

FINANCIAL STATEMENT

WORTHINGTON FIRE DISTRICT

BERLIN, CONNECTICUT

JUNE 30, 2020

LONDON & COMPANY, LLC

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WORTHINGTON FIRE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Our discussion and analysis of the financial performance of the Worthington Fire District, provides an overview of the District's financial activities for the year ended June 30, 2020. This discussion should be read in conjunction with the financial statements.

Financial Highlights

Following are the financial highlights of the committee for the year ending June 30, 2020:

Total net position decreased by \$133,909 to \$2,454,047. Of this amount, \$1,484,276 is invested in capital assets net of related debt.

Total bond debt decreased by \$7,403. As of June 30, 2020, remaining bond debt payable was \$380,862. This amount represents 13% of total liabilities and net assets.

The District water and sewer rates were \$3.24 per 100 cubic feet for the fiscal year ended June 30, 2020. At the annual meeting held in June 2020, the committee recommended and the motion was approved to increase the water and sewer rate to \$4.25 per cubic feet for the next fiscal year beginning July 1, 2020.

The tax rate for the District was 1.70 mills for the Grand list of October 1, 2018, due and payable July 1, 2019. At the annual meeting held in June 2020, the committee recommended and the motion was approved to decrease the mill rate to 1.63 mills for the Grand list of October 1, 2019, due and payable July 1, 2020.

The District continued to maintain and upgrade its water and sewer system. This will keep water and sewer rates as low as possible.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the Committee's basic financial statements. The committee's basic financial statements are comprised of three components: (1) financial statements, (2) notes to the financial statements, and (3) supplementary information.

Financial Statements. The balance sheet presents information on all of the Board's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as useful indicators as to whether the financial position is improving or deteriorating. The statement of revenues, expenses and changes in net position provides information on the District's income and expenses. These statements include all assets and liabilities using the accrual basis of accounting. All of the revenues and expenses are taken into account regardless of when the cash is received or paid.

Condensed Balance Sheet

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 1,015,738	\$ 1,317,799
Capital assets	<u>1,865,138</u>	<u>1,905,366</u>
Total Assets	<u>2,880,876</u>	<u>3,223,165</u>
Noncurrent liabilities	373,154	380,863
Other liabilities	<u>53,675</u>	<u>254,346</u>
Total liabilities	<u>426,829</u>	<u>635,209</u>
Deferred inflow of resources	<u>-</u>	<u>-</u>
Invested in Capital Assets net of related debt	1,484,276	1,517,100
Unrestricted	<u>969,771</u>	<u>1,070,856</u>
Total Net Position	<u>\$ 2,454,047</u>	<u>\$ 2,587,956</u>

Changes in Net Position

	<u>2020</u>	<u>2019</u>
<u>Revenues:</u>		
<u>Program Revenues:</u>		
Water Charges	\$ 311,337	\$ 317,073
Sewer Charges	265,850	271,438
<u>General Revenues:</u>		
Taxes	506,715	504,672
Interest and miscellaneous	<u>18,729</u>	<u>24,908</u>
Total Revenues	<u>1,102,631</u>	<u>1,118,091</u>
<u>Expenses:</u>		
Purchase of water	422,883	326,310
Sewer treatment	278,708	252,068
System maintenance	119,743	157,156
Engineering	10,565	8,957
Salaries and wages	190,540	190,177
General and administrative expenses	115,323	113,309
Depreciation and amortization	80,315	79,562
Interest	<u>18,463</u>	<u>18,723</u>
Total Expenses	<u>1,236,540</u>	<u>1,146,262</u>
Change in Net Position	(133,909)	(28,171)
Net Position - Beginning of Year	2,587,956	2,609,827
Capital contributions	<u>0</u>	<u>6,300</u>
Net Position - End of Year	<u>\$2,454,047</u>	<u>\$2,587,956</u>

Notes to the Financial Statements. The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data presented in the financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information that may be beneficial to the reader.

Capital Asset and Debt Administration

The largest portion of the District's net assets reflects an investment in capital assets of \$1,865,138 or 64.7% of total assets. The investment in capital assets includes land rights, buildings, meters, hydrants, systems improvements, equipment, distribution and transmission lines. The total cost increase in the District's capital asset investment for the current fiscal year was approximately \$39,474. Additional information about the District's capital assets can be found in note 11 of this report.

