Property Taxes Receivable	7,189	0	7,189
Accounts Receivable	0	41,420	41,420
Due from the Town of Pomfret	<u>401,554</u>	<u>0</u>	<u>401,554</u>
<b>Total Assets</b>	<b><u>\$ 418,848</u></b>	<b><u>\$ 121,246</u></b>	<b><u>\$ 540,094</u></b>
<b>Liabilities and Fund Balances</b>			
Accounts Payable	\$ 15,651	\$ 2,602	\$ 18,253
Deferred Tax Revenues	5,060	0	5,060
Other Deferred Revenues	<u>0</u>	<u>31,351</u>	<u>31,351</u>
<b>Total Liabilities</b>	<b>20,711</b>	<b>33,953</b>	<b>54,664</b>
<b>Fund Balances</b>			
Committed	200,000	0	200,000
Assigned	0	87,293	87,293
Unassigned	<u>198,137</u>	<u>0</u>	<u>198,137</u>
<b>Total Fund Balances</b>	<b><u>398,137</u></b>	<b><u>87,293</u></b>	<b>485,430</b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 418,848</u></b>	<b><u>\$ 121,246</u></b>	

Amounts reported in governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 515,012

Long-term property tax and ambulance service receivables are not available to pay for current period expenditures and therefore are deferred in the funds. 36,411

Accrued interest expense is not recognized until paid in the funds. (11,683)

Long-term liabilities, including notes payable and capital lease obligations, are not due and payable in the current period and therefore are not reported in the funds. (270,900)

Net Assets of Governmental Activities \$ 754,270

**POMFRET FIRE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Ambulance Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Property Taxes	\$ 284,115	\$ 0	\$ 284,115
Lien Fees	977	0	977
Interest on Delinquent Taxes	3,707	0	3,707
Investment Interest	3,915	28	3,943
Grants and Contributions	23,743	855	24,598
Charges for Services	0	68,633	68,633
Miscellaneous	2,959	613	3,572
Sale of Vehicle and Equipment	<u>1,200</u>	<u>0</u>	<u>1,200</u>
<b>Total Revenues</b>	320,616	70,129	390,745
<b>Expenditures</b>			
Building Expenses	27,189	0	27,189
Operating Expenses	81,096	25,637	106,733
Administrative Expenses	41,169	16,013	57,182
Capital Expenditures	20,513	3,344	23,857
Debt Service	<u>70,726</u>	<u>20,060</u>	<u>90,786</u>
<b>Total Expenditures</b>	<u>240,693</u>	<u>65,054</u>	<u>305,747</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	79,923	5,075	84,998
<b>Other Financing Sources (Uses)</b>			
Operating Transfers In	0	843	843
Operating Transfers Out	<u>(843)</u>	<u>0</u>	<u>(843)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(843)</u>	<u>843</u>	<u>0</u>
<b>Excess of Revenues and Sources Over (Under) Expenditures and Other Uses</b>	79,080	5,918	84,998
<b>Fund Balance – June 30, 2011</b>	<u>319,057</u>	<u>81,375</u>	
<b>Fund Balance – June 30, 2012</b>	<u>\$ 398,137</u>	<u>\$ 87,293</u>	

**POMFRET FIRE DISTRICT  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2012**

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is recognized over their estimated useful lives as depreciation expense.

Capital Outlays	\$ 0
Depreciation Expense	(42,595)
	(42,595)

Property tax revenues in the Statement of Activities are recorded using the economic resources measurement focus while revenues in the funds are recognized only when available to meet current obligations.	1,803
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Ambulance service revenues in the Statement of Activities are recorded using the economic resources measurement focus while revenues in the funds are recognized only when available to meet current obligations.	4,244
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Repayment of principal of notes payable and lease obligations is an expenditure in the governmental funds, but the expenditure reduces the notes payable and lease obligations liability in the Statement of the Net Assets.	73,743
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Interest expense is recognized as incurred in the Statement of Net Assets, and when paid in the governmental funds.	3,005
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The sale of property and equipment in the Statement of Activities includes a reduction for the adjusted book value of the disposed assets.	(4,017)
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Changes in Net Assets of Governmental Activities	\$ 121,181
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**POMFRET FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note A – Summary of Significant Accounting Policies**

The accounting policies of the Pomfret Fire District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for established governmental accounting and financial reporting principles. The significant accounting policies of the Pomfret Fire District are outlined below.

