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INDEPENDENT AUDITORS' REPORT

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Blue Hills Fire District (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.

**Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT

(cont'd.)

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

**Opinion**

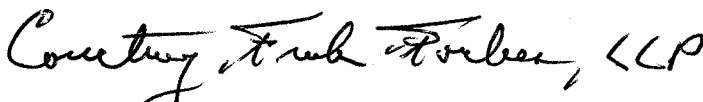
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bloomfield Center Fire District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 28 through 30 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The financial statements and schedules listed in the table of contents as other supplementary information are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Blue Hills Fire District. Such additional other supplementary information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

  
May 24, 2018

BLUE HILLS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

Our discussion and analysis of the Blue Hills Fire District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the District's basic financial statements.

**Financial Highlights**

- The District's net assets decreased by approximately 7.9% or \$208,430.
- During the year, the District had expenditures of \$1,793,058 and generated \$1,526,898 in tax and other revenues for government programs.
- The General Fund reported a decrease in total fund balance this year of \$67,004.
- The resources available for appropriations (expenditures) were \$60,053 more than budgeted for in the General Fund and expenditures were \$127,057 over budget.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to the financial statements that explain in more detail some of the information in the basic financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements are also included. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

**Reporting to the District as a Whole**

Statement of Net Assets and Statement of Activities - One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a manner that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting* which is similar to the accounting used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the District's net assets and changes in them. You can think of the District's net assets as the difference between assets and liabilities - as one way to measure the District's financial health, or *financial position*. Over time, *increase or decreases* in the District's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base and the condition of the District's capital assets, to assess the *overall health* of the District.

BLUE HILLS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D.)  
JUNE 30, 2017

**Reporting the District's Most Significant Funds**

Fund Financial Statements

Our analysis of the District's major funds begins below. The fund financial statements begin on Exhibit C and provide detailed information about the District's governmental funds. The District has only governmental funds.

Governmental funds - all of the District's services are reported using 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 an accounting method called modified accrual accounting.

	<u>Net Assets</u>	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 433,010	\$ 552,129
Capital Assets (Net)	<u>4,024,889</u>	<u>4,294,801</u>
<u>Total Assets</u>	<u>4,457,899</u>	<u>4,846,930</u>
Long-Term Debt Outstanding	1,995,971	2,175,844
Other Liabilities	<u>37,056</u>	<u>37,784</u>
<u>Total Liabilities</u>	<u>2,033,027</u>	<u>2,213,628</u>
<u>Net Assets:</u>		
Invested in Capital Assets, net of debt	2,028,918	2,118,997
Unrestricted	<u>395,954</u>	<u>514,305</u>
<u>TOTAL NET ASSETS</u>	<u>\$ 2,424,872</u>	<u>\$ 2,633,302</u>

Net assets of the District's governmental activities decreased by 7.9% to \$2,424,872. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by covenants, enabling legislation or other legal requirements decreased by \$118,351.

BLUE HILLS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D.)  
JUNE 30, 2017

	<u>Changes in Net Assets</u> <u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
<u>Revenues:</u>		
Property Taxes	\$ 1,339,443	\$ 1,516,467
Other General Revenues	<u>245,185</u>	<u>118,286</u>
<u>Total Revenues</u>	<u>1,584,628</u>	<u>1,634,753</u>
<u>Program Expenses:</u>		
Fire Protection - Operational	1,441,314	1,541,529
Depreciation	263,773	288,138
Interest on Long-Term Debt	<u>87,971</u>	<u>95,414</u>
<u>Total Program Expenses</u>	<u>1,793,058</u>	<u>1,925,081</u>
<u>INCREASE (DECREASE) IN NET ASSETS</u>	<u>\$ (208,430)</u>	<u>\$ (290,328)</u>

The District's total revenues decreased by \$50,125 or approximately 3.1% which was a result of decreased taxes collected and increased State of Connecticut grants. The decrease in total program expenses, \$132,023, was due primarily to decreases in vehicle and building maintenance and fire fighting equipment and supplies expenses.

