

**SOUTH FIRE DISTRICT OF THE  
CITY OF MIDDLETOWN, CONNECTICUT**

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2020**

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

**Costello Company, LLC**  
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# **COSTELLO COMPANY, LLC**

Charles T. Costello, CPA

*Certified Public Accountant and Consultants*

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Commissioners  
South Fire District  
Middletown, Connecticut

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities and each major fund of the South Fire District of the City of Middletown, Connecticut (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Fire District of the City of Middletown, Connecticut as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2A-2D and 9A-9D be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated December 10, 2020, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "C. A. Compuz LLC", is written over a horizontal line.

Hebron, Connecticut  
December 10, 2020



## **SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**

### **Management's Discussion and Analysis**

**For the Year Ended June 30, 2020**

As management of the South Fire District of the City of Middletown, Connecticut (the "District") we offer readers of the financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here along with the District's basic financial statements.

#### **Financial Highlights**

On a government-wide basis, the assets of the District exceeded its liabilities resulting in a net position of \$1,575,795.

On a government-wide basis, during the year, the District's net position increased by \$1,435,247 from \$140,548, netting to \$1,575,795.

Governmental activities expenses were \$4,630,766.

At the end of the fiscal year the general fund had a balance of \$2,133,596.

#### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information as well as the basic financial statements.

#### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements include all assets and liabilities on the accrual basis of accounting. All of the District's revenues and expenses are recorded regardless of when received or paid.

The statement of net position presents information on all of the District's assets and liabilities, with the difference reported as net position. Increases or decreases in net position may serve as an indicator that the District's financial position is either improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the current fiscal year. Revenues and expenses are reported regardless of when received or paid and thus might be a future source or use of cash.

The statement of net position and statement of activities can be found at Exhibit A and B.

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**Management's Discussion and Analysis, *continued***  
**For the Year Ended June 30, 2020**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control and accountability over resources. For the year ended June 30, 2020, the District had only governmental and fiduciary type funds.

**Governmental Funds**

Governmental Funds are used to account for basically the same functions reported as governmental activities in the government-wide financial statements. Governmental funds, unlike government-wide financial statements, focus on the short-term inflows and outflows of expendable resources, as well as on balances of expendable resources at the end of the year. These funds are reported on the modified accrual basis. The difference between governmental activities and governmental funds is reflected on the bottom of the fund financial statements.

The governmental fund financial statements are reflected at Exhibit C and D.

**Fiduciary Funds**

The District is the trustee, or fiduciary, for its employees' pension plans. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statements are reflected at Exhibit E and F.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a complete understanding of the data contained in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

The analysis below reflects net position and changes in net position.

Net Position	June 30, 2020 Governmental Activities	June 30, 2019 Governmental Activities
Current assets	\$ 3,853,641	\$ 2,924,922
Capital assets, net	1,503,611	1,640,716
Total Assets	5,357,252	4,565,638
Current liabilities	498,991	238,925
Long-term liabilities	3,282,466	4,162,413
Total Liabilities	3,282,466	4,425,090
Net Position:		
Invested in capital assets, net of debt	1,503,611	1,640,716
Unrestricted, as restated	72,184	(1,500,1678)
Total Net Position, as restated	\$ 1,575,795	\$ 140,548

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**Management's Discussion and Analysis, *continued***  
**For the Year Ended June 30, 2020**

Changes in Net Position	Year Ended June 30, 2020 Governmental <u>Activities</u>	Year Ended June 30, 2019 Governmental <u>Activities</u>
Revenues:		
Program Revenues:		
Operating grants and contributions	\$ -	\$ -
Capital grants and contributions	-	-
General Revenues:		
Property Taxes	5,750,279	5,506,272
Intergovernmental revenue	39,828	207,081
Unrestricted investment earnings	40,221	52,771
Other general revenue	235,685	374,807
Total Revenue	<u>6,066,013</u>	<u>6,140,931</u>
Program Expenses:		
Fire and emergency services	<u>4,630,766</u>	<u>5,628,576</u>
Total program expenses	<u>4,630,766</u>	<u>5,628,576</u>
Change net position	1,435,247	512,355
Net position – July 1	140,548	(371,038)
Net position – June 30	<u>\$ 1,575,795</u>	<u>\$ 140,548</u>

The District's total revenues were \$6,066,013. The total cost of all programs was \$4,630,766.

### **Governmental Activities**

For governmental activities, approximately 94.7% of the revenues were derived from property taxation; less than .1% coming from investment earnings and approximately 5.2% from grants and other sources. 100% of the District's expenditures related to fire and emergency services.

### **Fund Financial Analysis**

#### **Governmental Funds**

At the end of the year the governmental funds reported a fund balance of \$3,335,166. This was an increase of \$702,961 from last year's total of \$2,632,205. The general fund is the chief operating fund of the District.

#### **General Fund Budgetary Highlights**

The final general fund budget was for revenue and expenditures to be \$5,903,673. There were no additional appropriations during the year. During the current fiscal year, actual revenues were \$6,048,254 which was more than budgetary estimates by \$144,581. Actual expenditures totaled \$5,334,982, which was less than the budgetary basis by \$518,691.