Total Debt:

At the end of the current fiscal year, the District had total debt outstanding of \$380,862. The total debt consists of a 40 year bond from the U.S. Department of Agriculture. The bond proceeds were used to finance the State of Connecticut Department of Public Health mandated interconnection meters and valves to minimize the loss of unaccounted water. Principal and interest are fixed at \$23,419 payable in annual installments through 2048. The District's total debt decreased by \$7,403, during the current fiscal year. More information about the District's debt can be found in note 10 of this report.

Budgetary Highlights

The District budget for the fiscal year ended June 30, 2020 estimated a balanced budget. Actual results were a negative variance of \$133,909. Schedules 1 and 2 are a detailed comparison of budget vs. actual results for the year.

Economic Factors and Next Year's Budget And Rates

The committee considers many factors when setting the fiscal year 2020-21 budget, tax rates and fees. The budget for the District's next fiscal year is presented at the District's annual meeting held in June. Total revenue is budgeted to increase 12% or \$141,000 compared to the June 30, 2020 budget. Water and sewer revenue is expected to increase 24% or approximately \$151,000 compared to June 30, 2020 budget. Tax revenues have been budgeted to decrease by 2% due to a decrease in the mill rate to 1.63 from 1.70. The grand list is expected to increase by 2.1%. This will offset part of the decrease in tax revenue from the lower mill rate. Operating expenses for the fiscal year ended June 30, 2020, are budgeted to increase approximately \$141,257 or 12% compared to the adopted fiscal year 2019-2020 budget. Purchase of water represents most of the increase in expense. Cost of water is budgeted to increase approximately, \$132,116 or 43% compared to the June 30, 2020 budget.

The District's continues to maintain and update the District's geographic information systems (GIS). The system is now on a cloud server. Equipment was purchased to add the capacity to access the information in the field. The District has a multi-year, five (5) phase project to replace the water main system in the Webster Heights area. The District is in the planning process for phase one (1).

Request for Information

This financial report is designed to provide a general overview of the Board's finances for those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Treasurer - Worthington Fire District, 1400 Berlin Turnpike, Berlin, Connecticut 06037.



LONDON & COMPANY, LLC

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Independent Auditors' Report

To the District Committee
Worthington Fire District
Berlin, Connecticut

Dear Members of the Committee:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and aggregate remaining fund information of the Worthington Fire District, as of, and for the year ended June 30, 2020, which collectively comprise the Worthington Fire 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

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 financial position of Worthington Fire District as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Worthington Fire District's financial statements as of and for the year ended June 30, 2019 and we expressed an unmodified audit opinion on those financial statements and, in our report dated March 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 1 thru 4 and schedules 1 thru 2, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Worthington Fire District's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

London & Company, LLC
London & Company, LLC
Certified Public Accountants
February 23, 2021

WORTHINGTON FIRE DISTRICT
COMPARATIVE BALANCE SHEET
PROPRIETARY FUNDS

	<u>Business-type Activities</u>	
	<u>Enterprise Funds</u>	
	<u>June 30,</u>	<u>June 30,</u>
	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 562,376	\$ 670,991
Investment - certificate of deposit	250,047	245,925
Accounts receivable:		
Property taxes	38,781	27,522
Water and sewer use	16,947	8,400
Sewer and water assessments	50,898	64,462
Prepaid expenses	75,312	278,708
Inventory - materials and supplies	4,200	4,000
Bond issue costs - net of amortization	17,177	17,791
Total Current Assets	<u>1,015,738</u>	<u>1,317,799</u>
<u>Noncurrent Assets:</u>		
Utility plant in service	4,365,670	4,326,196
Accumulated depreciation	(2,500,532)	(2,420,830)
Total Noncurrent Assets	<u>1,865,138</u>	<u>1,905,366</u>
<u>Total Assets</u>	<u>\$ 2,880,876</u>	<u>\$ 3,223,165</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 27,313	\$ 225,882
Accrued interest	3,788	6,345
Payroll taxes and deductions payable	950	651
Accrued salaries	13,916	14,065
Bond payable	7,708	7,403
Total Current Liabilities	<u>53,675</u>	<u>254,346</u>
<u>Noncurrent Liabilities:</u>		
Bond payable	<u>373,154</u>	<u>380,863</u>
<u>Deferred Inflow of Resources:</u>		
Tax collections in advance	<u>-</u>	<u>-</u>
<u>Net Position:</u>		
Invested in capital assets, net of related debt	1,484,276	1,517,100
Unrestricted	969,771	1,070,856
Total Net Assets	<u>2,454,047</u>	<u>2,587,956</u>
<u>Total Liabilities and Net Position</u>	<u>\$ 2,880,876</u>	<u>\$ 3,223,165</u>