**Reporting Entity**

The Pomfret Fire District is a special taxing district located in the Town of Pomfret, Connecticut. The District provides fire fighting and emergency response services. The District is not a part of any other governmental reporting entity as set forth in governmental accounting standards because the District is a separate legal entity that has its own separately elected governing body. In addition, the District has the authority to establish its own budget, levy taxes and issue bonded debt. There are no governmental units for which the District is financially accountable and no units with which the District has a significant relationship. Accordingly, there are no component units required to be included in the financial statements of the District.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs primarily supported by taxes and intergovernmental revenues. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

**POMFRET FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note A – Summary of Significant Accounting Policies (continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with self-balancing set of accounts. The District uses only governmental funds. Governmental funds are those through which most governmental functions are financed. Governmental funds accounting focuses on the sources, uses and balances of current financial resources. The difference between governmental fund assets and liabilities is recorded as a fund balance.

The District reports the following major governmental funds:

**General Fund** - The general fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the general fund.

**Ambulance Fund** is used to account for all resources used for the ambulance service provided to the District and adjoining towns.

**Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and time deposits.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note C.

**POMFRET FIRE DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2012**

**Note A – Summary of Significant Accounting Policies (continued)**

**Property Taxes and Other Receivables**

In the government-wide financial statements, property taxes receivable and other receivables are reported net of an allowance for uncollectible accounts. Allowances for uncollectible accounts are computed based on historical data.

The governmental funds financial statements report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes attach as an enforceable lien as of October 1 of the previous year. Taxes are levied on July 1 and are due and payable on July 1 and the following January 1. Liens are filed by the end of the fiscal year in which the taxes are collectible.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Land Improvements.....	20
Buildings.....	50
Building Improvements .....	25-50
Vehicles and Equipment .....	5-20

**POMFRET FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note A – Summary of Significant Accounting Policies (continued)**

**Long-Term Obligations**

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

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

**Government-Wide Net Assets**

Government-wide net assets are divided into the following three components:

**Invested in Capital Assets, Net of Related Debt** – consists of capital assets at historical cost less accumulated depreciation and less any outstanding debt used to finance the acquisition of the asset.

**Restricted Net Assets** – consists of net assets restricted by the District's creditors, the State of Connecticut, by federal and state grantors and other contributors.

**Unrestricted** – consists of all other net assets.

**Government Fund Balances**

In the governmental fund financial statements, fund balances are classified as follows:

**Nonspendable** – amounts that cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for purposes mandated by the District's bylaws, federal and state laws and ordinances, or externally imposed conditions by grantors or creditors.

**Committed** – amounts that can be used only for specific purposes determined by way of a resolution approved by District voters at valid District meetings.

**Assigned** – amounts that are designated by District voters for a particular purpose but are not spendable until included in a legally adopted budget.

**Unassigned** – all other amounts not included in the above classifications.

**POMFRET FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note A – Summary of Significant Accounting Policies (continued)**

**Use of Restricted Resources**

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then to unrestricted resources. In the governmental funds, the District's policy is to first apply the expenditure toward restricted fund balances and then to other less restrictive classifications (committed and assigned fund balances) before using unassigned fund balances.

**Note B - Budgets and Budgetary Accounting**

The District's by-laws require adoption of an annual budget for the general fund. The Treasurer is required to submit a proposed budget for the ensuing fiscal year to the Board of Directors. Following a review and modification by the Board, the proposed budget is submitted at the annual District meeting for public comment and approval. A mill rate is set within ten days of the annual budget meeting. The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the fund level for the general fund. Transfers between appropriations are allowed upon Board approval.

Except for construction or other permanent improvements, all appropriations established in the budget lapse at the end of each fiscal year. The District does not employ a separate budgetary accounting system. However, there were no outstanding commitments at June 30, 2012, which would require a reservation of the general fund balance.

The basis of accounting used in the preparation of the annual budget is the same as used for financial reporting purposes in the fund financial statements.

**Note C - Cash and Investments**

As of June 30, 2012, the carrying amount of the District's deposits totaled \$89,931 with a bank balance of \$90,926. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. The entire bank balance was covered by federal depository insurance. Any deposits not covered by federal depository insurance are uninsured and uncollateralized although partially protected under provisions of the Connecticut General Statutes which provided for protection against loss in excess of deposit insurance through assessment against segregated collateral required to be maintained by all qualified public depositors in the amount of 10% to 120% of their outstanding public deposits depending on the banks financial strength as shown by its risk based capital ratio.

The level of the District's deposits varies throughout the year as a result of higher cash flows at certain times during the year. Accordingly, deposits at those times were higher than those at June 30, 2012.