**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**Management's Discussion and Analysis, *continued***  
**For the Year Ended June 30, 2020**

**Capital Assets and Debt Administration**

The District's investment in capital assets for its governmental activities as of June 30, 2020 amounts to \$1,503,611, net of accumulated depreciation. This investment in capital assets includes land, buildings, related improvements, rolling equipment, and machinery and equipment. This represents a net decrease of \$137,105 during the year.

Capital Assets (net of depreciation)	June 30, 2020 Governmental Activities	June 30, 2019 Governmental Activities
Land	\$ 20,281	\$ 20,281
Building & Improvements	117,651	125,902
Rolling Equipment	1,153,652	1,219,499
Equipment & Furnishings	212,027	275,034
	<u>\$ 1,503,611</u>	<u>\$ 1,640,716</u>

**Long-term Liabilities**

At June 30, 2020 the District had long-term liabilities of \$3,282,466, as detailed below. Long-term liabilities decreased by \$903,699 during the year.

Outstanding Debt	June 30, 2020 Governmental Activities	June 30, 2019 Governmental Activities
Compensated absences	\$ 578,487	\$ 545,601
Other Post Employment Obligation	2,331,977	3,244,812
Other Noncurrent Liabilities	372,002	395,752
Total Outstanding Debt	<u>\$ 3,282,466</u>	<u>\$ 4,186,165</u>

**Economic Factors, COVID-19 and Next Year's Budgets and Rates**

The District was able to successfully pass its 2019/2020 budget. Emergency services provided by the District have not been affected by changes in the local economy or by COVID-19. The District is uncertain how the COVID-19 outbreak will affect tax collections, grant and contribution income. The District expects employment levels to remain constant and is reluctant to make any expectations regarding state grants.

**Requests for Information**

The financial report is designed to provide an overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Chief of the South Fire District of the City of Middletown, CT  
445 Randolph Road  
Middletown, CT 06457



**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

**ASSETS**

## Current Assets:

Cash and Cash Equivalents	\$ 3,710,006
Prepaid expenses	65
Receivables, net	142,737
Other Receivable	833
	<u>3,853,641</u>

## Noncurrent Assets:

Capital Assets, net	<u>1,503,611</u>
<b>TOTAL ASSETS</b>	<u><u>5,357,252</u></u>

**LIABILITIES**

Accounts Payable and Accrued Expenses	84,830
Unearned Grant Revenue	414,161
Noncurrent Liabilities:	
Other Post-Employment Obligation	2,331,977
Other Noncurrent Liabilities	372,002
Compensated absences	578,487
<b>TOTAL LIABILITIES</b>	<u><u>3,781,457</u></u>

**NET POSITION**

Invested in Capital Assets	1,503,611
Unrestricted	<u>72,184</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 1,575,795</u></u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net Expense &amp; Changes in Net Position</u>
<u>Functions/Programs</u>			
Primary Government:			
Fire and Emergency Services	\$ 4,630,766	\$ -	\$ (4,630,766)
Total Primary Government	<u>\$ 4,630,766</u>	<u>\$ -</u>	<u>(4,630,766)</u>
General Revenues:			
Property Taxes			5,750,279
Unrestricted Investment Earnings			40,221
Intergovernmental			39,828
Other General Revenue			<u>235,685</u>
Total General Revenues			<u>6,066,013</u>
Change in Net Position			1,435,247
Net Position - Beginning			<u>140,548</u>
Net Position - Ending			<u>\$ 1,575,795</u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	GENERAL FUND	RESERVE FUND FOR CAPITAL & NONRECURRING EXPENDITURES	POST- EMPLOYMENT BENEFIT FUND	TOTAL
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 2,094,275	\$ 1,162,313	\$ 453,418	\$ 3,710,006
Prepaid expenses	65	-	-	65
Property Tax Receivables, net of \$8,084 allowance for uncollectibles	142,737	-	-	142,737
Other Receivable	833	-	-	833
TOTAL ASSETS	<u>\$ 2,237,910</u>	<u>\$ 1,162,313</u>	<u>\$ 453,418</u>	<u>\$ 3,853,641</u>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Expenses	\$ 84,830	\$ -	\$ -	\$ 84,830
Unearned Grant Revenue		414,161	-	414,161
Total Liabilities	<u>84,830</u>	<u>414,161</u>	<u>-</u>	<u>498,991</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred taxes	19,484	-	-	19,484
	<u>19,484</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Committed	-	748,152	453,418	1,201,570
Unassigned	2,133,596	-	-	2,133,596
Total Fund Balances	<u>2,133,596</u>	<u>748,152</u>	<u>453,418</u>	<u>3,335,166</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<u>\$ 2,237,910</u>	<u>\$ 1,162,313</u>	<u>\$ 453,418</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,503,611
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	19,484
Net other post-employment obligations are not recorded in the funds	(2,331,977)
Other long-term liabilities	(372,002)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(578,487)</u>
Net position of governmental activities (Exhibit A)	<u>\$ 1,575,795</u>

*The accompanying notes to the financial statements are an integral part of this statement.*