See Accompanying Notes

WORTHINGTON FIRE DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

	<u>Business-type Activities</u>	
	<u>Enterprise Funds</u>	
	<u>For the Year Ended</u>	
	<u>June 30,</u>	<u>June 30,</u>
	<u>2020</u>	<u>2019</u>
<u>Operating revenues:</u>		
<u>Program Revenues:</u>		
Water charges	\$ 311,337	\$ 317,073
Sewer charges	265,850	271,438
Miscellaneous	7,510	6,514
<u>General Revenues:</u>		
Taxes	506,715	504,672
Interest on taxes and assessments	6,248	10,114
Lien fees	849	3,241
Total Operating Revenues	<u>1,098,509</u>	<u>1,113,052</u>
<u>Operating Expenses:</u>		
Expenses	1,137,762	1,047,977
Depreciation and amortization	80,315	79,562
Total Operating Expenses	<u>1,218,077</u>	<u>1,127,539</u>
<u>Operating income (loss)</u>	<u>(119,568)</u>	<u>(14,487)</u>
<u>Nonoperating revenues (expenses):</u>		
Interest income and investment revenue	4,122	5,039
Interest expense	<u>(18,463)</u>	<u>(18,723)</u>
Total Nonoperating revenues (expenses)	<u>(14,341)</u>	<u>(13,684)</u>
<u>Net Income (Loss) before contributions</u>	<u>(133,909)</u>	<u>(28,171)</u>
<u>Capital contributions</u>	<u>-</u>	<u>6,300</u>
<u>Change in net position</u>	<u>(133,909)</u>	<u>(21,871)</u>
<u>Net Position - Beginning of year</u>	<u>2,587,956</u>	<u>2,609,827</u>
<u>Net Position - End of year</u>	<u>\$ 2,454,047</u>	<u>\$ 2,587,956</u>

See Accompanying Notes

WORTHINGTON FIRE DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 Increase (Decrease) in Cash and Cash Equivalents

	<u>Business-type Activities-</u>	
	<u>Enterprise Fund</u>	
	<u>For the Year Ended</u>	
	<u>June 30,</u>	<u>June 30,</u>
	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers and users	\$ 1,069,781	\$ 1,102,134
Payments to suppliers	(859,062)	(591,474)
Payments to employees	(190,688)	(184,317)
Payments to others	(81,410)	(83,556)
Proceeds from interest and lien fees	7,097	13,355
Net Cash Provided By (Used In) Operating Activities	(54,282)	256,142
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Capital expenditures	(44,478)	(86,063)
Capital Contributions	13,564	11,790
Interest paid on bond payable	(16,016)	(16,591)
Principal payments on bond payable	(7,403)	(6,828)
Net Cash Provided By (Used In) Capital and Related Financing Activities	(54,333)	(97,692)
<u>Cash Flows From Investing Activities:</u>		
Proceeds from certificates of deposit	-	131,833
Investment in certificates of deposit	(4,122)	(5,039)
Interest earned on certificate of deposit	4,122	5,039
Net Cash Provided By (Used In) Investing Activities	-	131,833
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(108,615)	290,283
<u>Cash and Cash Equivalents at the Beginning of the Year</u>	<u>670,991</u>	<u>380,708</u>
<u>Cash and Cash Equivalents at the End of the Year</u>	<u>\$ 562,376</u>	<u>\$ 670,991</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year:		
Interest	\$ 16,016	\$ 16,591

See Accompanying Notes

WORTHINGTON FIRE DISTRICT
COMPARATIVE STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS

Increase (Decrease) in Cash and Cash Equivalents

	<u>Business-type Activities-</u>	
	<u>Enterprise Fund</u>	
	<u>For the Year Ended</u>	
	<u>June 30,</u>	<u>June 30,</u>
	<u>2020</u>	<u>2019</u>
Reconciliation of operating income (loss) to net cash		
<u>Provided by operating activities:</u>		
Operating income	\$ (119,568)	\$ (14,487)
Adjustments to reconcile net income to net cash		
provided by operating activities:		
Depreciation and amortization	80,315	79,562
Changes in assets and liabilities:		
Taxes receivable	(11,259)	4,885
Water & Sewer receivable	(8,547)	(2,438)
Prepaid expenses	203,396	(26,640)
Inventory	(200)	-
Accounts payable	(198,569)	213,762
Accrued wages	150	1,507
Taxes collected in advance	-	(9)
Total Adjustments	<u>65,286</u>	<u>270,629</u>
<u>Net Cash Provided By Operating Activities</u>	\$ (<u>54,282</u>)	\$ <u>256,142</u>

