

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

**FINANCIAL STATEMENTS  
AS OF JUNE 30, 2023**

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

**Costello Company, LLC**  
*Certified Public Accountant and Consultants*  
15 Wall Street, Hebron, CT 06248  
(860) 228-2822, fax (860) 228-2866

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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, 2023, 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, 2023, 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 December 28, 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  
December 28, 2023

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2023**

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, 2023. 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 \$5,177,052

On a government-wide basis, during the year, the District's net position increased by \$1,200,756 from \$3,976,296, netting to \$5,177,052.

Governmental activities expenses were \$6,157,583.

At the end of the fiscal year the general fund had a fund balance of \$1,741,443.

**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, 2023**

**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, 2023, 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, 2023<br>Governmental<br><u>Activities</u> | June 30, 2022<br>Governmental<br><u>Activities</u> |
|-----------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Current assets                          | \$ 4,793,153                                       | \$ 4,950,665                                       |
| Capital assets, net                     | 3,655,602                                          | 2,587,815                                          |
| Total Assets                            | 8,448,755                                          | 7,538,480                                          |
| <br>                                    |                                                    |                                                    |
| Current liabilities                     | 1,232,405                                          | 1,166,722                                          |
| Long-term liabilities                   | 2,039,298                                          | 2,395,462                                          |
| Total Liabilities                       | 3,271,703                                          | 3,562,184                                          |
| <br>                                    |                                                    |                                                    |
| Net Position:                           |                                                    |                                                    |
| Invested in capital assets, net of debt | 3,655,602                                          | 2,587,815                                          |
| Unrestricted, as restated               | 1,521,450                                          | 1,388,481                                          |
| Total Net Position, as restated         | \$ 5,177,052                                       | \$3,976,296                                        |

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**Management's Discussion and Analysis, *continued***  
**For the Year Ended June 30, 2023**

| <b>Changes in Net Position</b>     | Year Ended<br>June 30, 2023<br>Governmental<br><u>Activities</u> | Year Ended<br>June 30, 2022<br>Governmental<br><u>Activities</u> |
|------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------|
| Revenues:                          |                                                                  |                                                                  |
| Program Revenues:                  |                                                                  |                                                                  |
| Operating grants and contributions | \$ -                                                             | \$ -                                                             |
| General Revenues:                  |                                                                  |                                                                  |
| Property Taxes                     | 5,958,469                                                        | 6,106,062                                                        |
| Intergovernmental revenue          | 1,044,203                                                        | 1,293,743                                                        |
| Unrestricted investment earnings   | 150,643                                                          | 10,425                                                           |
| Other general revenue              | 205,024                                                          | 212,751                                                          |
| Total Revenue                      | 7,358,339                                                        | 7,622,981                                                        |
|                                    |                                                                  |                                                                  |
| Program Expenses:                  |                                                                  |                                                                  |
| Fire and emergency services        | 6,157,583                                                        | 5,165,282                                                        |
| Total program expenses             | 6,157,583                                                        | 5,165,282                                                        |
|                                    |                                                                  |                                                                  |
| Change net position                | 1,200,296                                                        | 2,457,699                                                        |
|                                    |                                                                  |                                                                  |
| Net position – July 1              | 3,976,296                                                        | 1,518,597                                                        |
|                                    |                                                                  |                                                                  |
| Net position – June 30             | \$ 5,177,052                                                     | \$3,976,296                                                      |

The District's total revenues were \$7,358,339. The total cost of all programs was \$6,157,583.

**Governmental Activities**

For governmental activities, approximately 81.0% of the revenues were derived from property taxation; less than 2.0% coming from investment earnings and approximately 17.0% 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 \$3,537,806. This was an decrease of \$215,436 from last year's total of \$3,753,242. 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 \$6,548,818. There were no additional appropriations during the year. During the current fiscal year, actual revenues were \$7,262,323 which was more than budgetary estimates by \$713,505. Actual expenditures totaled \$7,573,775, which was more than the budgetary basis by \$1,024,957. The increase in both the revenues and expenditures was due to increase in intergovernmental funding and related capital asset purchases from that funding.