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	GENERAL FUND	RESERVE FUND FOR CAPITAL & NONRECURRING EXPENDITURES	POST- EMPLOYMENT BENEFIT FUND	TOTAL
<b>REVENUE</b>				
Tax Revenue	\$ 5,750,279	\$ -	\$ -	\$ 5,750,279
Intergovernmental	39,828	-	-	39,828
Investment Income	22,462	12,774	4,985	40,221
Other				-
NRG	207,100	-	-	207,100
Other General Revenue	28,585	-	-	28,585
<b>TOTAL REVENUE</b>	<u>6,048,254</u>	<u>12,774</u>	<u>4,985</u>	<u>6,066,013</u>
<b>EXPENDITURES</b>				
Fire and Emergency Services	5,334,982	-	28,070	5,363,052
<b>TOTAL EXPENDITURES</b>	<u>5,334,982</u>	<u>-</u>	<u>28,070</u>	<u>5,363,052</u>
<b>EXCESS of REVENUES OVER EXPENDITURES</b>	713,272	12,774	(23,085)	702,961
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Operating Transfers In (Out)	<u>(224,989)</u>	<u>89,952</u>	<u>135,037</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	488,283	102,726	111,952	702,961
<b>FUND BALANCES JUNE 30, 2019</b>	<u>1,645,313</u>	<u>645,426</u>	<u>341,466</u>	
<b>FUND BALANCES JUNE 30, 2020</b>	<u>\$ 2,133,596</u>	<u>\$ 748,152</u>	<u>\$ 453,418</u>	

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceed capital outlays in the current year.

(139,520)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

871,806

**Change in net position (Exhibit B)**

\$ 1,435,247

*The accompanying notes to the financial statements are an integral part of this statement.*



**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**FIDUCIARY FUNDS - STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2020**

	<u><b>Pension Trust Fund</b></u>
	<u>Defined Contribution</u>
	<u>Plan</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ -
Investments	5,509,151
Total Assets	<u>5,509,151</u>
 <b>Net assets held in trust for pension benefits</b>	 <u>\$ 5,509,151</u>

*See accompanying notes to financial statements.*

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**FIDUCIARY FUNDS - STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u><b>Pension Trust Fund</b></u>
	<u>Defined Contribution</u>
	<u>Plan</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 261,840
Employee rollover	-
Investment earnings	319,223
TOTAL ADDITIONS	<u>581,063</u>
<b>DEDUCTIONS</b>	
Benefits Paid and rolled over	71,029
Forfeitures	19,909
Fees and other expenses	19,007
TOTAL DEDUCTIONS	<u>109,945</u>
<b>Net Increase</b>	471,118
<b>Net assets held in trust for pension benefits</b>	
Beginning of year	5,038,033
End of year	<u>\$ 5,509,151</u>

*See accompanying notes to financial statements.*

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**Notes to Financial Statements**  
**June 30, 2020**

**1. Summary of Significant Accounting Policies**

The financial statements of the South Fire District of the City of Middletown, Connecticut (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the District are described below.

**A. Reporting Entity**

The South Fire District of the City of Middletown, Connecticut was incorporated as a special taxing district by special act of the General Assembly of the State of Connecticut in 1957. The District operates under a Board of Commissioners form of Government. The District has as its purpose the protection of life and property of the electors from loss or destruction by fire and other perils as are consistent with the aims and goals of a fire department.

The District operates under the provisions of its charter, by-laws and the General Statutes of the State of Connecticut. The legislative powers of the District are vested in the Electors. The executive body is made up of a five member Board of Commissioners.

**B. Government-Wide and Fund Financial Statements**

**Government-wide Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of net position presents the District’s non-fiduciary assets and liabilities, with the difference reported as net position. Net Position are reported in three categories:

*Invested in Capital Assets Net of Related Debt* – This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those capital assets.

*Restricted Net Position* – This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2020, the District has no restricted net assets.

*Unrestricted Net Position* – This category consists of net assets which do not meet the definition of the two preceding categories.

When both restricted and unrestricted revenue are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are available.

## **1. Summary of Significant Accounting Policies, continued**

### **B. Government-Wide and Fund Financial Statements, continued**

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

#### **Fund Financial Statements**

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.

The various funds included in the financial statements are described below:

#### **Governmental Funds**

Governmental Funds are those through which most of the governmental functions are financed.

*General Fund* – The General Fund is the primary operating fund of the District. This fund is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, and interest income.

*Special Revenue Funds* – Special Revenue Funds are used to account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

#### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

*Pension Trust Funds* – The Pension Trust Fund is used to account for the District's defined contribution pension plan.

### **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, 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 in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.



## **1. Summary of Significant Accounting Policies, *continued***

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, *continued***

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The Reserve Fund for Capital and Nonrecurring Expenditures is a Special Revenue Fund which is used to account for financial resources to be used for the acquisition of capital and/or nonrecurring items.

The Post-Employment Benefit Fund is a Special Revenue Fund which is used to account for financial resources to be used for the payment of post-employment benefits for firefighters.

Additionally, the District reports the following fund types:

The Pension Trust Fund which accounts for the activities of the District's defined benefit and defined contribution pension plans, which accumulate resources for pension benefit payments to qualified District employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

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

### **D. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the United States Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as more fully described in Note 4.

Investments of the District are reported at fair value.

## **1. Summary of Significant Accounting Policies, continued**

### **E. Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts being owed between funds. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/due from other funds” (the current portion of inter-fund loans) or “advances to/from other funds” (the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/due from other funds”. Inter-fund receivables and payables within governmental activities are eliminated in the Statement of Net Position. At June 30, 2020, there were no outstanding balances between funds.

