

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

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2022**

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
South Fire District
Middletown, Connecticut

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the South Fire District of the City of Middletown, Connecticut (the District) as of and for the year June 30, 2022, and the related statement notes to the financial statements, which collectively comprises the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis the budgetary comparison information, as listed in the table of contents, 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. we do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Required Supplementary Information, as listed in the Table of Contents are presented for purposes of additional analysis and are not required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the basic financial statements. The 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 Required Supplementary Information, as listed in the Table of Contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Hebron, Connecticut
April 24, 2023

SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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, 2022. 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 \$3,976,296.

On a government-wide basis, during the year, the District's net position increased by \$2,457,699 from \$1,518,597, netting to \$3,976,296.

Governmental activities expenses were \$5,165,282.

At the end of the fiscal year the general fund had a fund balance of \$2,052,895.

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, 2022

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, 2022, 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, 2022 Governmental <u>Activities</u>	June 30, 2021 Governmental <u>Activities</u>
Current assets	\$ 4,950,665	\$ 4,435,848
Capital assets, net	2,587,815	1,406,270
Total Assets	7,538,480	5,842,118
Current liabilities	1,166,722	905,637
Long-term liabilities	2,395,462	3,417,884
Total Liabilities	3,562,184	4,323,521
Net Position:		
Invested in capital assets, net of debt	2,587,815	1,406,270
Unrestricted, as restated	1,388,481	112,327
Total Net Position, as restated	\$ 3,976,296	\$1,518,597

SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT
Management's Discussion and Analysis, *continued*
For the Year Ended June 30, 2022

Changes in Net Position	Year Ended June 30, 2022 <u>Governmental Activities</u>	Year Ended June 30, 2021 <u>Governmental Activities</u>
Revenues:		
Program Revenues:		
Operating grants and contributions	\$ -	\$ -
General Revenues:		
Property Taxes	6,106,062	5,863,979
Intergovernmental revenue	1,293,743	43,356
Unrestricted investment earnings	10,425	8,636
Other general revenue	212,751	201,650
Total Revenue	<u>7,622,981</u>	<u>6,117,621</u>
 Program Expenses:		
Fire and emergency services	<u>5,165,282</u>	<u>6,174,819</u>
Total program expenses	<u>5,165,282</u>	<u>6,174,819</u>
 Change net position	2,457,699	(57,198)
 Net position – July 1	1,518,597	1,575,795
	<hr/>	<hr/>
 Net position – June 30	<u>\$ 3,976,296</u>	<u>\$1,518,597</u>

The District's total revenues were \$7,622,981. The total cost of all programs was \$5,165,282.

Governmental Activities

For governmental activities, approximately 80.0% of the revenues were derived from property taxation; less than .1% coming from investment earnings and approximately 19.9% from intergovernmental revenue 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 \$3,753,242. This was an increase of \$242,067 from last year's total of \$3,511,175. 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 \$6,264,662. There were no additional appropriations during the year. During the current fiscal year, actual revenues were \$6,619,174 which was more than budgetary estimates by \$354,512. Actual expenditures totaled \$6,382,900, which was more than the budgetary basis by \$168,238.

SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT
Management's Discussion and Analysis, *continued*
For the Year Ended June 30, 2022

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2022 amounts to \$2,587,815, 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 \$1,181,545 during the year.

Capital Assets (net of depreciation)	June 30, 2022 Governmental Activities	June 30, 2021 Governmental Activities
Land	\$ 20,281	\$ 20,281
Building & Improvements	1,355,876	112,348
Rolling Equipment	1,058,524	1,158,524
Equipment & Furnishings	153,134	215,117
	\$ 2,587,815	\$ 1,406,270

Long-term Liabilities

At June 30, 2022 the District had long-term liabilities of \$2,395,462, as detailed below. Long-term liabilities decreased by \$1,022,422 during the year.