See Accompanying Notes

WORTHINGTON FIRE DISTRICT
COMPARATIVE STATEMENT OF EXPENSES
PROPRIETARY FUNDS

	<u>Business-type Activities</u>	
	<u>Enterprise Funds</u>	
	<u>For the Year Ended</u>	
	<u>June 30,</u>	<u>June 30,</u>
	<u>2020</u>	<u>2019</u>
<u>Operation:</u>		
Water purchase	\$ 422,883	\$ 326,310
Sewer treatment	278,708	252,068
<u>Maintenance, Transmission and Distribution:</u>		
Maintenance	114,089	151,409
Superintendent - salary	50,933	50,430
Engineering - wages	8,262	13,308
Engineering - expenses	10,565	8,957
Water testing	5,654	5,747
<u>Customer Account Expenses:</u>		
Tax Collector - salary	63,453	61,637
Data processing	5,400	7,471
<u>General and Administrative Expenses:</u>		
District Committee - salaries	37,960	37,295
Rent and utilities	40,257	39,343
Treasurer - salary	16,440	16,150
Payroll tax expense	14,588	14,233
Legal	13,909	14,013
Insurance	11,551	11,456
Clerical wages	13,492	11,357
Advertising and legal notices	3,696	1,302
Accounting & Auditing	9,300	10,100
Telephone and communications	5,195	4,167
Miscellaneous	1,442	103
Pension expense	1,866	1,822
Postage and printing	4,530	3,760
General office expense	3,514	5,164
Professional development	75	375
<u>TOTAL EXPENSES</u>	\$ <u>1,137,762</u>	\$ <u>1,047,977</u>

See Accompanying Notes

WORTHINGTON FIRE DISTRICT
WORTHINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Reporting Entity and Services:

The Worthington Fire District (the "District"), located in the Town of Berlin, Connecticut provides water and sewer services to those residents of the Town of Berlin, who reside in the Worthington Fire District. Members of the District's governing board (called Committeemen) are elected by the public. The Committeemen have sole control over services provided, purchase of capital assets and the accountability of fiscal operations. Taxes, assessments and water bills are levied by the District. The District may issue bonds in its own name. No funds or services are provided by the Town of Berlin.

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 governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below.

Note 2 - Summary of Significant Accounting Policies:

A. Fund Accounting:

The Worthington Fire District accounts are organized into a single water and sewer use fund. This fund is a proprietary type, enterprise fund and is described below.

Proprietary Funds:

Proprietary fund types are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet. Proprietary fund net position is segregated into invested in capital assets, net of related debt and unrestricted.

Enterprise Funds - Enterprise funds are used by governmental units to account for operations that are financed and operated in a manner similar to private business enterprises (utilizing the accrual basis method of accounting), where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. Basis of Accounting:

The financial statements of the Worthington Fire District have been prepared on the basis of fund accounting. Under these principles, resources are accounted for by the use of separate funds so that visibility and control are maintained. Proprietary funds are accounted for using the accrual basis method of accounting. Revenues are recognized when they are earned and the related expenses are recognized when incurred.

WORTHINGTON FIRE DISTRICT
WORTHINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Note 2 - Accounting Policies (Continued):

C. Budgets:

The District adheres to the following procedures in establishing the budgetary data included in its proprietary fund. The District prepares the budget, then at the annual meeting in June members of the District vote on the recommended budget. The tax rate is also set at this time.

D. Utility Plant in Service:

The Sewer and Water Enterprise Fund is accounted for under the capital maintenance measurement principle. All assets and all liabilities associated with their activity are included within the balance sheet and are recorded at historical cost. Public domain ("infrastructure") general fixed assets, including sewer and water lines, are capitalized along with other fixed assets. Capital assets are defined by the District as assets with an initial individual cost of more than \$475 and estimated useful life in excess of one year. The reported fund equity (net total assets) is segregated into invested in capital assets net of related debt and unrestricted components.

Expenditures for renewals or betterments that appreciably prolong the estimated useful lives of the assets are capitalized and repairs and maintenance are expensed in the year incurred. Land rights are recorded by the District at original cost and not depreciated. Upon retirement or disposal of assets, the cost and accumulated depreciation are removed from the accounts and any gain or loss is recorded.