All trade and property taxes receivable are shown net of an allowance for uncollectibles. Property taxes are assessed as of October 1. Assessed values are established by the City of Middletown’s Assessor’s office at 70% of appraised value. Taxes are billed in the following July and are due in one installment. Taxes become overdue one month after the installment due date. Interest at the rate of 1.5% per month accrues on all overdue tax balances. Liens are effective on the assessment date and are continued by filing in May following the due date.

Section 12-165 of the General Statutes of the State of Connecticut requires each municipality to write-off, on an annual basis, the property taxes which are deemed uncollectible.

### **F. Inventories and Prepaid Expenses**

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. At June 30, 2020, the District had no inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **G. Capital Assets**

Capital assets, which include land and related improvements, buildings and related improvements, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental activities columns in the government-wide financial statements.

Fixed assets used in governmental fund operations are accounted for as capital outlays, or departmental expenditures in the fund financial statements upon acquisition.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 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 assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and related improvements, land improvements, equipment and vehicles, and infrastructure assets (e.g., driveways, sidewalks, and similar items) are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Land Improvements	40
Equipment and Vehicles	7-18



## **1. Summary of Significant Accounting Policies, *continued***

### **H. Compensated Absences**

Under the terms of the District's contracts, District employees are granted vacation and sick leave in varying amounts. Sick leave may be accumulated by employees until retirement, termination in good standing or death, at which time they are paid 66.67% of a day's pay for each day of unused accumulated sick leave up to a maximum of 100 days. At June 30, 2020 the liability for accumulated unpaid sick pay approximated \$578,487.

Accumulated sick leave is recognized as a liability of the District in the government-wide financial statements.

### **I. Long-Term Obligations**

All long-term debt to be repaid from governmental resources is reported as a liability in the government-wide financial statements. The long-term debt consists of accrued compensated absences and a capital lease obligation payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Any debt proceeds are reported as other financing sources and the payment of principal and interest are reported as expenditures. At June 30, 2020, the District had no bonded debt.

### **J. Fund Equity-Fund Financial Statements**

The equity of the fund financial statements is defined as "fund balance" and is classified into the following categories:

**Committed Fund Balance** – represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (District Meeting).

**Unassigned Fund Balance** – is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

### **K. Estimates**

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

## **2. Stewardship, Compliance and Accountability**

The District establishes an annual budget in accordance with provisions of its by-laws. Notice of the annual budget meeting is placed in a newspaper with a circulation within the limits of the District. Said notice is placed not more than 15 days and not less than 10 days before the date of the budget meeting. The budget meeting of the District is held on the last Tuesday of April each year. The meeting has as its order of business, adoption of a fiscal budget for the District for the following fiscal year. The operating budget includes proposed expenditures and the means of financing them.

Formal budgetary integration is employed as a management control device during the year for the General Fund. There were no additional appropriations approved during the year.

All unencumbered appropriations lapse at year-end, except those for the Reserve Fund for Capital and Nonrecurring Expenditures and the Post-Employment Benefit Fund.

### **3. Cash, Cash Equivalents and Investments**

#### **A. Cash and Cash Equivalents**

The deposit of public funds is controlled by Connecticut General Statutes (Section 7-402). Deposits may be invested in any “qualified public depository” as defined by State Statute, or, in amounts not exceeding the Federal Deposit Insurance Corporation (FDIC) insurance limit, in an “out of state bank”, as defined by the State Statutes, which is not a “qualified public depository”.

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: (a) obligations of the United States and its agencies; (b) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (c) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net assets values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations.

Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The State Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). This investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and is regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

The following is a summary of cash and cash equivalents at June 30, 2020

	<u>Government-Wide</u> <u>Statement of</u> <u>Fiduciary Net Assets</u>
Deposits:	
Demand, savings and money market accounts	\$ 2,094,275
Cash equivalents:	
State short-term investment fund (STIF)	<u>1,615,731</u>
Total cash and cash equivalents	<u>\$ 3,710,006</u>

#### **Deposits**

At June 30, 2020, the carrying amount of the District’s deposits with financial institutions was \$2,094,275 and the bank balance was \$2,306,968.

Custodial credit risk is the risk that, in the event of a bank failure, the District would not be able to recover its deposits or would not be able to recover collateral securities that are in possession of an outside party. The District does not have a policy for custodial risk. Of the June 30, 2020 bank balance, \$250,000 was covered by Federal Depository Insurance. Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposited based upon the depository’s risk based capital ratio.

A minimum of \$500,000, based on the June 30, 2020 deposits was collateralized (collateral held by the pledging bank’s trust department in not the District’s name). The remaining bank balance of \$1,806,968 was uninsured and uncollateralized.



### **3. Cash, Cash Equivalents and Investments, continued**

#### **A. Cash and Cash Equivalents, continued**

##### **Cash Equivalents**

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2020, the District's cash equivalents represented amounts held in the State Short-Term Investment Fund (STIF). The STIF is an investment pool managed by the Treasurer of the State of Connecticut. The pool is rated AAAM by Standard & Poor's.

##### **B. Investments**

As of June 30, 2020, the District's investments consisted of the following:

	<u>Carrying Amount</u>	<u>Market Value</u>
Pooled open-end mutual fund accounts		
Pension Trust Fund:		
Defined Contribution Plan	<u>\$ 5,509,151</u>	<u>\$ 5,509,151</u>

##### **Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

##### **Credit Risk**

As indicated above, State Statutes limit the investment options of municipalities. The District has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. The provisions of the statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, the investment of such funds is generally controlled by laws applicable to fiduciaries and the provisions of the applicable plan.

##### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The District does not have a policy for custodial credit risk. The District's investments consist of investments in external investment pools and money market funds which are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

##### **Concentrations of Credit Risk**

The District's investments consist of investments in external investment pools and money market funds which are not exposed to concentrations of credit risk because they are not evidenced by securities that exist in physical or book form.

### **4. Receivables and Deferred Revenue**

Receivables as of year-end are as follows:

	<u>General Fund</u>
Receivables:	
Taxes	\$ 150,821
Less: allowance for uncollectibles	<u>(8,084)</u>
Net total receivables	<u>\$ 142,737</u>

#### **4. Receivables and Deferred Revenue, continued**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the component of deferred revenue reported in governmental funds is as follows:

	<u>Unavailable</u>
Deferred property taxes	<u>\$ 19,484</u>

#### **5. Interfund Accounts**

At June 30, 2020 there were no amounts due from and to other funds.

For the year ended June 30, 2020, interfund transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 224,989
Reserve Fund for Capital and Nonrecurring Expenditures	89,952	-
Post-employment Benefit Fund	<u>135,037</u>	<u>-</u>
	<u>\$ 524,989</u>	<u>\$ 224,989</u>

All transfers represent routine recurring transaction to move resources from one fund to another.

#### **6. Capital Assets**

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

	<u>Balance June 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2020</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 20,281	\$ -	\$ -	\$ 20,281
Capital assets, being depreciated				
Buildings and Improvements	777,529	-	-	777,529
Rolling Equipment	2,002,766	31,707	-	2,034,473
Equipment	431,466	-	-	431,466
Total assets being depreciated	<u>3,232,042</u>	<u>31,707</u>	<u>-</u>	<u>3,263,749</u>
Less: accumulated depreciation for:				
Buildings and Improvements	651,629	8,249	-	659,878
Rolling Equipment	746,859	133,962	-	880,821
Equipment	192,838	26,601	-	219,439
Total accumulated depreciation	<u>1,591,326</u>	<u>168,812</u>	<u>-</u>	<u>1,760,138</u>
Total Government-Wide Capital Assets, Net	<u>\$ 1,640,716</u>	<u>\$(137,105)</u>	<u>\$ -</u>	<u>\$ 1,503,611</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Fire and emergency services	<u>\$ 168,812</u>
Total depreciation expense-governmental activities	<u>\$ 168,812</u>

## **7. Long-Term Liabilities**

### **Changes in Long-term Debt**

Long-term liabilities, other than outstanding OPEB cost, of the District consist of accumulated unpaid sick leave benefits and heart and hypertension liability payable. Long-term liability activity for the year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Additions	Reductions / Maturities	Balance June 30, 2020	Due Within One Year
Governmental Activities:					
Compensated absences	\$545,601	\$ 32,886	\$ -	\$578,487	\$ -
Other	395,752	-	23,750	372,002	
Total Governmental Activities					
Long-term liabilities	<u>\$941,353</u>	<u>\$32,886</u>	<u>\$ 23,750</u>	<u>\$950,489</u>	<u>\$ -</u>

## **8. Risk Management**

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation and natural disasters for which the District carries commercial insurance. During the year ended June 30, 2020, deductibles paid by the District were insignificant. Settled claims, for all types of commercial coverage, have not exceeded commercial insurance coverage during the past three fiscal years.

The District is currently a member in Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Connecticut General Statutes for workers compensation. The District pays an annual premium for its coverage. CIRMA is to be self-sustaining through members' premiums but reinsures in excess of \$1,000,000 for each insured occurrence. Members may be subject to supplemental assessment in the event of deficiencies; however, potential assessments are limited pursuant to the by-laws.

## **9. Deferred Compensation Plan**

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by the South Fire District. The plan, available to all eligible District employees, permits the employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to the employees until termination, retirement, death or an unforeseeable emergency.

## **10. Money Purchase Plan**

Effective July 1, 1994, the District established the "South Fire District Money Purchase Plan", a defined contribution plan which is administered by the South Fire District and which covers all employee classifications except those who continued coverage under the District's defined benefit plan and volunteer firemen. Employees are entitled to receive a Money Purchase Contribution for a given plan year if they have completed at least 1,000 hours of service during the plan year.

Partial vesting occurs upon completion of 4 years of service with employees becoming fully vested after the completion of 11 years of service or upon reaching normal retirement age of 55 years. The Plan is funded entirely by the District contributions and provides for monthly deposits to the Plan based upon eligible employee compensation. For the fiscal year ended June 30, 2020, contributions to the money purchase plan were equal to 12.27% of eligible employee compensation. Such contribution levels are established through negotiation.

The plan is considered to be part of the District's financial reporting entity and is included as a pension trust fund of the District.

For the year ended June 30, 2020, employer contributions to the plan totaled \$261,840.



## **11. Other Post-Employment Benefits (OPEB)**

The District provides post-retirement medical benefits to eligible retirees and their family through a single-employer, contributory, defined benefit OPEB plan. The OPEB plan provides medical coverage to eligible retirees and their family. An actuarial valuation is made to determine whether the contributions are sufficient to meet plan obligations. The latest valuation was made June 30, 2020. The OPEB plan does not issue a separate, stand-alone, financial report.