**The District's Funds**

As the District completed the year, its governmental funds (as presented in the balance sheet in Exhibit C) reported a total fund balance of \$387,813, which is \$90,559 less than last year's total of \$478,372.

**General Fund Budgetary Highlights**

The actual resources available for appropriations (expenditures) were \$60,053 over the original approved budget and actual charges to appropriations (expenditures) were \$127,057 over the final budget amounts.

**Capital Assets and Administration**

**Capital Assets**

At year ending June 30, 2017 the District had \$4,024,889 invested in a range of capital assets, including land and improvements, building and improvements, fire fighting equipment, vehicles and other equipment (see below).. This amount represents a net decrease (including additions and deductions of assets and depreciation) of \$269,912 or approximately 6.3% over the prior year, primarily due to depreciation.

BLUE HILLS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D.)  
JUNE 30, 2017

	Capital Assets at Year-End (Net of Depreciation) Governmental Activities	
	2017	2016
Land and Improvements	\$ 118,588	\$ 118,588
Building and Improvements	3,710,921	3,710,921
Fire Fighting Equipment	3,531,760	3,527,071
Vehicles	156,854	169,428
Other Equipment	178,844	200,154
Bond Issue Costs	23,000	23,000
	7,719,967	7,749,162
Less Accumulated Depreciation and Amortization	3,695,078	3,454,361
	\$ 4,024,889	\$ 4,294,801

Debt

As of June 30, 2017, the District had \$1,995,971 in general obligation bonds payable. Additional information on the District's long-term debt can be found in Notes 5 and 6 of this report.

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

When setting the budget for the 2017 - 2018 fiscal year, management considered the following factors:

- Increases in labor costs, health benefits contract services and capital expenditures.
- Principal and interest payments required on bonds payable.

These factors were taken into account when adopting the General Fund budget for 2017 - 2018. The mill rate was set at 2.5 mills. Budgeted revenues and expenditures are expected to increase to \$1,610,118 from \$1,586,750 in 2015. The District has added no major new programs or initiatives to the 2017-2018 budget. If these estimates are realized, the District's budgetary Governmental fund balance is expected to increase modestly by the close of 2018. More importantly, however, this will have been accomplished without selling capital assets or restructuring long-term debt.

BLUE HILLS FIRE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D.)  
JUNE 30, 2017

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, creditors, financial analysts and legislative oversight bodies with a general overview of the District's finances and to show the District's accountability for the funds it receives. Should you have questions about this report or need additional financial information, contact the District's Office, at 1021 Blue Hills Avenue, Bloomfield, Connecticut 06002.



BLUE HILLS FIRE DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2017

EXHIBIT A

	<u>Governmental</u>
<u>Assets:</u>	
Cash and Cash Equivalents	\$ 223,594
Investments - Net	113,014
Taxes Receivable	33,983
Collections in Possession of Tax Collector	62,419
Capital Assets, Net of Depreciation	<u>4,024,889</u>
<u>TOTAL ASSETS</u>	<u>\$ 4,457,899</u>
<u>Liabilities:</u>	
Accounts Payable	\$ 32,783
Accrued Wages and Expenses	4,273
Long-Term Liabilities	
Current	187,331
Non-Current	<u>1,808,640</u>
<u>Total Liabilities</u>	<u>2,033,027</u>
<u>Net Assets:</u>	
Invested in Capital Assets, net of Related Debt	2,028,918
Unrestricted	<u>395,954</u>
<u>TOTAL NET ASSETS</u>	<u>\$ 2,424,872</u>

The accompanying Notes are an integral part of these Financial Statements.