E. Depreciation:

All exhaustible fixed assets of the Sewer and Water Enterprise Fund are depreciated and are charged as an expense against their operations. Accumulated depreciation is reported on the Sewer and Water Enterprise Fund balance sheet. Depreciation is computed using the straight-line method, over the estimated useful lives as follows:

Sewer and water transmission lines	50 years
Equipment	5-50 years
Furniture and fixtures	5-10 years

F. Inventory:

Inventory in the Sewer and Water Enterprise Fund is recorded at cost on a first-in, first-out basis (FIFO). Inventories consist of meters, hydrants, and spare parts. As items are acquired and not placed in service, they are added to inventory, and as they are used, the items are removed from inventory and capitalized or charged to repairs and maintenance depending on the use of the item.

G. Allowance for Bad Debts:

The District uses the direct write off method for writing off bad debts. Generally accepted accounting principles require the use of the reserve method for uncollectible accounts. Historically, the District has collected substantially all of its accounts receivables. Management believes the direct write off method is not materially different from the reserve method. The allowance for bad debts was \$0 for the years ended June 30, 2020 and 2019.

WORTHINGTON FIRE DISTRICT
WORTHINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Note 2 - Accounting Policies (Continued):

H. Comparative Data:

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

I. Estimates:

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

J. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Note 3 - Cash And Investments:

At June 30, 2020, the carrying amount of the District's deposits was \$562,376, with the corresponding bank balances of \$570,312. Bank balances up to \$250,000 were covered by the Federal Deposit Insurance Corporation (FDIC). Deposits with financial institutions in Connecticut are partially protected against loss in excess of deposit insurance through assessment against segregated collateral required to be maintained by all qualified public depositories in the amount of 10% to 120% of their outstanding public deposits depending on the bank's financial strength as shown by its risk-based capital ratio. A minimum of \$57,312 based on June 30, 2020 deposits was collateralized with securities held by the financial institution, its trust department or agent, but not in the District's name. The balance of deposits of \$263,000 was uninsured and uncollateralized.

The Connecticut General Statutes (Section 7-400) permit the District to investment in obligations of the United States of America and it's agencies; highly rated obligations of any State of the United States of America or any political subdivision of the United States; and shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies and repurchase agreements fully collateralized by such obligations.

WORTHINGTON FIRE DISTRICT
WORTHINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Note 3 - Cash And Investments (Continued):

The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes amounts, which are insured or collateralized with securities held by the District or its agent in the District name. Category 2 includes amounts, which are uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 includes amounts which are uninsured and uncollateralized, including any bank balance and investment that is collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the District's name.

At June 30, 2020, the District's investments consisted of one certificate of deposit. The carrying amount of the investment was \$250,047. A minimum of \$25,004 based on June 30, 2020 deposits was collateralized with securities held by the financial institution, its trust department or agent, but not in the District's name.

Investments available for immediate withdrawal and investments with maturities of 90 days or less are considered cash equivalents. The District considers all certificates of deposit with maturities of more than 90 days to be investments.

Note 4 - Accounts Receivable:

Accounts Receivable – net of allowances consists of the following:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Property Taxes	\$ 38,781	\$ 27,522
Water and Sewer Charges	16,947	8,400
Assessments	<u>50,898</u>	<u>64,462</u>
Total Accounts Receivable - Billed	\$ <u>106,626</u>	\$ <u>100,384</u>

Note 5 - Property Taxes:

Property taxes are assessed as of October 1st, at a rate of 1.70 mills, as applied to the properties located in the Worthington Fire District on the grand list of the Town of Berlin. These taxes become legally due and payable on July 1st. Taxes are overdue on August 1st, and interest is levied at a rate of 1-1/2 percent per month. Levies are placed on delinquent real estate taxes owed on June 30th. Liens will be placed sooner in cases where the Tax Collector deems the taxes are to be in jeopardy. Sewer Assessments are Special Assessments due for new sewer lines installed. Sewer and water charges are billed semi-annually and are based on individual usage.

WORTHINGTON FIRE DISTRICT
WORTHINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Note 6 - Lease Commitment:

The District exercised the option to extend the operating lease for approximately 1296 square feet of office space located at 1400 Berlin Turnpike in Berlin, Connecticut. The lease option period started February 1, 2019 and expires January 31, 2024. The current monthly rent is \$2,727. During the option period the annual rent will increase by the rate of the consumer price index.