Employees of the District are eligible for medical coverage based upon the following criteria:

- Average retirement at age 62 and a minimum of 10 years of service.
- Generally, benefits are continued until the retiree's age 64.

At June 30, 2020 there were 39 Active members and 2 retired members covered by the plan.

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adopting GASB Statement Number 75 beginning with the year ended June 30, 2018, the District recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability (or asset) from prior years, and provides information useful in assessing potential demands on the District's cash flows.

The contribution requirement of plan members and the District are established and may be amended by the District. The District currently contributes enough money to the plan to satisfy the current obligations on a pay-as-you-go basis.

Benefits for retirees are generally provided by the District on a contributory basis. Benefits for the eligible family members of eligible retirees are also generally provided on a contributory basis.

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated an amount actuarially determined in accordance with the parameters of GASB Statement Number 75. The actuarial accrued liability as of June 30, 2020 is estimated to be \$2,331,977

An actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

### **Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate the is 1 percentage point lower (2.090%) or 1 percentage point higher (4.940%) than the current discount rate:

	1% Decrease (1.090%)	Discount rate (2.090%)	1% Higher (3.090%)
Total OPEB liability	\$2,610,607	\$2,331,977	\$2,102,640



## **11. Other Post-Employment Benefits (OPEB) (Continued)**

### **Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$2,064,437	\$2,331,977	\$2,659,663

### **OPEB Expense**

For the year ended June 30, 2020, the District recognized OPEB expense of \$80,229.

### **Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2020. The components of the net OPEB liability at June 30, 2020 were as follows:

Total OPEB Liability	\$2,331,977
Plan fiduciary net position	-
Net OPEB Liability	<u>\$2,331,977</u>

### **Actuarial Assumptions**

The total OPEB liability was determined by an actual valuation as of June 30, 2020. The actuarial assumptions are found on page 9D of this report.

The long-term expected rate of return of OPEB plan investments is projected to be 2.090 %.

The Discount rate used to measure the total OPEB liability was 2.090%.

## **12. Litigation**

The District had three claims pursuant to Connecticut Statutes §7-433C – Connecticut's Heart and Hypertension Act. One claim has been agreed to in the amount of \$23,750 which was paid out during the year. At this early juncture, it is impossible to predict the full extent for the District's liability for the two remaining claims.

## **13. Subsequent Events**

Subsequent events were evaluated through December 10, 2020, which is the date that the financial statements were available to be issued. As described in footnote 12, there was one subsequent event that was included in the financial statements.

## **14. COVID-9**

The District's operations are heavily dependent on the ability to collect property taxes and related interest and fees. Additionally, access to grants, contracts and contributions from federal, state and local organizations may decrease or may not be available depending on the appropriations of the organizations. The outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. As such, the District's financial condition and liquidity may be negatively impacted for the fiscal years ended June 30, 2021 and 2022.

## **15. Issued Accounting Standards**

### **GASB Statement No. 87, Leases.**

This Statement improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for the District's reporting period beginning July 1, 2020.

In June 2018, GASB issued Statement No.89, *Accounting for Interest Costs Incurred before the End of a Construction Period*. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of the construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of the capital asset. The requirements of this statement are effective for the District's reporting period beginning July 1, 2020. The District does not expect the impact of this statement will be material to its financial statements.

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**SCHEDULE OF GENERAL FUND REVENUES - BUDGETARY BASIS**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL AMOUNT	VARIANCE- FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>				
<b>Tax Collector:</b>				
Receipts from taxation	\$ 5,633,573	\$ 5,633,573	\$ 5,652,875	\$ 19,302
Tax Supplement	25,000	25,000	47,043	22,043
Interest and Lien Fees	28,000	28,000	50,361	22,361
Total Tax Collector	<u>5,686,573</u>	<u>5,686,573</u>	<u>5,750,279</u>	<u>63,706</u>
<b>State of Connecticut:</b>				
State Grants	-	-	-	-
Total State of Connecticut	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other:</b>				
FEMA Grant	-	-	39,828	39,828
NRG	207,100	207,100	207,100	-
Other	10,000	10,000	51,047	41,047
	<u>217,100</u>	<u>217,100</u>	<u>297,975</u>	<u>80,875</u>
<b>Total Revenues</b>	<u>\$ 5,903,673</u>	<u>\$ 5,903,673</u>	<u>6,048,254</u>	<u>\$ 144,581</u>
<b>Total Revenues - Exhibit D</b>			<u>\$ 6,048,254</u>	