**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**Management's Discussion and Analysis, *continued***  
**For the Year Ended June 30, 2023**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2023 amounts to \$3,655,602, net of accumulated depreciation. This investment in capital assets includes land, buildings, related improvements, rolling equipment, and machinery and equipment. This represents a net increase of \$1,067,787 during the year.

| Capital Assets<br>(net of depreciation) | June 30, 2023<br>Governmental<br><u>Activities</u> | June 30, 2022<br>Governmental<br><u>Activities</u> |
|-----------------------------------------|----------------------------------------------------|----------------------------------------------------|
| Land                                    | \$ 20,281                                          | \$ 20,281                                          |
| Construction in Progress – Boat         | 165,949                                            | -                                                  |
| Building & Improvements                 | 1,334,621                                          | 1,355,876                                          |
| Rolling Equipment                       | 1,765,645                                          | 1,058,524                                          |
| Equipment & Furnishings                 | 369,106                                            | 153,134                                            |
|                                         | <u>\$ 3,655,602</u>                                | <u>\$ 2,587,815</u>                                |

**Long-term Liabilities**

At June 30, 2023 the District had long-term liabilities of \$2,039,298, as detailed below. Long-term liabilities decreased by \$356,164 during the year.

| Outstanding Debt                 | June 30, 2023<br>Governmental<br><u>Activities</u> | June 30, 2022<br>Governmental<br><u>Activities</u> |
|----------------------------------|----------------------------------------------------|----------------------------------------------------|
| Compensated absences             | \$ 548,636                                         | \$ 587,121                                         |
| Other Post Employment Obligation | 1,351,195                                          | 1,622,385                                          |
| Other Noncurrent Liabilities     | 139,467                                            | 185,956                                            |
| Total Outstanding Debt           | <u>\$ 2,039,298</u>                                | <u>\$ 2,395,462</u>                                |

**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, 2023**

**ASSETS**

## Current Assets:

|                           |                  |
|---------------------------|------------------|
| Cash and Cash Equivalents | \$ 4,604,276     |
| Prepaid expenses          | 1,865            |
| Receivables, net          | 187,012          |
|                           | <u>4,793,153</u> |

## Noncurrent Assets:

|                     |                         |
|---------------------|-------------------------|
| Capital Assets, net | 3,655,602               |
| <b>TOTAL ASSETS</b> | <u><u>8,448,755</u></u> |

**DEFERRED OUTFLOWS OF RESOURCES**-**LIABILITIES**

|                                       |                         |
|---------------------------------------|-------------------------|
| Accounts Payable and Accrued Expenses | 306,127                 |
| Unearned Grant Revenue                | 926,278                 |
| Noncurrent Liabilities:               |                         |
| Other Post-Employment Obligation      | 1,351,195               |
| Other Noncurrent Liabilities          | 139,467                 |
| Compensated absences                  | 548,636                 |
| <b>TOTAL LIABILITIES</b>              | <u><u>3,271,703</u></u> |

**DEFERRED INFOWS OF RESOURCES**-**NET POSITION**

|                            |                  |
|----------------------------|------------------|
| Invested in Capital Assets | 3,655,602        |
| Unrestricted               | 1,521,450        |
|                            | <u>5,177,052</u> |

|                           |                            |
|---------------------------|----------------------------|
| <b>TOTAL NET POSITION</b> | <u><u>\$ 5,177,052</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, 2023**

| <u>Functions/Programs</u>        | <u>Expenses</u>     | <u>Program<br/>Revenue</u> | <u>Net Expense &amp;<br/>Changes in Net<br/>Position</u> |
|----------------------------------|---------------------|----------------------------|----------------------------------------------------------|
| Primary Government:              |                     |                            |                                                          |
| Fire and Emergency Services      | \$ 6,157,583        | \$ -                       | \$ (6,157,583)                                           |
| Total Primary Government         | <u>\$ 6,157,583</u> | <u>\$ -</u>                | <u>(6,157,583)</u>                                       |
| General Revenues:                |                     |                            |                                                          |
| Property Taxes                   |                     |                            | 5,958,469                                                |
| Unrestricted Investment Earnings |                     |                            | 150,643                                                  |
| Intergovernmental                |                     |                            | 1,044,203                                                |
| Other General Revenue            |                     |                            | 205,024                                                  |
| Total General Revenues           |                     |                            | <u>7,358,339</u>                                         |
| Change in Net Position           |                     |                            | 1,200,756                                                |
| Net Position - Beginning         |                     |                            | <u>3,976,296</u>                                         |
| Net Position - Ending            |                     |                            | <u>\$ 5,177,052</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, 2023**