The total rental expense was \$32,353 and \$31,606 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments over the term of the lease are as follows:

June 30, 2021	\$ 31,980
June 30, 2022	31,980
June 30, 2023	31,980
June 30, 2024	<u>18,655</u>
Total	\$ <u>114,595</u>

Note 7 - Capital Contributions:

The Worthington Fire District generally receives two types of capital contributions. It receives (a) contributed capital as intergovernmental account resources, usually in the form of reimbursement for capital expenditures from other governments, and (b) customers assessed for system connection fees. During the fiscal years ended June 30, 2020 and 2019 contributed capital increased as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Balance July 1,	\$1,661,465	\$1,655,165
Additions from customers	<u>-</u>	<u>6,300</u>
Balance June 30,	\$ <u>1,661,465</u>	\$ <u>1,661,465</u>

Note 8 - Risk Management:

The Fire District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fire District purchases commercial insurance to minimize its risk of loss. The Fire District's insurance policies provide coverage up to (i) \$1,000,000 for each worker's compensation claim with a \$1,000,000 policy and each employee limit. General liability - \$1,000,000 per occurrence with a \$3,000,000 aggregate. Excess liability - \$2,000,000 per occurrence with a \$2,000,000 aggregate. Commercial automobile policy for hired and non-owned automobiles - \$1,000,000 per occurrence with a \$2,000,000 aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note 9 - Concentration of Suppliers:

100% of the Fire District's supply of water and sewer treatment is obtained from one source.

WORTHINGTON FIRE DISTRICT
WORTHINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Note 10 - Bond Payable:

The District obtained a forty year \$455,000 bond at 4.125% from the United States Department of Agriculture to finance the cost of its interconnection meters / valves project. The note is payable in annual installments of principal and interest of \$23,419 until April 2048. The bond is guaranteed by the Town of Berlin in the event of default by the District. This debt is an overlapping debt of the Town of Berlin. The outstanding balance as of June 30, 2020 and 2019 was \$380,862 and \$388,266, respectively.

Details are as follows:

Bond Payable July 1, 2008	\$ 455,000
Bond Retired	(74,138)
Bond Payable June 30, 2020	<u>\$ 380,862</u>

The annual requirements to retire the bond outstanding as of June 30, 2020 are as follows:

Year Ending June 30,	Bond <u>Payable</u>	<u>Interest</u>	Total <u>Payment</u>
2021	\$ 7,708	\$ 15,711	\$ 23,419
2022	8,026	15,393	23,419
2023	8,357	15,062	23,419
2024	8,702	14,717	23,419
2025	9,061	14,358	23,419
Thereafter	<u>339,008</u>	<u>199,487</u>	<u>538,495</u>
Total	<u>\$380,862</u>	<u>\$ 274,728</u>	<u>\$ 655,590</u>

Note 11 - Capital Assets Activity:

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Collecting system	\$1,891,913	\$ -	\$ -	\$1,891,913
Distribution mains	1,040,008	19,562	-	1,059,570
Hydrants	210,851	-	-	210,851
Meters	270,870	-	-	270,870
Interconnection meters / valves	640,390	10,735	-	651,125
Pump house storage building	67,422	-	-	67,422
General shop equipment	53,480	-	-	53,480
Office equipment	109,653	1,214	-	110,867
Land rights	23,700	-	-	23,700
Leasehold improvements	-	7,963	-	7,963
Furniture and fixtures	<u>17,909</u>	<u>-</u>	<u>-</u>	<u>17,909</u>
Total Capital Assets Being Depreciated	<u>4,326,196</u>	<u>39,474</u>	<u>-</u>	<u>4,365,670</u>
Less: Accumulated depreciation	<u>2,420,830</u>	<u>79,702</u>	<u>-</u>	<u>2,500,532</u>
<u>Capital Assets, Net</u>	<u>\$1,905,366</u>	<u>\$ (40,228)</u>	<u>\$ -</u>	<u>\$1,865,138</u>

Depreciation expense for the year ended June 30, 2020 was \$79,702.

WORTHINGTON FIRE DISTRICT
WORTHINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Note 11 - Capital Assets Activity (continued):

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Collecting system	\$1,849,941	\$ 41,972	\$ -	\$1,891,913
Distribution mains	1,002,488	37,520	-	1,040,008
Hydrants	210,851	-	-	210,851
Meters	270,870	-	-	270,870
Interconnection meters / valves	640,390	-	-	640,390
Pump house storage building	67,422	-	-	67,422
General shop equipment	52,665	815	-	53,480
Office equipment	105,191	5,756	1,294	109,653
Land rights	23,700	-	-	23,700
Furniture and fixtures	<u>17,909</u>	<u>-</u>	<u>-</u>	<u>17,909</u>
Total Capital Assets Being Depreciated	<u>4,241,427</u>	<u>86,063</u>	<u>1,294</u>	<u>4,326,196</u>
Less: Accumulated depreciation	<u>2,343,175</u>	<u>78,949</u>	<u>1,294</u>	<u>2,420,830</u>
<u>Capital Assets, Net</u>	<u>\$1,898,252</u>	<u>\$ 7,114</u>	<u>\$ -</u>	<u>\$1,905,366</u>

Depreciation expense for the year ended June 30, 2019 was \$78,949.