**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGETARY BASIS**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL AMOUNT	VARIANCE- FAVORABLE (UNFAVORABLE)
<b><u>EXPENDITURES</u></b>				
<b>Utilities:</b>				
Electricity	\$ 17,500	\$ 17,500	\$ 21,443	\$ (3,943)
Water and Sewer	2,470	2,470	2,305	165
Heating	12,000	12,000	10,440	1,560
Telephone	3,000	3,000	2,700	300
Total Utilities	<u>34,970</u>	<u>34,970</u>	<u>36,888</u>	<u>(1,918)</u>
<b>Apparatus / Vehicles:</b>				
Fuel	20,000	20,000	16,798	3,202
Repairs	60,000	60,000	92,445	(32,445)
Annual Inspection (OSHA)	1,200	1,200	1,145	55
Vehicle Supplies	2,000	2,000	686	1,314
Total Apparatus / Vehicles	<u>83,200</u>	<u>83,200</u>	<u>111,074</u>	<u>(27,874)</u>
<b>Insurance:</b>				
Workers Compensation	198,475	198,475	153,250	45,225
Commercial Package	42,000	42,000	43,623	(1,623)
Medical	850,649	850,649	737,262	113,387
Group Life Insurance	51,550	51,550	47,218	4,332
Pension - Defined Contribution	341,160	341,160	261,840	79,320
Sick Time Incentive	30,160	30,160	21,224	8,936
Total Insurance	<u>1,513,994</u>	<u>1,513,994</u>	<u>1,264,417</u>	<u>249,577</u>
<b>Salaries:</b>				
Salaries - Fire Department	2,785,111	2,785,111	2,597,394	187,717
Salaries - Administrative	136,426	136,426	128,868	7,558
Replacement / Call-Backs	371,000	371,000	333,511	37,489
Fringe Benefits	124,072	124,072	113,904	10,168
PEB - Uncompensated Absences	10,000	10,000	10,000	-
PEB - Heart and Hypertension	150,000	150,000	150,000	-
Social Security - Employer	212,512	212,512	194,481	18,031
Medicare - Employer	49,700	49,700	45,484	4,216
Total Salaries	<u>3,838,821</u>	<u>3,838,821</u>	<u>3,573,642</u>	<u>265,179</u>
<b>Physical Plant:</b>				
Repairs	20,000	20,000	10,936	9,064
Supplies - Maintenance	8,900	8,900	7,750	1,150
Services	17,200	17,200	14,968	2,232
Equipment	4,600	4,600	5,645	(1,045)
Total Physical Plant	<u>50,700</u>	<u>50,700</u>	<u>39,299</u>	<u>11,401</u>

(continued)

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGETARY BASIS**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL AMOUNT	VARIANCE- FAVORABLE (UNFAVORABLE )
<b>Administration:</b>				
Tax Collector's Expenses	\$ 20,000	\$ 20,000	\$ 23,946	\$ (3,946)
Professional Organizations / Periodicals	2,200	2,200	2,105	95
Office Expenses / Supplies	3,500	3,500	2,785	715
Auditor	6,700	6,700	6,700	-
Professional Development	3,500	3,500	2,824	676
Postage	4,000	4,000	2,347	1,653
Contingency	50,000	50,000	-	50,000
Commissioner's Compensation	9,000	9,000	8,400	600
Activity Expense	3,500	3,500	3,235	265
Professional Services	50,000	50,000	32,340	17,660
Office Equipment	1,200	1,200	-	1,200
Actuarial Services	3,300	3,300	-	3,300
Advertising / Voting	4,500	4,500	2,482	2,018
Lien Fees	1,200	1,200	1,310	(110)
Archive Services	978	978	-	978
Software Support	27,600	27,600	27,936	(336)
Total Administration	<u>191,178</u>	<u>191,178</u>	<u>116,410</u>	<u>74,768</u>
<b>Fire Department Operations:</b>				
Emergency Medical Equipment	12,500	12,500	10,028	2,472
Computer Equipment & Supplies	2,000	2,000	2,145	(145)
Training	22,000	22,000	21,857	143
Public Fire Education	3,500	3,500	3,606	(106)
Firefighting Equipment	14,000	14,000	16,027	(2,027)
Special Service Units	4,560	4,560	15,098	(10,538)
Fire Marshal's Office	4,000	4,000	3,713	287
Uniforms	27,500	27,500	33,383	(5,883)
Protective Clothing	25,000	25,000	33,776	(8,776)
Communications	4,500	4,500	2,812	1,688
Cellular / Paging Services	4,250	4,250	4,454	(204)
Breathing Air & Oxygen	1,500	1,500	798	702
Medical Testing	8,000	8,000	2,712	5,288
FEMA Grant Expenses	-	-	39,828	
Breathing Apparatus Testing, Repair and purchases	7,500	7,500	3,015	4,485
Total Fire Department Operations	<u>140,810</u>	<u>140,810</u>	<u>193,252</u>	<u>(52,442)</u>
<b>Total Expenditures Before Reserve Fund Transfer</b>	<u>5,853,673</u>	<u>5,853,673</u>	<u>5,334,982</u>	<u>518,691</u>
Transfer from the Reserve Fund	50,000	50,000	50,000	-
Transfer to the Post-Employment Benefit Fund	-	-	-	-
<b>Total Expenditures</b>	<u>\$ 5,903,673</u>	<u>\$ 5,903,673</u>	<u>5,384,982</u>	<u>\$ 518,691</u>
Less: Transfer to the Reserve Fund			(50,000)	
Less: Transfer to the Post-Employment Benefit Fund			-	
<b>Total Expenditures - Exhibit D</b>			<u>\$ 5,334,982</u>	

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**Required Supplementary Information – Other Post-Employment Benefits (OPEB)**  
**For the Year Ended June 30, 2020**

**5. Actuarial Assumptions and Other Inputs**

Actuarial Valuation Date: June 30, 2018

Fiscal Year-End Date: June 30, 2018

**Changes in the Total OPEB Liability:**

Balance at 6/30/19 – \$3,244,812

Charges for the year:

Change In assumptions (993,064)

Service costs 80,229

Balance at 6/30/20 \$2,331,977

Actuarial Assumptions:

Age Adjustment Factor: 2.260606

Average Retirement Age: 64

Amortization Method: Level percentage of payroll

Amortization Period: 20 years

Assets Backing OPEB Liability: \$ -

Plan Assets Return: 3.9406%

Discount Rate: 3.9406%

Payroll Growth Rate: 2.00%

Turnover Assumption: Standard turnover assumption – from U.S. Office of Personal Management.