BLUE HILLS FIRE DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

EXHIBIT B

Governmental

General Revenues:

Property Taxes	\$ 1,339,443
State Grants	202,202
Investment Gain (Loss) - Net	(892)
Miscellaneous	<u>43,875</u>
<u>Total General Revenues</u>	<u>1,584,628</u>

Expenses:

Fire Protection - Operational Expenses	1,441,314
Depreciation	263,773
Debt Service - Interest	<u>87,971</u>
<u>Total Expenses</u>	<u>1,793,058</u>

Change in Net Assets	(208,430)
Net Assets, Beginning of year	<u>2,633,302</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 2,424,872</u>

The accompanying Notes are an integral part of these Financial Statements.

BLUE HILLS FIRE DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017

EXHIBIT C

Assets:

Cash and Cash Equivalents	\$ 223,594
Investments - Net	113,014
Taxes Receivable	44,694
Collections in Possession of Tax Collector	62,419
Prepaid Expenses	<u>81,158</u>

TOTAL ASSETS \$ 524,879

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts Payable	\$ 32,783
Accrued Wages and Expenses	4,273
Deferred Revenues	<u>100,010</u>
<u>Total Liabilities</u>	<u>137,066</u>

Fund Balance:

Unreserved	<u>387,813</u>
<u>Total Fund Balance</u>	<u>387,813</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 524,879

The accompanying Notes are an integral part of these Financial Statements.

BLUE HILLS FIRE DISTRICT  
RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2017

EXHIBIT D

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

<u>Total Government Fund Balance - Per Balance Sheet</u>	\$ 387,813
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	4,024,889
Net change in Deferred Revenues less net changes in prepaid and accrued expenses are not available to pay current period expenditures and therefore are not reported in the fund.	8,141
Long-term liabilities, including general obligation bonds are not due and payable in the current period and therefore are not reported in the fund.	<u>(1,995,971)</u>
<u>TOTAL NET ASSETS OF GOVERNMENT ACTIVITIES</u> <u>- PER STATEMENT OF NET ASSETS</u>	<u>\$ 2,424,872</u>

The accompanying Notes are an integral part of these Financial Statements.

BLUE HILLS FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017

EXHIBIT E

	<u>General Fund</u>
<u>Revenues:</u>	
Property Taxes	\$ 1,401,618
State of Connecticut	202,202
Investment Gain (Loss) - Net	(892)
Miscellaneous	<u>43,875</u>
<u>Total Revenues</u>	<u>1,646,803</u>
 <u>Expenditures:</u>	
Fire Protection - Operational Expenses	1,441,314
Capital Outlay	4,689
Debt Service:	
Principal	179,833
Interest	<u>87,971</u>
<u>Total Expenditures</u>	<u>1,713,807</u>
 Excess of Expenditures over Revenues	 <u>(67,004)</u>
Change in Fund Balance	(67,004)
Fund Balance, Beginning of year	478,372
Prior Period Adjustment	<u>(23,555)</u>
 <u>FUND BALANCE - END OF YEAR</u>	 <u>\$ 387,813</u>

The accompanying Notes are an integral part of these Financial Statements.

BLUE HILLS FIRE DISTRICT  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT F

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

Net Change in Governmental Fund Balance - Total Government Funds                      \$     (67,004)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation and disposals exceeded capital outlays in the current period:

Capital Outlay	\$	4,689	
Disposals		(10,828)	
Depreciation: Current Expense		<u>(263,773)</u>	(269,912)

Revenues and Expenses in the Statement of Activities that do provide or use current financial resources are not reported in the funds. (51,347)

The issuance of long-term debt (e.g., bonds and leases) provide current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premium, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The difference is outlined as follows:

Principal Payments - General Obligation Bonds	<u>179,833</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (208,430)

The accompanying Notes are an integral part of these Financial Statements.

BLUE HILLS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The Blue Hills Fire District was incorporated under a special act of the General Assembly of the State of Connecticut during the January 1935 session. Under the same act, a three-member Board of Fire Commissioners was created. The District is a separate taxing district within the Town of Bloomfield, which is located in Hartford County, serving approximately one-quarter of the town's fire protection needs. As required by generally accepted accounting principles (GAAP) these financial statements present the District with no component units. A component unit is another entity for which the District is considered to be financially accountable. The District is not a component unit of any other primary government. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units.