Outstanding Debt	June 30, 2022 Governmental Activities	June 30, 2021 Governmental Activities
Compensated absences	\$ 587,121	\$ 566,181
Other Post Employment Obligation	1,622,385	2,534,977
Other Noncurrent Liabilities	185,956	316,726
Total Outstanding Debt	\$ 2,395,462	\$ 3,417,884

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

The District was able to successfully pass its 2022/2023 budget. Emergency services provided by the The District is uncertain how COVID-19 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, 2022

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 4,723,079
Prepaid expenses	11,330
Other Receivable	3,524
Receivables, net	212,732
	<u>4,950,665</u>

Noncurrent Assets:

Capital Assets, net	2,587,815
TOTAL ASSETS	<u><u>7,538,480</u></u>

DEFERRED OUTFLOWS OF RESOURCES-**LIABILITIES**

Accounts Payable and Accrued Expenses	196,238
Unearned Grant Revenue	970,484
Noncurrent Liabilities:	
Other Post-Employment Obligation	1,622,385
Other Noncurrent Liabilities	185,956
Compensated absences	587,121
TOTAL LIABILITIES	<u><u>3,562,184</u></u>

DEFERRED INFOWS OF RESOURCES-**NET POSITION**

Invested in Capital Assets	2,587,815
Unrestricted	<u>1,388,481</u>

TOTAL NET POSITION\$ 3,976,296

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, 2022

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net Expense & Changes in Net Position</u>
<u>Functions/Programs</u>			
Primary Government:			
Fire and Emergency Services	\$ 5,165,282	\$ -	\$ (5,165,282)
Total Primary Government	<u>\$ 5,165,282</u>	<u>\$ -</u>	<u>(5,165,282)</u>
General Revenues:			
Property Taxes			6,106,062
Unrestricted Investment Earnings			10,425
Intergovernmental			1,293,743
Other General Revenue			<u>212,751</u>
Total General Revenues			<u>7,622,981</u>
Change in Net Position			2,457,699
Net Position - Beginning			<u>1,518,597</u>
Net Position - Ending			<u>\$ 3,976,296</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, 2022

	GENERAL FUND	RESERVE FUND FOR CAPITAL & NONRECURRING EXPENDITURES	POST- EMPLOYMENT BENEFIT FUND	TOTAL
ASSETS				
Cash & Cash Equivalents	\$ 2,280,167	\$ 1,827,261	\$ 615,651	\$ 4,723,079
Prepaid expenses	11,330	-	-	11,330
Other Receivable	3,524	-	-	3,524
Due from Other Funds	328,402	-	-	328,402
Property Tax Receivables, net of \$8,084 allowance for uncollectibles	212,732	-	-	212,732
TOTAL ASSETS	<u>\$ 2,836,155</u>	<u>\$ 1,827,261</u>	<u>\$ 615,651</u>	<u>\$ 5,279,067</u>
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 196,238	\$ -	\$ -	\$ 196,238
Deposit on Apparatus Sale	11,500	-	-	11,500
Due to other Funds	-	258,631	69,771	328,402
Unearned Grant Revenue	556,321	414,163	-	970,484
Total Liabilities	<u>764,059</u>	<u>672,794</u>	<u>69,771</u>	<u>1,506,624</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred taxes	19,201	-	-	19,201
	<u>19,201</u>	<u>-</u>	<u>-</u>	<u>19,201</u>
FUND BALANCES				
Committed	-	1,154,467	545,880	1,700,347
Unassigned	2,052,895	-	-	2,052,895
Total Fund Balances	<u>2,052,895</u>	<u>1,154,467</u>	<u>545,880</u>	<u>3,753,242</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 2,836,155</u>	<u>\$ 1,827,261</u>	<u>\$ 615,651</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	2,587,815
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	30,701
Net other post-employment obligations are not recorded in the funds	(1,622,385)
Other long-term liabilities	(185,956)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(587,121)
Net position of governmental activities (Exhibit A)	<u>\$ 3,976,296</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, 2022