**POMFRET FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note C - Cash and Investments (continued)**

State statutes allow the District to invest in obligations of the United States, including its agencies; in obligations of any state or political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; certain investment company funds that invest in obligations of the United States and its agencies; or in obligations of the State of Connecticut or any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. At June 30, 2012, the District had no such investments.

**Note D - Property Taxes Receivable**

Property taxes receivable at June 30, 2012, were \$7,189, and are net of an allowance for uncollectible taxes. Deferred property tax revenue recorded in the government fund statements totaled \$5,060. Other receivables at June 30, 2012, consist of amounts due for ambulance services in the amount of \$41,420, and are net of an allowance for uncollectible amounts. Deferred ambulance service revenue recorded in the government fund statements totaled \$31,351.

**Note E - Due from Town of Pomfret**

The District's property tax related revenues are collected by the Town of Pomfret's tax collector. District tax collections are comingled with the Town's funds. The Town separately identifies the amounts due to the District in its accounting records. The Town increases the amount due to the District for an allocable share of investment income earned on its deposits, and decreases the amount due for expenses paid on behalf of the District.

**POMFRET FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note F - Capital Assets**

Capital assets activity for the year ended June 30, 2012, was as follows:

<b>Governmental Activities</b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Capital assets not being depreciated:				
Land	\$ 4,000	\$ 0	\$ 0	\$ 4,000
Capital assets being depreciated:				
Land Improvements	59,240	0	0	59,240
Buildings and Improvements	243,111	0	0	243,111
Machinery, Equipment and Vehicles	<u>1,297,851</u>	<u>0</u>	<u>(80,349)</u>	<u>1,217,502</u>
Total capital assets being depreciated	1,600,202	0	(80,349)	1,519,853
Less accumulated depreciation for:				
Land Improvements	39,826	1,632	0	41,458
Buildings and Improvements	108,796	6,786	0	115,582
Machinery, Equipment and Vehicles	<u>893,956</u>	<u>34,177</u>	<u>(76,332)</u>	<u>851,801</u>
Total accumulated depreciation	<u>1,042,578</u>	<u>42,595</u>	<u>(76,332)</u>	<u>1,008,841</u>
Total capital assets, being depreciated, net	<u>557,624</u>	<u>(42,595)</u>	<u>0</u>	<u>511,012</u>
Governmental activities capital assets, net	<u>\$ 561,624</u>	<u>\$ (42,595)</u>	<u>\$ (4,017)</u>	<u>\$ 515,012</u>

The District had no infrastructure assets at June 30, 2012.

Depreciation expense for the fiscal year was \$38,145 for the fire department and \$4,450 for the ambulance service. Depreciation expense reflects changes made to the estimated useful lives of the District's vehicles and land improvements.

The District's land was received for no consideration on April 8, 1975, and is subject to a donor imposed restriction that the land be used as a location for the District's fire station. The land will revert back to the donor for failure to comply with this restriction.

**POMFRET FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note G - Long-Term Debt**

The Pomfret Fire District has issued a general obligation bond to the United States Department of Agriculture. The bond was issued on April 21, 1999, and is payable in annual installments of \$44,997 with interest at 4.75% per year through September 21, 2014. The bond is secured by a 1999 Sutphen Tower Truck.

The annual requirements to service the debt are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 39,143	\$ 5,854	\$ 44,997
2014	41,002	3,995	44,997
2015	<u>43,100</u>	<u>2,047</u>	<u>45,147</u>
	<u>\$ 123,245</u>	<u>\$ 11,896</u>	<u>\$ 135,141</u>

On October 22, 2003, the District entered into a capital lease (a lease which is treated as a purchase for financial purposes) with First State Bank. Under the agreement, the District will lease a tanker fire truck for a fifteen year term. At the end of this term, the District has the option to purchase the fire truck for the sum of one dollar.

The present value of the minimum lease payments is as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>
2013	\$ 25,729
2014	25,729
2015	25,729
2016	25,729
2017	25,729
Thereafter	<u>51,458</u>
Total Minimum Lease Payments	180,103
Less: Imputed Interest	<u>(32,448)</u>
Present Value of Net Minimum Lease Payments	147,655
Current Portion	<u>(18,009)</u>
Long-Term Portion	<u>\$ 129,646</u>

**POMFRET FIRE DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note G - Long-Term Debt (continued)**

The truck is recorded at a cost of \$361,883 with accumulated depreciation of \$195,035 in the Statement of Net Assets.