B. 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 non-fiduciary activities of the District. The *statement of activities* demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not property included among program revenues are reported instead as general revenues.

C. 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*. 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 a revenue as soon as all eligibility requirements imposed by the provider have been met.

BLUE HILLS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies (cont'd.)

Governmental fund financial statements are reported using a *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they become available and measurable. Available is currently being defined as collected during the period or expected to be collected within 60 days thereafter. Expenditures generally are recorded when a liability is incurred. Exception to this rule is debt service expenditures, compensated absences and claims and judgments which are recorded only when the payment is due. Property taxes, reimbursement type grants, operating transfers and interest associated with the current fiscal period are all considered susceptible to accrual have been recognized in the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives the revenue.

The District reports the following major government funds:

General Fund - The General 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. *A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.*

D. Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles accepted in the United States of America requires management to make estimates assumptions that affect the reported amounts in the basic financial statements. Actual results could differ from estimates.

E. Budget Policies and Practices

The District establishes its budget in accordance with the Charter and the Connecticut General Statutes. Annual budgets are prepared by the Board of Fire Commissioners and employed for management control for the General Fund. Budgetary control is maintained at the object level. However, once approved, the Board of Fire Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures, as long as total expenditures are not exceeded. Transfers within the budget were made throughout the year. Any contract obligation or over expenditure in excess of \$5,000 must be specifically authorized by a vote of the District's Board of Commissioners.



BLUE HILLS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies (cont'd.)

F. Deposits and Investments

Deposits - Cash deposits consists of certificates of deposits, demand deposits and time deposits with financial institutions and are carried at cost. Cash deposits and highly liquid investments with an original maturity of three months or less when acquired are considered to be cash equivalents. Under Connecticut State Statute Sec. 7-402, the District is allowed to have on deposit in a single Connecticut bank up to 75% of the bank's assets.

Investments - Investment practices for the District are governed by the State of Connecticut Statutes Sec. 7-400, which states that the District may invest in (a) the obligations of the United States of America, or United States government sponsored corporation and associations, in shares or other interests in any custodial arrangement, pool or no-load, open-end management type investment company or investment trust (as defined), in obligations or any State or political subdivision rated within one of the top two credit rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner; (b) in the obligations or any state of the United States or of any political subdivision, authority or agency thereof, provided that at the time of investment such obligations are rated within one of the top two credit rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner; and (c) in the obligations of the State of Connecticut, or any regional school district, town, city, borough, or metropolitan district in the State of Connecticut, provided that at the time of investment the obligations of such government entity are rated within one of the top three rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner.

G. Property Taxes

In the government-wide financial statements, all property taxes and other assessments are shown net of allowance for uncollectibles. Allowance percentages are calculated based upon prior collection history. In the fund financial statements, all property taxes receivable at June 30, 2017 which have not been collected within 60 days of June 30 have been recorded as deferred revenue, since they are not considered to be available to finance expenditures of the current fiscal year. Taxes collected during the sixty-day period have been recorded as revenue. Property taxes were levied on assessed property based on the grand list at October 31, 2015. Taxes billed are due in one installment on July 1, 2016. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

BLUE HILLS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies (cont'd.)

H. Deferred Revenues

The District reports unearned deferred revenues in the governmental fund balance sheet. Deferred and unearned revenues arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

I. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, fire fighting equipment, vehicles and other equipment is reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost for land. The cost of normal maintenance and repairs that do not increase the value or extend the life of an asset is not capitalized. Major project costs for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets Class Description</u>	<u>Estimated Useful Lives</u>
Land Improvements	15-20 years
Buildings and Improvements	39-50 years
Fire Fighting Equipment	7-20 years
Vehicles and Other Equipment	5-10 years

J. Compensated Absences

Vacation time earned but unused during the year in the amount of \$3,919 has been accrued and recorded as an expense at June 30, 2017.