	GENERAL FUND	RESERVE FUND FOR CAPITAL & NONRECURRING EXPENDITURES	POST- EMPLOYMENT BENEFIT FUND	TOTAL
REVENUE				
Tax Revenue	\$ 6,106,062	\$ -	\$ -	\$ 6,106,062
Intergovernmental	296,989	996,754	-	1,293,743
Investment Income	3,372	5,276	1,777	10,425
Other				-
NRG	201,650	-	-	201,650
Other General Revenue	11,101	-	-	11,101
TOTAL REVENUE	<u>6,619,174</u>	<u>1,002,030</u>	<u>1,777</u>	<u>7,622,981</u>
EXPENDITURES				
Fire and Emergency Services	6,382,900	996,754	1,260	7,380,914
TOTAL EXPENDITURES	<u>6,382,900</u>	<u>996,754</u>	<u>1,260</u>	<u>7,380,914</u>
EXCESS of REVENUES OVER EXPENDITURES	236,274	5,276	517	242,067
OTHER FINANCIAL SOURCES (USES)				
Operating Transfers In (Out)	-	-	-	-
NET CHANGE IN FUND BALANCES	236,274	5,276	517	242,067
FUND BALANCES JUNE 30, 2021	<u>1,816,621</u>	<u>1,149,191</u>	<u>545,363</u>	
FUND BALANCES JUNE 30, 2022	<u>\$ 2,052,895</u>	<u>\$ 1,154,467</u>	<u>\$ 545,880</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 capital outlays exceed depreciation expense in the current year.

1,181,545

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:

1,034,087

Change in net position (Exhibit B)

\$ 2,457,699

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, 2022

	<u>Pension Trust Fund</u>
	<u>Defined Contribution</u>
	<u>Plan</u>
ASSETS	
Cash and Cash Equivalents	\$ -
Investments	<u>6,609,025</u>
Total Assets	<u><u>6,609,025</u></u>
 Net assets held in trust for pension benefits	 <u><u>\$ 6,609,023</u></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, 2022

	<u>Pension Trust Fund</u> Defined Contribution Plan
ADDITIONS	
Contributions	
Employer	\$ 381,418
Employee rollover	-
Investment earnings (loss)	(999,834)
TOTAL ADDITIONS	<u>(618,416)</u>
DEDUCTIONS	
Benefits Paid and rolled over	50,631
Forfeitures	-
Fees and other expenses	34,914
TOTAL DEDUCTIONS	<u>85,545</u>
Net Increase	(703,961)
Net assets held in trust for pension benefits	
Beginning of year	7,312,984
End of year	<u>\$ 6,609,023</u>

See accompanying notes to financial statements.

SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT
Notes to Financial Statements
June 30, 2022

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, 2022, 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 3.

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, 2022, there were no outstanding balances between funds.

All trade and property taxes receivable are shown net of an allowance for uncollectible. 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, 2022, 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, 2022 the liability for accumulated unpaid sick pay approximated \$587,121.

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, 2022, 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 end at each fiscal 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, 2022

	<u>Government-Wide</u> <u>Statement of</u> <u>Fiduciary Net Assets</u>
Deposits:	
Demand, savings and money market accounts	\$ 2,280,167
Cash equivalents:	
State short-term investment fund (STIF)	<u>2,442,912</u>
Total cash and cash equivalents	<u>\$ 4,723,079</u>

Deposits

At June 30, 2022, the carrying amount of the District’s deposits with financial institutions was \$2,302,160 and the bank balance was \$2,280,167.

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, 2022 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, 2022 deposits was collateralized (collateral held by the pledging bank’s trust department in not the District’s name). The remaining bank balance of \$1,802,160 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, 2022, 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, 2022, 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	\$ 6,609,023	\$ 6,609,023

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	\$ 220,816
Less: allowance for uncollectibles	<u>(8,084)</u>
Net total receivables	<u>\$ 212,732</u>

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>\$ 19,201</u>

5. Interfund Accounts

At June 30, 2022 amounts due from and to other funds were as follows

	<u>Due From</u>	<u>Transfers Out</u>
General Fund	\$ 328,402	\$ -
Reserve Fund for Capital and Nonrecurring Expenditures	-	258,631
Post-employment Benefit Fund	-	69,771
	<u>\$ 328,402</u>	<u>\$ 328,402</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2022 is as follows:

	<u>Balance June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	<u>\$ 20,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,281</u>
Capital assets, being depreciated				
Buildings and Improvements	777,529	1,297,733	-	2,075,262
Rolling Equipment	2,072,507	-	-	2,072,507
Equipment	466,765	90,813	-	557,578
Total assets being depreciated	<u>3,316,801</u>	<u>1,388,546</u>	<u>-</u>	<u>4,705,347</u>
Less: accumulated depreciation for:				
Buildings and Improvements	665,181	36,594	-	701,775
Rolling Equipment	1,013,983	134,015	-	1,147,998
Equipment	251,648	36,392	-	288,040
Total accumulated depreciation	<u>1,930,812</u>	<u>207,001</u>	<u>-</u>	<u>2,137,813</u>
Total Government-Wide Capital Assets, Net	<u>\$ 1,406,270</u>	<u>\$1,181,545</u>	<u>\$ -</u>	<u>\$ 2,587,815</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities	
Fire and emergency services	\$ <u>207,001</u>
Total depreciation expense-governmental activities	\$ <u>207,001</u>

7. Unearned Grant Revenue

Unearned grant revenue of \$970,484, represents municipal grant in aid from the State of Connecticut that the District has accumulated through June 30, 2022 to purchase as new fire truck.

8. 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, 2022, was as follows:

	Balance June 30, 2021	Additions	Reductions / Maturities	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
Compensated absences	\$566,181	\$ 20,940	\$ -	\$587,121	\$ -
Other	316,726	-	130,770	185,956	
Total Governmental Activities					
Long-term liabilities	<u>\$882,907</u>	<u>\$ 20,940</u>	<u>\$ 130,770</u>	<u>\$773,077</u>	<u>\$ -</u>

9. 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, 2022, 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.

10. 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.

11. 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, 2022, contributions to the money purchase plan were equal to 12.22% 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, 2022, employer contributions to the plan totaled \$381,418.

12. 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, 2022. 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, 2022 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, 2021, 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, 2022 is estimated to be \$1,622,385.

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 that is 1 percentage point lower (3.090%) or 1 percentage point higher (5.090%) than the current discount rate:

	1% Decrease <u>(3.090%)</u>	Baseline <u>(4.090%)</u>	1% Higher <u>(5.090%)</u>
Total OPEB liability	\$1,811,786	\$1,622,385	\$1,464,097
Change from baseline	189,401		(158,288)

For the year ended June 30, 2022, the District recognized OPEB expense of \$340,510.

12. Other Post-Employment Benefits (OPEB) (Continued)

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2022. The components of the net OPEB liability at June 30, 2022 were as follows:

Total OPEB Liability	\$1,622,385
Plan fiduciary net position	-
Net OPEB Liability	<u>\$1,622,385</u>

Actuarial Assumptions

The total OPEB liability was determined by an actual valuation as of June 30, 2022. 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 4.090 %.

The Discount rate used to measure the total OPEB liability was 4.090%.

13. Litigation

The District has one claim pursuant to Connecticut Statutes §7-433C – Connecticut's Heart and Hypertension Act. At this early juncture, it is impossible to predict the full extent for the District's liability for the two remaining claims.

14. Subsequent Events

Subsequent events were evaluated through April 24, 2023, 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.

15. 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 has slowed down but may have a continued material adverse impact on economic and market conditions. As such, the District's financial condition and liquidity may be negatively impacted for the fiscal year ended June 30, 2023.

16. Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement is effective for fiscal years beginning after June 25, 2022.

GASB Statement 99, Omnibus 2022. This statement addresses both select practice issues that have been identified during implementation and accounting in financial reporting for financial guarantees. Portions of the statement are effective upon issuance (April 2022), other portions are effective for years beginning after June 15, 2022 or June 15, 2023.

16. Issued Accounting Standards (Continued)

GASB Statement 100, Accounting Changes and Error Corrections. This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information. This statement is effective for fiscal years beginning after June 15, 2023.

GASB Statement 101, Compensated Absences. This statement updates the recognition and measurement guidance for compensated absences and is effective for fiscal years beginning after December 15, 2023.