Changes in the components of long-term debt are as follows:

	June 30, <u>2011</u>	Principal <u>Payments</u>	June 30, <u>2012</u>
Bond Payable-Fire Truck	\$ 160,613	\$ 37,368	\$ 123,245
Note Payable-Ambulance	19,260	19,260	0
Lease Obligation	<u>164,770</u>	<u>17,115</u>	<u>147,655</u>
	<u>\$ 344,643</u>	<u>\$ 73,743</u>	<u>\$ 270,900</u>

**Note H - Risk Management**

The Pomfret Fire District's fire fighting and emergency response activities expose the District to the risk that a loss may be incurred during the performance of these services. Possible areas of exposure include damage to District and taxpayer property, injuries to individuals and District volunteers, and negligence by District officials. The Board of Directors mitigates this risk through the purchase of commercial insurance. The District presently has insurance coverages in place for property, liability, automobile, workers compensation, accident and sickness, director's errors and omissions, and fidelity risks.

**Note I - Fund Balance Classifications**

The District's committed portion of the general fund balance represents amounts the District's voters have approved to be used to finance the purchase of a new fire truck.

**POMFRET FIRE DISTRICT  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>	\$ 285,104	\$ 285,104	\$ 320,616	\$ 35,512
<b>Building Expenses</b>				
Heat	4,750	4,750	5,012	(262)
Electricity	5,500	5,500	4,298	1,202
Telephone and 911 Service	7,160	7,160	6,320	840
Maintenance	<u>12,500</u>	<u>12,500</u>	<u>11,559</u>	<u>941</u>
Total Building Expenses	29,910	29,910	27,189	2,721
<b>Operating Expenses</b>				
Gas, Oil and Diesel	3,000	3,000	3,205	(205)
Truck Maintenance	20,000	20,000	16,736	3,264
Equipment Repairs	3,000	3,000	4,298	(1,298)
Training	3,500	3,500	4,787	(1,287)
EMT Supplies	1,500	1,500	1,812	(312)
Paramedic Services	4,500	4,500	4,442	58
Personal Allowance	40,000	40,000	37,375	2,625
Grant	1,000	1,000	0	1,000
Hepatitis and Physicals	500	500	100	400
Pump Testing	1,750	1,750	0	1,750
Ladder Testing	1,500	1,500	728	772
Hose Testing	2,500	2,500	2,289	211
Special Purchases	3,278	3,278	2,754	524
Equipment Inventory	1,000	1,000	1,900	(900)
Public Education	<u>1,000</u>	<u>1,000</u>	<u>670</u>	<u>330</u>
Total Operating Expenses	88,028	88,028	81,096	6,932
<b>Administrative Expenses</b>				
Secretary's Salary	250	250	250	0
Treasurer's Salary	4,320	4,320	4,320	0
Payroll Expenses	3,650	3,650	869	2,781
Audit	6,000	6,000	5,625	375
Data Processing	1,500	1,500	1,500	0
Office Supplies	2,500	2,500	1,986	514
Postage and Delivery	800	800	1,054	(254)
Printing	120	120	0	120
Computer Repairs	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 1,492</u>	<u>\$ 8</u>

**POMFRET FIRE DISTRICT  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)
<b>Administrative Expenses (continued)</b>				
Dues and Subscriptions	\$ 1,600	\$ 1,600	\$ 1,043	\$ 557
Advertising	600	600	457	143
Recording Fees	500	500	765	(265)
Legal Fees	600	600	600	0
Insurance	25,500	25,500	21,208	4,292
Contingency	<u>1,500</u>	<u>1,500</u>	<u>0</u>	<u>1,500</u>
Total Administrative Expenses	50,940	50,940	41,169	9,771
<b>Capital Expenditures</b>				
New Tanker Truck	350,000	500,000	0	500,000
New Equipment	20,500	20,500	19,492	1,008
Capital Improvement	10,000	10,000	0	10,000
SCBA Upgrade	<u>1,000</u>	<u>1,000</u>	<u>1,021</u>	<u>(21)</u>
Total Capital Expenditures	381,500	531,500	20,513	510,987
<b>Debt Service</b>				
Tanker Loan	14,000	14,000	0	14,000
Truck Principal	54,492	54,492	54,483	9
Truck Interest	<u>16,234</u>	<u>16,234</u>	<u>16,243</u>	<u>(9)</u>
Total Debt Service	<u>84,726</u>	<u>84,726</u>	<u>70,726</u>	<u>14,000</u>
<b>Total Expenditures</b>	<u>635,104</u>	<u>785,104</u>	<u>240,693</u>	<u>544,411</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(350,000)	(500,000)	79,923	579,923
<b>Other Financing Sources</b>				
Loan Proceeds	150,000	300,000	0	(300,000)
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>(843)</u>	<u>(843)</u>
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>300,000</u>	<u>(843)</u>	<u>(300,843)</u>
<b>Excess of Revenues and Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ 79,080</u>	<u>\$ 279,080</u>