|                                                                       | GENERAL<br>FUND            | RESERVE FUND<br>FOR CAPITAL &<br>NONRECURRING<br>EXPENDITURES | POST-<br>EMPLOYMENT<br>BENEFIT FUND | TOTAL                      |
|-----------------------------------------------------------------------|----------------------------|---------------------------------------------------------------|-------------------------------------|----------------------------|
| <b>ASSETS</b>                                                         |                            |                                                               |                                     |                            |
| Cash & Cash Equivalents                                               | \$ 2,065,348               | \$ 1,899,079                                                  | \$ 639,849                          | \$ 4,604,276               |
| Prepaid expenses                                                      | 1,865                      | -                                                             | -                                   | 1,865                      |
| Due from Other Funds                                                  | 328,402                    | -                                                             | -                                   | 328,402                    |
| Property Tax Receivables, net of \$8,084 allowance for uncollectibles | 187,012                    | -                                                             | -                                   | 187,012                    |
| <b>TOTAL ASSETS</b>                                                   | <b><u>\$ 2,582,627</u></b> | <b><u>\$ 1,899,079</u></b>                                    | <b><u>\$ 639,849</u></b>            | <b><u>\$ 5,121,555</u></b> |
| <b>LIABILITIES</b>                                                    |                            |                                                               |                                     |                            |
| Accounts Payable and Accrued Expenses                                 | \$ 306,127                 | \$ -                                                          | \$ -                                | \$ 306,127                 |
| Due to other Funds                                                    | -                          | 258,631                                                       | 69,771                              | 328,402                    |
| Unearned Grant Revenue                                                | 512,115                    | 414,163                                                       | -                                   | 926,278                    |
| <b>Total Liabilities</b>                                              | <b><u>818,242</u></b>      | <b><u>672,794</u></b>                                         | <b><u>69,771</u></b>                | <b><u>1,560,807</u></b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                            |                                                               |                                     |                            |
| Deferred taxes                                                        | 22,942                     | -                                                             | -                                   | 22,942                     |
|                                                                       | <u>22,942</u>              | <u>-</u>                                                      | <u>-</u>                            | <u>22,942</u>              |
| <b>FUND BALANCES</b>                                                  |                            |                                                               |                                     |                            |
| Committed                                                             | -                          | 1,226,285                                                     | 570,078                             | 1,796,363                  |
| Unassigned                                                            | 1,741,443                  | -                                                             | -                                   | 1,741,443                  |
| <b>Total Fund Balances</b>                                            | <b><u>1,741,443</u></b>    | <b><u>1,226,285</u></b>                                       | <b><u>570,078</u></b>               | <b><u>3,537,806</u></b>    |
| <b>TOTAL LIABILITIES &amp; FUND BALANCE</b>                           | <b><u>\$ 2,582,627</u></b> | <b><u>\$ 1,899,079</u></b>                                    | <b><u>\$ 639,849</u></b>            |                            |

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  | 3,655,602                  |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds | 22,942                     |
| Net other post-employment obligations are not recorded in the funds                                                     | (1,351,195)                |
| Other long-term liabilities                                                                                             | (139,467)                  |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds         | <u>(548,636)</u>           |
| <b>Net position of governmental activities (Exhibit A)</b>                                                              | <b><u>\$ 5,177,052</u></b> |

*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, 2023**

|                                             | GENERAL<br>FUND     | RESERVE FUND<br>FOR CAPITAL &<br>NONRECURRING<br>EXPENDITURES | POST-<br>EMPLOYMENT<br>BENEFIT FUND | TOTAL            |
|---------------------------------------------|---------------------|---------------------------------------------------------------|-------------------------------------|------------------|
| <b>REVENUE</b>                              |                     |                                                               |                                     |                  |
| Tax Revenue                                 | \$ 5,958,469        | \$ -                                                          | \$ -                                | \$ 5,958,469     |
| Intergovernmental                           | 1,044,203           | -                                                             | -                                   | 1,044,203        |
| Investment Income                           | 54,627              | 71,818                                                        | 24,198                              | 150,643          |
| Other                                       |                     |                                                               |                                     | -                |
| NRG                                         | 201,650             | -                                                             | -                                   | 201,650          |
| Other General Revenue                       | 3,374               | -                                                             | -                                   | 3,374            |
| <b>TOTAL REVENUE</b>                        | <u>7,262,323</u>    | <u>71,818</u>                                                 | <u>24,198</u>                       | <u>7,358,339</u> |
| <b>EXPENDITURES</b>                         |                     |                                                               |                                     |                  |
| Fire and Emergency Services                 | <u>7,573,775</u>    | -                                                             | -                                   | <u>7,573,775</u> |
| <b>TOTAL EXPENDITURES</b>                   | <u>7,573,775</u>    | <u>-</u>                                                      | <u>-</u>                            | <u>7,573,775</u> |
| <b>EXCESS of REVENUES OVER EXPENDITURES</b> | (311,452)           | 71,818                                                        | 24,198                              | (215,436)        |
| <b>OTHER FINANCIAL SOURCES (USES)</b>       |                     |                                                               |                                     |                  |
| Operating Transfers In (Out)                | <u>-</u>            | <u>-</u>                                                      | <u>-</u>                            | <u>-</u>         |
| <b>NET CHANGE IN FUND BALANCES</b>          | (311,452)           | 71,818                                                        | 24,198                              | (215,436)        |
| <b>FUND BALANCES JUNE 30, 2022</b>          | <u>2,052,895</u>    | <u>1,154,467</u>                                              | <u>545,880</u>                      |                  |
| <b>FUND BALANCES JUNE 30, 2023</b>          | <u>\$ 1,741,443</u> | <u>\$ 1,226,285</u>                                           | <u>\$ 570,078</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.