K. Long-Term Obligation

Long term debt and other long term obligations are reported as liabilities in the government-wide financial statements. They are reported as liabilities in the applicable statement of net assets. Bond issue costs are deferred and amortized over the life of the bonds.

BLUE HILLS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

(2) Cash Deposits and Investments

The District's deposits and investments are classified in categories of "custodial credit risk." This is the risk the District will not be able (1) to recover deposits in the event of a bank failure or (2) it will not be able to recover the value of investments or collateral securities that are in the custody of an outside part if the counterparty or deposit transaction fails. The District does not have a formal policy for custodial credit risk. Classification in category 1 means that the exposure of deposits or investments to potential custodial credit risk is low. The level for potential custodial credit risk is higher for those deposits or investments classified in category 2 and highest for those in category 3.

Cash Deposits - The District maintains their cash in bank deposit accounts at high credit quality financial institutions. At June 30, 2017, the carrying amount of the District's cash and deposits was \$223,594 of which was insured by the (FDIC) Federal Deposit Insurance Corporation (Category 1), \$100,000 was insured under (SIPC) Securities Investor Protection Corporation (Category 1), and the remaining \$500 was in cash on hand.

Investments - The investments are covered by the SIPC up to \$500,000, including \$100,000 in cash. SIPC protects securities such as notes, stocks, debentures, certificates of deposit and money funds. The counter-party, LPL Financial provides excess private insurance coverage for all accounts that have received the full SIPC limit. SIPC and excess SIPC protection does not protect against investment losses from market actions. At June 30, 2017, the total amount of the District's investments were insured through the combination of those two coverages.

At June 30, 2017, the District's investments included the following:

<u>Type of Investment</u>	<u>Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/Ratings*</u>
U.S. Government Agency Securities	<u>\$ 113,014</u>	<u>\$ 134,958</u>	AAA

\*Ratings are provided where applicable to indicate the associated Credit Risk as rated by Moody's.

BLUE HILLS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

(2) Cash Deposits and Investments (cont'd.)

*Interest Rate Risk* - Exists when there is a possibility that changes in interest rates could adversely effect an investment's fair value. The District does not have a formal investment policy in effect that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk* - The District has no formal investment policy in effect that would limit its investment choices due to credit risk other than State of Connecticut Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision as described in Note 1 of these financial statements.

*Concentration of Credit Risk* - Is the risk of loss attributed to the size of the District's investment in a single issuer. The District does not have a formal policy in place to limit its investment in any one issuer.

(3) Taxes Receivable

Property taxes receivable for the Government wide financial statements as of June 30, 2017 was \$33,983 comprised of a gross amount \$44,694 less an allowance for uncollectibles of \$10,711.

Governmental funds report *deferred revenues* 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. At the end of the current fiscal period, the District had deferred revenues of \$100,010 consisting of delinquent property taxes and advance collections of property taxes due July 1, 2017.

BLUE HILLS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

(4) Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Primary Government</u>		<u>Ending Balance</u>
		<u>Increases</u>	<u>Decreases</u>	
<u>Government Activities:</u>				
Land and Land Improvements	\$ 118,588	\$ -	\$ -	\$ 118,588
Buildings and Improvements	3,710,921	-	-	3,710,921
Fire Fighting Equipment	3,527,071	4,689		3,531,760
Vehicles	161,754	-	4,900	156,854
Other Equipment	207,828	-	28,934	178,844
Bond Issue Cost	<u>23,000</u>	<u>-</u>	<u>-</u>	<u>23,000</u>
 Total Capital Assets at Historical Costs	 <u>7,749,162</u>	 <u>4,689</u>	 <u>33,884</u>	 <u>7,719,967</u>
 Less Accumulated Depreciation for:				
Land and Land Improvements	10,465	-	-	10,465
Buildings & Improvements	885,599	92,888	4,869	973,618
Fire Fighting Equipment	2,268,135	149,280	11,318	2,406,097
Vehicles	143,551	8,318	9,926	141,943
Other Equipment	138,818	11,754	(3,057)	153,629
Bond Issue Cost	<u>7,793</u>	<u>1,533</u>	<u>-</u>	<u>9,326</u>
 Total Accumulated Depreciation	 <u>3,454,361</u>	 <u>263,773</u>	 <u>23,056</u>	 <u>3,695,078</u>
 Governmental Activities Capital Assets - Net	 <u>\$ 4,294,801</u>	 <u>\$ (259,084)</u>	 <u>\$ 10,828</u>	 <u>\$ 4,024,889</u>