**POMFRET FIRE DISTRICT  
SCHEDULE OF REVENUES AND EXPENDITURES-AMBULANCE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

<b>Revenues</b>	\$ 70,129
<b>Operating Expenses</b>	
Vehicle Fuel	1,164
Ambulance Maintenance	2,087
EMT Supplies	3,500
Paramedics Service	1,367
Personal Allowance	8,456
Training	3,567
Hepatitis and Physicals	580
Software Subscriptions	400
Clothing & Uniforms	809
911 Service	<u>3,707</u>
Total Operating Expenses	25,637
<b>Administrative Expenses</b>	
Treasurer's Salary	4,320
Payroll Expenses	188
Billing Service	6,151
Insurance	5,153
Office Supplies	<u>201</u>
Total Administrative Expenses	16,013
<b>Capital Expenditures</b>	
New Equipment	3,344
<b>Debt Service</b>	
Ambulance Principal	19,260
Ambulance Interest	<u>800</u>
Total Debt Service	<u>20,060</u>
<b>Total Expenditures</b>	<u>65,054</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	5,075
<b>Other Financing Sources (Uses)</b>	
Operating Transfers In	<u>843</u>
<b>Excess of Revenues and Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ 5,918</u>

**POMFRET FIRE DISTRICT  
REPORT OF PROPERTY TAX COLLECTOR  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Grand List Year	Amount of Taxes Collectible	Net Lawful Additions and Deductions	Transfer (to) from Suspense	Adjusted Taxes Collectible	Collections			Total	Uncollected Taxes June 30, 2012
					Taxes	Interest	Lien		
2010	\$ 286,817	\$ (787)	\$ (33)	\$ 285,997	\$ 281,429	\$ 2,819	\$ 104	\$ 284,352	\$ 4,568
2009	4,104	47	(16)	4,135	2,293	705	700	3,698	1,842
2008	921	(13)	(27)	881	562	172	173	907	319
2007	490	(4)	(67)	419	6	11	0	17	413
2006	43	(8)	0	35	(9)	0	0	(9)	44
2005	2	9	0	11	8	0	0	8	3
2004	0	0	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0	0	0
2002	0	0	0	0	0	0	0	0	0
2001	0	0	0	0	0	0	0	0	0
2000	0	0	0	0	0	0	0	0	0
1999	0	0	0	0	0	0	0	0	0
1998	0	0	0	0	0	0	0	0	0
1997	0	0	0	0	0	0	0	0	0
1996	0	0	0	0	0	0	0	0	0
	<u>\$ 292,377</u>	<u>\$ (756)</u>	<u>\$ (143)</u>	<u>\$ 291,478</u>	<u>\$ 284,289</u>	<u>\$ 3,707</u>	<u>\$ 977</u>	<u>\$ 288,973</u>	<u>\$ 7,189</u>

# *Daniel R. Santos, CPA, LLC*

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### **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**

January 8, 2013

To the Board of District Directors  
Pomfret Fire District  
Pomfret Center, CT 06259

I have audited the accompanying financial statements of the governmental activities and each major fund of the Pomfret Fire District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued my report thereon dated January 8, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Pomfret Fire District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Pomfret Fire District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, I identified a certain deficiency in internal control over financial reporting that I consider to be a material weakness.

To the Board of District Directors  
Pomfret Fire District  
January 8, 2013

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described below to be a material weakness:

Presently, the District does not employ an individual with the ability to prepare its financial statements, or one with the competencies needed to prevent, detect and correct a material misstatement in the financial statements. Internal controls over the preparation of financial statements should be in place to provide assurance that the District's financial statements are not materially misstated. Because the District does not employ a competent individual, a misstatement may occur in the financial statements and not be prevented or detected by the District's personnel. Accordingly, the District should employ a qualified individual.

District Response: District officials indicated that they have not been able to obtain a board member with the necessary qualifications to prepare its financial statements and due to budgetary constraints, it would be unlikely that such a person could be employed by the District.

Auditor Evaluation: The District should continue to search for an individual who has the necessary skills to prepare the financial statements, or have an individual in the organization obtain the necessary training to be able to do so.

#### Compliance and Other Matters

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

The Pomfret Fire District's response to the findings identified in my audit is described above. I did not audit the Pomfret Fire District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Board of District Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

  
Daniel R. Santos, CPA, LLC