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, 2022

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL AMOUNT	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES				
Tax Collector:				
Receipts from Taxation	\$ 6,005,012	\$ 6,005,012	\$ 6,045,676	\$ 40,664
Tax Supplement	25,000	25,000	-	(25,000)
Interest and Lien Fees	28,000	28,000	60,386	32,386
Total Tax Collector	<u>6,058,012</u>	<u>6,058,012</u>	<u>6,106,062</u>	<u>48,050</u>
Grants:				
Federal			268,898	268,898
State	-	-	28,091	28,091
Total State of Connecticut	<u>-</u>	<u>-</u>	<u>296,989</u>	<u>296,989</u>
Other:				
NRG	201,650	201,650	201,650	-
Other	5,000	5,000	14,473	9,473
	<u>206,650</u>	<u>206,650</u>	<u>216,123</u>	<u>9,473</u>
Total Revenues	<u>\$ 6,264,662</u>	<u>\$ 6,264,662</u>	<u>6,619,174</u>	<u>\$ 354,512</u>
Total Revenues - Exhibit D			<u>\$ 6,619,174</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, 2022

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL AMOUNT	VARIANCE- FAVORABLE (UNFAVORABLE)
<u>EXPENDITURES</u>				
Utilities:				
Electricity	\$ 22,787	\$ 22,787	\$ 23,247	\$ (460)
Water and Sewer	2,470	2,470	2,130	340
Heating	12,000	12,000	11,476	524
Telephone	3,000	3,000	2,622	378
Total Utilities	<u>40,257</u>	<u>40,257</u>	<u>39,475</u>	<u>782</u>
Apparatus / Vehicles:				
Fuel	20,000	20,000	31,332	(11,332)
Repairs	60,000	60,000	82,946	(22,946)
Annual Inspection (OSHA)	1,200	1,200	1,195	5
Vehicle Supplies	2,000	2,000	502	1,498
Total Apparatus / Vehicles	<u>83,200</u>	<u>83,200</u>	<u>115,975</u>	<u>(32,775)</u>
Insurance:				
Workers Compensation	167,746	167,746	161,810	5,936
Commercial Package	51,000	51,000	42,304	8,696
Medical	930,826	930,826	745,304	185,522
Cyber	5,105	5,105	4,662	
Life Insurance and Disability	52,716	52,716	47,472	5,244
Pension - Defined Contribution	350,021	350,021	340,510	9,511
Sick Time Incentive	24,786	24,786	15,636	9,150
Total Insurance	<u>1,582,200</u>	<u>1,582,200</u>	<u>1,357,698</u>	<u>224,502</u>
Salaries:				
Salaries - Fire Department	2,850,707	2,850,707	2,805,545	45,162
Salaries - Administrative	170,940	170,940	140,487	30,453
Replacement / Call-Backs	420,000	420,000	590,934	(170,934)
Fringe Benefits	118,424	118,424	118,587	(163)
PEB - Uncompensated Absences	10,000	10,000	10,000	-
PEB - Heart and Hypertension	289,876	289,876	289,876	-
Social Security - Employer	221,984	221,984	225,984	(4,000)
Medicare - Employer	51,916	51,916	52,853	(937)
Total Salaries	<u>4,133,847</u>	<u>4,133,847</u>	<u>4,234,266</u>	<u>(100,419)</u>
Physical Plant:				
Repairs	20,000	20,000	24,420	(4,420)
Supplies - Maintenance	8,900	8,900	6,141	2,759
Services	18,000	18,000	12,158	5,842
Equipment	4,600	4,600	4,235	365
Total Physical Plant	<u>51,500</u>	<u>51,500</u>	<u>46,954</u>	<u>4,546</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, 2022