(5) Changes in Long-Term Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bond	<u>\$ 2,175,804</u>	<u>\$ -</u>	<u>\$ 179,833</u>	<u>\$ 1,995,971</u>	<u>\$ 187,331</u>

BLUE HILLS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

(6) Long-Term Debt Obligations

Details of the District's outstanding long-term debt at June 30, 2017 was as follows:

On April 19, 2010 at a special meeting of Legal Voters, a resolution was passed to authorize the District to expend \$3,450,000 for the construction of a new building for Station Number 3. On October 14, 2010, the District purchased the property at 779 Blue Hills Avenue, the proposed site of the new building at a cost of \$100,000.

On April 11, 2011 at a special meeting of the Fire Commissioners, the resolution to appropriate \$3,450,000 was amended authorizing the borrowing of said appropriation in tax exempt financing. An additional resolution was approved authorizing the District to repay the District's outstanding lease obligations.

In May, 2011, the District issued \$2,900,000 of general obligation bonds to fund the building project.

General obligation bonds payable at June 30, 2017 is comprised of the following:

\$1,995,971 bonds due in twenty-nine semi-annual installments of \$133,902 including interest at an annual rate of 4.07% through May, 2026. Proceeds of the bonds were used for the construction of the new firehouse.

The principal and interest requirements of the above bond at June 30, 2017 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 187,331	\$ 80,474	\$ 267,805
2019	193,900	73,905	267,805
2020	201,400	66,405	267,805
2021	208,900	58,905	267,805
2022	216,400	51,405	267,805
2023-2026	<u>988,040</u>	<u>83,178</u>	<u>1,071,218</u>
Totals	<u>\$ 1,995,971</u>	<u>\$ 414,272</u>	<u>\$ 2,410,243</u>

BLUE HILLS FIRE DISTRICT  
NOTES TO FINANCIAL STATEMENTS

(7) Commitments and Contingencies

The District's attorney has advised that there are no claims pending against the District.

(8) Service Awards Program

The District has a discretionary volunteer service awards program that is administered by the Board of Commissioners. The program covers District personnel and volunteers who meet certain age and service requirements. For the year ended June 30, 2017, the Board voted on a contribution of \$35,000 to the program.

(9) Risk Management

The District is exposed to various risks of loss related to public official's liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. Blue Hills Fire District purchases commercial insurance for all risks of loss, including blanket and umbrella policies. Settled claims have not exceeded commercial coverage in any of the past three years and there have not been any significant reductions in insurance coverage from amounts held in the prior year.

(10) Prior Period Adjustment

The General Fund beginning fund balance at July 1, 2016 was adjusted to correct an error in a prior years adjusting entry to prepaid expenses that was incorrectly recorded and to correct accumulated depreciation.

(11) Subsequent Events

In preparing the financial statements, the District evaluated events and transactions for potential recognition or disclosure through May 24, 2018, the date the financial statements were available to be issued.