Note 12 - Litigation:

Presently, in the opinion of the District's legal counsel, there are no unpaid or pending judgments against the Worthington Fire District, and no legal proceedings that would adversely affect the financial position of the Fire District.

Note 13 - Compensated Absences:

The District's vacation policy, effective January 2014, is that vacation must be used prior to the end of the fiscal year or it will be forfeited. There shall be no carry-over of vacation time from year to year. In addition, no payment will be made for unused sick leave upon an employee's termination of employment. Therefore, there are no liabilities reflected in the financial statements related to vacation or sick leave.

Note 14 - Evaluation of Subsequent Events:

Management has evaluated subsequent events through February 23, 2021, the date which the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

Note 15 - Retirement Plan:

In January 2005, the District started a SIMPLE (Savings Incentive Match Plan for Employees) IRA (Individual Retirement Account) Plan for its employees. Under the terms of the plan the District will contribute three percent (3%) of the participating employee's compensation as the employer contribution. The SIMPLE IRA accounts are set up in the individual employee's name and are immediately vested. The District has no control over the employee's account. For the years ended June 30, 2020 and June 30, 2019 the District contributed \$1,866 and \$1,822, respectively.

WORTHINGTON FIRE DISTRICT
WATER AND SEWER ENTERPRISE
WATER AND SEWER DEPARTMENT BUDGET VS. ACTUAL
FOR THE YEAR ENDED JUNE 30, 2020

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<u>Revenues:</u>			
Water and Sewer charges	\$ 625,000	\$ 577,187	\$ (47,813)
Taxes	481,897	506,715	24,818
Interest and lien fees on taxes	11,000	10,370	(630)
Capital contributions	6,000	-	(6,000)
Other revenue	16,000	8,359	(7,641)
Total Revenues	<u>1,139,897</u>	<u>1,102,631</u>	<u>(37,266)</u>
<u>Expenses:</u>			
Purchase of water	307,884	425,403	(117,519)
Sewer treatment	273,606	278,708	(5,102)
Salaries, wages and payroll taxes	210,832	205,128	5,704
Employee benefits	7,469	1,866	5,603
Postage and printing	4,500	4,530	(30)
Data processing	17,000	5,400	11,600
Insurance	14,000	11,551	2,449
Maintenance	148,000	111,785	36,215
Engineering	5,000	10,565	(5,565)
Rent	32,220	32,353	(133)
Utilities	7,940	7,904	36
Advertising and legal notices	-	3,696	(3,696)
Telephone and communications	4,300	5,195	(895)
General office expense	3,108	3,514	(406)
Professional development	2,500	75	2,425
Inflow / Infiltration program	9,500	7,958	1,542
Bond principal and interest payment	23,419	23,419	-
Accounting & Auditor	10,414	9,300	1,114
Legal	16,600	13,909	2,691
Miscellaneous	605	1,442	(837)
Contingency	41,000	-	41,000
Total Expenses	<u>1,139,897</u>	<u>1,163,701</u>	<u>(23,804)</u>
<u>Capital Asset Purchases:</u>			
Office and shop equipment purchases	-	30,297	(30,297)
System improvements	-	9,177	(9,177)
Total Capital Asset Purchases	<u>-</u>	<u>39,474</u>	<u>(39,474)</u>
Total Expenses & Capital Asset Purchases	<u>1,139,897</u>	<u>1,203,175</u>	<u>(63,278)</u>
<u>Excess of Revenue / Capital Contributions</u>			
<u>Over Expenses / Capital Asset Purchases</u>	\$ -	\$ (100,544)	\$ (100,544)

See Accompanying Notes

WORTHINGTON FIRE DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Budgetary information:

The Worthington Fire District adopts a budget each June at their annual meeting to aid the committee in managing the resources of the District and to help in determining the user charges.

The accompanying budgetary data represent the original budget approved at the annual meeting. The budget was not changed during the fiscal year.

Total revenue and capital contributions of \$1,139,897 were lower than the budgeted revenue and capital contributions by \$37,266.