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL AMOUNT	VARIANCE- FAVORABLE (UNFAVORABLE)
Administration:				
Tax Collector's Expenses	\$ 21,000	\$ 21,000	\$ 14,393	\$ 6,607
Professional Organizations / Periodicals	2,205	2,205	1,964	241
Office Expenses / Supplies	3,500	3,500	3,156	344
Auditor	7,200	7,200	7,200	-
Professional Development	4,500	4,500	541	3,959
Postage	4,000	4,000	3,887	113
Contingency	50,000	50,000	-	50,000
Commissioner's Compensation	9,000	9,000	9,000	-
Activity Expense	3,500	3,500	3,546	(46)
Professional Services	35,000	35,000	23,275	11,725
Office Equipment	1,200	1,200	782	418
Actuarial Services	3,300	3,300	2,800	500
Advertising / Voting	4,500	4,500	5,951	(1,451)
Lien Fees	1,200	1,200	1,180	20
Archive Services	978	978	780	198
Software Support	26,540	26,540	23,239	3,301
Total Administration	<u>177,623</u>	<u>177,623</u>	<u>101,694</u>	<u>75,929</u>
Fire Department Operations:				
Emergency Medical Equipment	12,500	12,500	8,827	3,673
Computer Equipment & Supplies	2,000	2,000	1,397	603
Training	30,500	30,500	30,384	116
Public Fire Education	3,500	3,500	3,400	100
Firefighting Equipment	14,000	14,000	9,116	4,884
Special Service Units	4,560	4,560	4,066	494
Fire Marshal's Office	4,000	4,000	4,150	(150)
Uniforms	26,500	26,500	26,241	259
Protective Clothing	28,275	28,275	20,857	7,418
Communications	4,500	4,500	2,973	1,527
Cellular / Paging Services	4,700	4,700	4,930	(230)
Breathing Air & Oxygen	1,500	1,500	811	689
Medical Testing	3,500	3,500	2,986	514
FEMA Grant Expenses	-	-	11,642	(11,642)
Capital Expenditures	-	-	350,611	(350,611)
Breathing Apparatus Testing, Repair and purchases	6,000	6,000	4,447	1,553
Total Fire Department Operations	<u>146,035</u>	<u>146,035</u>	<u>486,838</u>	<u>(340,803)</u>
Total Expenditures Before Reserve Fund Transfer	<u>6,214,662</u>	<u>6,214,662</u>	<u>6,382,900</u>	<u>(168,238)</u>
Transfer to Reserve Fund	50,000	50,000	-	50,000
Transfer to the Post-Employment Benefit Fund	-	-	-	-
Total Expenditures	<u>\$ 6,264,662</u>	<u>\$ 6,264,662</u>	<u>6,382,900</u>	<u>\$ (118,238)</u>
Less: Transfer to the Reserve Fund			-	
Less: Transfer to the Post-Employment Benefit Fund			-	
Total Expenditures - Exhibit D			<u>\$ 6,382,900</u>	

SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT
Required Supplementary Information – Other Post-Employment Benefits (OPEB)
For the Year Ended June 30, 2022

5. Actuarial Assumptions and Other Inputs

Actuarial Valuation Date: June 30, 2022

Fiscal Year-End Date: June 30, 2022

Changes in the Total OPEB Liability:

Balance at 6/30/21 –	<u>\$2,534,977</u>
Charges for the year:	
Gain and losses	-641,717
Change in assumptions	-393,624
Benefit payments	-17,493
Interest on OPEB Liability	57,145
Service costs	<u>83,097</u>
Balance at 6/30/22	<u>\$1,622,385</u>

Actuarial Assumptions:

Age Adjustment Factor:	2.336591
Average Retirement Age:	64
Amortization Method:	Level percentage of payroll
Amortization Period:	20 years
Assets Backing OPEB Liability:	\$ -
Plan Assets Return:	0.000%
Bond Yield:	4.090%
Discount Rate:	4.090%
Payroll Growth Rate:	3.00%
Turnover Assumption:	Standard turnover assumption – from U.S. Office of Personal Management.

SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT
Required Supplementary Information
OTHER POST-EMPLOYMENT OBLIGATION
Schedule of Proportionate Share of the OPEB Liability (unaudited)

Measurement date	6/30/22	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17
Discount Rate	4.090%	2.190%	2.090%	3.940%	3.940%	4.160%
Total OPEB Liability	\$ 1,622,385	\$ 2,534,977	\$ 2,331,977	\$ 3,244,812	\$ 3,244,812	\$ 3,154,873
Service Costs	\$ 83,096	\$ 130,520	\$ 80,229	\$ 89,939	\$ 89,939	\$ 13,789

SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2022

Grand List Year	Due Date of Tax	Uncollected taxes 7/1/21	Current Levy and Amount of Taxes	Collectible 6/30/2021	Lawful Corrections	Transfers to Suspense	Adjusted Amount of Taxes Collectible	Taxes Collected	Interest Collected	Liens & Fees Collected	Total Collections	Amount of Taxes Collectible 6/30/2022
2020	7/1/2021		\$	6,135,896	36,301	(46,069)	6,126,128	5,986,645	24,672	5,005	6,016,322	139,483
2019	7/1/2020	93,794			3,257	(15,410)	81,641	39,101	12,261	3,082	54,444	42,540
2018	7/1/2019	33,260			4,748	(3,039)	34,969	11,965	5,469	1,545	18,979	23,004
2017	7/1/2018	17,442			-	(106)	17,336	4,578	3,085	538	8,201	12,758
2016	7/1/2017	4,144			-	(208)	3,936	2,059	1,609	312	3,980	1,877
2015	7/1/2016	143			-	-	143	32	34	10	76	111
2014	7/1/2015	143			132	-	275	275	322	102	699	-
2013	7/1/2014	200			-	-	200	189	260	75	524	11
2012	7/1/2013	215			-	-	215	174	268	69	511	41
2011	7/1/2010	910			-	-	910	69	158	42	269	841
2010 & prior	7/1/2019	739			-	-	739	589	1,262	206	2,057	150
		\$ 150,990	\$	6,135,896	\$ 44,438	\$ (64,832)	\$ 6,266,492	\$ 6,045,676	\$ 49,400	\$ 10,986	\$ 6,106,062	\$ 220,816

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, 2022

	Unexpended Balance July 1, 2021	Appropriations			Current Year Expenditures	Unexpended Balance June 30, 2022
		Current Year	Cancelled	Interest		
RESERVED						
Self-Contained Breathing Apparatus	\$ 77,867	\$ -	\$ -	\$ -	\$ -	77,867
Training Equipment	15,000	-	-	-	-	15,000
Comuters and related Equipment	10,750	-	-	-	-	10,750
Rescue Tools - Hydraulic	15,040	-	-	-	-	15,040
Defibrillators/ALS Equipment	6,189	-	-	-	-	6,189
Fire Fighting Equipment	14,855	-	-	-	-	14,855
Health & Safety	7,600	-	-	-	-	7,600
Facility Equipment	27,465	-	-	-	-	27,465
Facility Improvements/Repairs	49,722	-	-	-	-	49,722
Furniture	8,750	-	-	-	-	8,750
Apparatus	562,725	-	-	5,276	-	568,001
Emergency Response Vehicles	339,117	-	-	-	-	339,117
Staff Vehicle	14,111	-	-	-	-	14,111
TOTAL RESERVED FUND BALANCE	<u>1,149,191</u>	<u>-</u>	<u>-</u>	<u>5,276</u>	<u>-</u>	<u>1,154,467</u>
UNRESERVED AND UNDESIGNATED	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>\$ 1,149,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,276</u>	<u>\$ -</u>	<u>\$ 1,154,467</u>

SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT STATUTES, SECTIONS 7-374(B)
JUNE 30, 2022
(UNAUDITED)

TAX BASE: (including interest and lien fees)	\$ <u>6,106,062</u>
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<u>DEBT LIMITATION:</u>	GENERAL PURPOSE	PENSION DEFICIT
2 1/4 times base	\$ 13,738,640	
3 times base		\$ 18,318,186
TOTAL LIMITATIONS	13,738,640	18,318,186

INDEBTEDNESS:	-	-
DEBT LIMITATION IN EXCESS OF OUTSTANDING DEBT	\$ 13,738,640	\$ 18,318,186

The total net indebtedness above amounts to:	\$ <u>32,056,826</u>
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In no event shall total indebtedness exceed seven times the base for debt limitation computation:	\$ <u>42,742,434</u>
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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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued my report thereon dated April 24, 2023.

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.

Hebron, Connecticut
April 24, 2023