**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**FOR THE YEAR ENDED JUNE 30, 2020**

Grand List Year	Due Date of Tax	Uncollected taxes 7/1/19	Current Levy and Amount of Taxes	Transfers to	Adjusted Amount of Taxes	Taxes Collected	Interest Collected	Liens & Fees Collected	Total Collections	Amount of Taxes Collectible 6/30/2020
			Collectible 6/30/2020	Lawful Corrections	Collectible					
2018	7/1/2019		\$ 5,745,146	(5,825)	5,739,321	5,650,670	20,294	5,610	5,676,574	88,651
2017	7/1/2018	50,027		45	50,072	27,413	10,749	3,325	41,487	22,659
2016	7/1/2017	34,218		1,346	35,564	17,357	5,881	2,123	25,361	18,207
2015	7/1/2016	5,605		1,541	7,146	3,511	1,349	145	5,005	3,635
2014	7/1/2015	10,731		(72)	10,731	902	692	99	1,693	9,829
2013	7/1/2014	4,169		-	4,169	65	58	36	159	4,104
2012	7/1/2013	2,029		-	2,029	-	-	-	-	2,029
2011	7/1/2012	910		-	910	-	-	-	-	910
2010	7/1/2011	503		-	503	-	-	-	-	503
2009	7/1/2010	236		-	236	-	-	-	-	236
2008 & prior	7/1/2009	58		-	58	-	-	-	-	58
		\$ 108,486	\$ 5,745,146	\$ (2,965)	\$ 5,850,739	\$ 5,699,918	\$ 39,023	\$ 11,338	\$ 5,750,279	\$ 150,821

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**SPECIAL REVENUE FUND - RESERVE FUND FOR CAPITAL AND NONRECURRING EXPENDITURES**  
**SCHEDULE OF CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Unexpended Balance	Appropriations			Current Year	Unexpended Balance
	July 1, 2019	Year	Cancelled	Interest	Expenditures	June 30, 2020
<b>RESERVED</b>						
Self-Contained Breathing Apparatus	\$ 77,867	\$ -	\$ -	\$ -	\$ -	77,867
Training Equipment	10,000	-	-	-	-	10,000
Computers and related Equipment	5,000	5,000	-	-	-	10,000
Rescue Tools - Hydraulic	12,040	2,000	-	-	4,000	10,040
Portable Radio Equipment	-	-	-	-	-	-
Defibrillators/ALS Equipment	6,189	-	-	-	-	6,189
Fire Fighting Equipment	10,000	10,000	-	-	5,145	14,855
Health & Safety	7,600	-	-	-	-	7,600
Facility Equipment	25,514	5,000	-	-	-	30,514
Facility Improvements/Repairs	23,690	11,258	-	12,774	-	47,722
Tone Alerting System	-	-	-	-	-	-
Furniture	8,750	-	-	-	-	8,750
Telephone System	-	-	-	-	-	-
Apparatus	523,737	280,000	-	-	-	803,737
Emergency Response Vehicles	119,975	175,000	-	-	-	294,975
Staff Vehicle	22,145	25,000	-	-	-	47,145
TOTAL RESERVED FUND BALANCE	852,507	513,258	-	12,774	9,145	1,369,394
<b>UNRESERVED AND UNDESIGNATED</b>	-	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<u>\$ 852,507</u>	<u>\$ 513,258</u>	<u>\$ -</u>	<u>\$ 12,774</u>	<u>\$ 9,145</u>	<u>\$ 1,369,394</u>

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**SCHEDULE OF DEBT LIMITATION**  
**CONNECTICUT STATUTES, SECTIONS 7-374(B)**  
**JUNE 30, 2020**  
**(UNAUDITED)**

TAX BASE: (including interest and lien fees)	\$ <u>5,750,279</u>
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<u>DEBT LIMITATION:</u>	<u>GENERAL PURPOSE</u>	<u>PENSION DEFICIT</u>
2 1/4 times base	\$ 12,938,128	
3 times base		\$ 17,250,837
TOTAL LIMITATIONS	12,938,128	17,250,837
INDEBTEDNESS:	-	-
DEBT LIMITATION IN EXCESS OF OUTSTANDING DEBT	\$ <u>12,938,128</u>	\$ <u>17,250,837</u>

The total net indebtedness above amounts to:	\$ <u>30,188,965</u>
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In no event shall total indebtedness exceed seven times the base for debt limitation computation:	\$ <u>40,251,953</u>
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# **COSTELLO COMPANY, LLC**

Charles T. Costello, CPA

*Certified Public Accountant and Consultants*

www.costellocompany.com

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners  
South Fire District  
Middletown, Connecticut

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the South Fire District of the City of Middletown, Connecticut (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated December 10, 2020.

### **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Costa Company LLC". The signature is written in a cursive, flowing style.

Hebron, Connecticut  
December 10, 2020