BLUE HILLS FIRE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2017

SCHEDULE 1

	<u>Original and Final Budget</u>	<u>Actual Revenues and Expenses</u>	<u>Variance with Final Budget - Positive (General)</u>
<u>Revenues:</u>			
<u>Taxation</u>			
Property Taxes	\$ 1,497,701	\$ 1,382,715	\$ (114,986)
Interest and Lien Fees	-	18,903	18,903
State of Connecticut	89,049	202,202	113,153
Investment Gain - Net	-	(892)	(892)
Miscellaneous	-	<u>43,875</u>	<u>43,875</u>
<u>Total Revenue</u>	<u>1,586,750</u>	<u>1,646,803</u>	<u>60,053</u>
<u>Expenditures:</u>			
Payroll and Benefits	673,500	706,357	(32,857)
Fire Equipment and Training	58,500	44,861	13,639
Operational	393,500	460,183	(66,683)
Administrative and Tax Office	71,250	73,791	(2,541)
Maintenance	80,000	119,375	(39,375)
Capital Expenditures	17,500	-	17,500
Communications	25,500	41,436	(15,936)
Debt Service	<u>267,000</u>	<u>267,804</u>	<u>(804)</u>
<u>Total Expenditures</u>	<u>1,586,750</u>	<u>1,713,807</u>	<u>(127,057)</u>
Excess of Expenditures Over Revenues	<u>-</u>	<u>(67,004)</u>	<u>(67,004)</u>
Net Change in Fund Balance	<u>\$ -</u>	(67,004)	<u>\$ (67,004)</u>
Fund Balance, Beginning of Year		478,372	
Prior Period Adjustment		<u>(23,555)</u>	
<u>FUND BALANCE - END OF YEAR</u>		<u>\$ 387,813</u>	

Budgetary Comparison Schedule - Budget to Actual (Non GAAP Budgetary Basis) presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

SEE INDEPENDENT AUDITORS' REPORT



BLUE HILLS FIRE DISTRICT  
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 2017

SCHEDULE 2

	<u>Original and Final Budget</u>	<u>Actual Revenues and Expenses</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Administration:</u>			
Audit	\$ 15,000	\$ 17,302	\$ (2,302)
Interest and Notes Payable	267,000	267,804	(804)
Attorney Fees	4,500	15,169	(10,669)
Fire Department Group Expense	<u>20,000</u>	<u>10,313</u>	<u>9,687</u>
<u>Total Fire Administration</u>	<u>306,500</u>	<u>310,588</u>	<u>(4,088)</u>
<u>Tax Office Operations:</u>			
Salary - Tax Collector	30,000	30,000	-
Legal Notice	1,250	1,007	243
Tax Refunds	<u>500</u>	<u>-</u>	<u>500</u>
<u>Total Tax Office</u>	<u>31,750</u>	<u>31,007</u>	<u>743</u>
<u>Training:</u>			
Training/Safety General	15,500	11,702	3,798
Recruitment and Retention	<u>7,000</u>	<u>9,887</u>	<u>(2,887)</u>
<u>Total Training</u>	<u>22,500</u>	<u>21,589</u>	<u>911</u>
<u>Health:</u>			
Physical Examinations	3,500	1,387	2,113
Substance Abuse Testing	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Health</u>	<u>3,500</u>	<u>1,387</u>	<u>2,113</u>
<u>Equipment:</u>			
Fire Fighting Equipment	16,500	9,369	7,131
Fire Supplies	14,000	12,516	1,484
Furniture and Fixtures	<u>2,000</u>	<u>-</u>	<u>2,000</u>
<u>Total Equipment</u>	<u>32,500</u>	<u>21,885</u>	<u>10,615</u>
<u>Vehicle Maintenance:</u>			
Repairs and Maintenance	31,000	70,263	(39,263)
Fuel and Oil	<u>18,000</u>	<u>16,531</u>	<u>1,469</u>
<u>Total Vehicle Maintenance</u>	<u>49,000</u>	<u>86,794</u>	<u>(37,794)</u>
<u>Building Maintenance:</u>			
Repairs and Maintenance	25,000	13,432	11,568
Custodial	3,000	5,663	(2,663)
Grounds	<u>3,000</u>	<u>13,486</u>	<u>(10,486)</u>
<u>Total Building Maintenance</u>	<u>31,000</u>	<u>32,581</u>	<u>(1,581)</u>
<u>Communications:</u>			
Equipment	7,000	5,302	1,698
Repairs and Maintenance	3,500	6,410	(2,910)
Telephone Service/Internet	<u>15,000</u>	<u>29,724</u>	<u>(14,724)</u>
<u>Total Communications</u>	<u>25,500</u>	<u>41,436</u>	<u>(15,936)</u>