Total operating expenses were higher than the budgeted amount by \$23,804.

Expenditures exceeded the budget for water purchases by \$117,519; sewer treatment by \$5,102 engineering by \$5,565; postage and printing by \$30; rent by \$133 advertising and legal notices by \$3,696; communications by \$895, general office expenses by \$406; miscellaneous by \$837.

Expenditures were less than the budget amount for salaries and payroll taxes by \$5,704; employee benefits by \$5,603; data processing by \$11,600; insurance by \$2,449; maintenance by \$36,215, utilities by \$36; professional development by \$2,425; inflow/infiltration program by \$1,542, accounting and audit by \$1,114 and legal by \$2,691.

The District did not budget any capital asset purchases for the fiscal year ended June 30, 2020. The \$39,474 in capital expenditures were paid out of cash reserves accumulated from prior year's earnings.

The District estimated a balanced budget for the year ended June 30, 2020. Actual results were an overall negative variance of \$133,909, mainly due to higher than budgeted costs for water purchases, sewer treatment and engineering. Also, total actual revenue were \$37,266 less than budgeted.

WORTHINGTON FIRE DISTRICT
WATER AND SEWER ENTERPRISE
REPORT OF SEWER AND WATER ASSESSMENTS AND UNCOLLECTED BALANCES
For the Year Ended June 30, 2019

	Assessment Date	Uncollected Balances 7/1/2019	Collections on			Uncollected Balances 6/30/2020
			Assessments	Interest	Lien Fees	
1035 Worthington Ridge - Sewer	11/10/2014	\$ 3,400	\$ 1,802	\$ -	\$ -	\$ 1,598
120 Webster Square Rd. - Water / Sewer	2/1/2016	15,345	7,672	-	-	7,673
28 Smoky Hill Rd. - Sewer	11/12/2015	8,317	-	-	-	8,317
33 Smoky Hill Rd. - Sewer	11/12/2015	12,450	-	-	-	12,450
38 Smoky Hill Rd. - Sewer	11/12/2015	8,317	1,365	-	-	6,952
49 Smoky Hill Rd. - Sewer	11/12/2015	8,316	1,359	-	-	6,957
52 Smoky Hill Rd. - Sewer	11/12/2015	8,317	1,366	-	-	6,951
<u>Total Assessments</u>		\$ 64,462	\$ 13,564	\$ -	\$ -	\$ 50,898

See Accompanying Notes

WORTHINGTON FIRE DISTRICT
REPORT OF TAX COLLECTION AND UNCOLLECTED BALANCES

For the Year Ended June 30, 2020

Grand List	Due Date	Uncollected 7/1/2018	Legal Addition	Deduction	Adjusted Taxes Collectible	Actual Collections During Year	Interest	Lien Fees	Total Collected	Uncollectible Suspense	Balances Collectible 6/30/2019
2011-2012	7/1/2012	891	-	-	891	-	-	-	-	-	891
2012-2013	7/1/2013	218	-	-	218	-	8	-	8	-	218
2013-2014	7/1/2014	1,609	-	-	1,609	-	2	-	2	-	1,609
2015-2016	7/1/2016	1,883	-	-	1,883	358	72	-	430	-	1,525
2016-2017	7/1/2017	14,642	-	-	14,642	559	380	96	1,035	-	14,083
2017-2018	7/1/2018	8,279	-	-	8,279	2,402	706	336	3,444	-	5,877
2018-2019	7/1/2019	-	-	47	506,715	492,137	2,297	-	494,434	-	14,578
Totals		\$ 27,522	\$ 47	\$ 47	\$ 534,237	\$ 495,456	\$ 3,465	\$ 432	\$ 499,353	\$ 0	\$ 38,781
<div style="display: flex; justify-content: space-between;"> <div> Unpaid taxes 6/30/20 Unpaid taxes 6/30/19 Adjusted balance </div> <div> 38,781 (27,522) \$ 506,715 </div> </div>											

See Accompanying Notes

WORTHINGTON FIRE DISTRICT
WATER AND SEWER ENTERPRISE
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2020

Total tax collections (including interest and lien fees) received by the Treasurer for the year ended June 30, 2020	\$ 499,353
Reimbursement for revenue loss on: Municipal Grants-in-Aid received	<u>941</u>
Base	\$ <u>500,294</u>
Debt limitation: 3 3/4 times base	\$ 1,876,103
Indebtedness: Bonds payable	<u>380,862</u>
Debt limitation in excess of outstanding and authorized debt	\$ <u>1,495,241</u>

See Accompanying Notes