SEE INDEPENDENT AUDITORS' REPORT

BLUE HILLS FIRE DISTRICT  
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND  
 (Cont'd.)  
 YEAR ENDED JUNE 30, 2017

SCHEDULE 2

	<u>Original and Final Budget</u>	<u>Actual Revenues and Expenses</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<u>Operational</u>			
Electricity	\$ 36,000	\$ 35,314	\$ 686
Heating Fuel	16,000	16,144	(144)
Domestic Water	6,000	6,628	(628)
Insurance	78,000	133,682	(55,682)
Miscellaneous Supplies	8,500	14,523	(6,023)
Contractual Services	200,000	206,951	(6,951)
Service Awards	35,000	35,000	-
Professional Affiliation Fees	2,500	2,721	(221)
Uniforms	7,000	8,487	(1,487)
Food Service Fire/Drills	2,000	240	1,760
Miscellaneous Expenses	<u>2,500</u>	<u>493</u>	<u>2,007</u>
<u>Total Operational Miscellaneous</u>	<u>393,500</u>	<u>460,183</u>	<u>(66,683)</u>
<u>Payroll and Benefits:</u>			
Labor	495,000	517,197	(22,197)
Health Benefits, 401(K) Match	135,000	146,750	(11,750)
CT SUI Taxes	7,500	3,248	4,252
Employer Payroll Taxes	<u>36,000</u>	<u>39,162</u>	<u>(3,162)</u>
<u>Total Payroll and Benefits</u>	<u>673,500</u>	<u>706,357</u>	<u>(32,857)</u>
<u>Capital Expenditures:</u>			
Computer Upgrades	7,500	-	7,500
Turn Out Gear	<u>10,000</u>	<u>-</u>	<u>10,000</u>
<u>Total Capital Expenditures</u>	<u>17,500</u>	<u>-</u>	<u>17,500</u>
<u>TOTAL EXPENDITURES</u>	<u>\$ 1,586,750</u>	<u>\$ 1,713,807</u>	<u>\$ (127,057)</u>

SEE INDEPENDENT AUDITORS' REPORT

BLUE HILLS FIRE DISTRICT  
 REPORT OF PROPERTY TAX COLLECTOR  
 YEAR ENDED JUNE 30, 2017

List of October 1:	Amount of Taxes Collectible	Lawful Corrections		Adjusted Taxes Collectible	Cash Receipts		Uncollected Taxes June 30, 2017	
		Additions	Deductions		Taxes	Interest and Fees		Total
2015	\$ 1,386,228	\$ 2,246	\$ 6,695	\$ 1,381,779	\$ 1,364,353	\$ 9,280	\$ 1,373,633	\$ 17,426
2014	27,390	203	360	27,233	13,837	4,399	18,236	13,396
2013	11,358	49	43	11,364	2,574	1,330	3,904	8,790
2012	2,529	48	-	2,577	237	424	661	2,340
2011	1,665	-	-	1,665	289	712	1,001	1,376
2010	425	8	-	433	323	389	712	110
2009	595	8	-	603	323	221	544	280
2008	200	8	-	208	67	119	186	141
2007 and Prior	835	-	-	835	-	-	-	835
Suspense	-	-	2,004	2,004	2,004	2,029	4,033	-
<b>TOTALS</b>	<b>\$ 1,431,225</b>	<b>\$ 2,570</b>	<b>\$ 4,428,701</b>	<b>\$ 1,428,701</b>	<b>\$ 1,384,007</b>	<b>\$ 18,903</b>	<b>\$ 1,402,910</b>	<b>\$ 44,694</b>

SEE INDEPENDENT AUDITORS' REPORT