1,067,787

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:

348,405

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

\$ 1,200,756

*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, 2023**

|                                                          | <b>Pension Trust Fund</b>    |
|----------------------------------------------------------|------------------------------|
|                                                          | Defined Contribution<br>Plan |
| <b>ASSETS</b>                                            |                              |
| Cash and Cash Equivalents                                | \$ -                         |
| Investments                                              | 6,283,652                    |
| Total Assets                                             | 6,283,652                    |
| <br><b>Net assets held in trust for pension benefits</b> | <br>\$ 6,283,652             |

*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, 2023**

|                                                      | <b>Pension Trust Fund</b>    |
|------------------------------------------------------|------------------------------|
|                                                      | Defined Contribution<br>Plan |
| <b>ADDITIONS</b>                                     |                              |
| Contributions                                        |                              |
| Employer                                             | \$ 336,720                   |
| Investment earnings (loss)                           | 741,211                      |
| TOTAL ADDITIONS                                      | 1,077,931                    |
| <b>DEDUCTIONS</b>                                    |                              |
| Benefits Paid and rolled over                        | 1,371,693                    |
| Fees and other expenses                              | 31,609                       |
| TOTAL DEDUCTIONS                                     | 1,403,302                    |
| <b>Net Increase</b>                                  | (325,371)                    |
| <b>Net assets held in trust for pension benefits</b> |                              |
| Beginning of year                                    | 6,609,023                    |
| End of year                                          | \$ 6,283,652                 |

*See accompanying notes to financial statements.*

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**Notes to Financial Statements**  
**June 30, 2023**

**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, 2023, 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, 2023, 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, 2023 the liability for accumulated unpaid sick pay approximated \$548,636.

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, 2023, 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 Statues, 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 Statues 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, 2023

|                                           | <u>Government-Wide<br/>Statement of<br/>Fiduciary Net Assets</u> |
|-------------------------------------------|------------------------------------------------------------------|
| Deposits:                                 |                                                                  |
| Demand, savings and money market accounts | \$ 2,065,348                                                     |
| Cash equivalents:                         |                                                                  |
| State short-term investment fund (STIF)   | <u>2,538,928</u>                                                 |
| Total cash and cash equivalents           | <u>\$ 4,604,276</u>                                              |

#### **Deposits**

At June 30, 2023, the carrying amount of the District’s deposits with financial institutions was \$2,065,348 and the bank balance was \$2,277,740.

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, 2023 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, 2023 deposits was collateralized (collateral held by the pledging bank’s trust department in not the District’s name). The remaining bank balance of \$1,777,740 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, 2023, 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, 2023, 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>\$ 6,283,652</u>    | <u>\$ 6,283,652</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                              | \$ 195,096          |
| Less: allowance for uncollectibles | <u>(8,084)</u>      |
| Net total receivables              | <u>\$ 187,012</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:

|                         |                    |
|-------------------------|--------------------|
| Deferred property taxes | <u>Unavailable</u> |
|                         | <u>\$ 22,942</u>   |

**5. Interfund Accounts**

At June 30, 2023 amounts due from and to other funds were as follows

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

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2023 is as follows:

|                                           | <u>Balance</u><br><u>June 30, 2022</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Balance</u><br><u>June 30, 2023</u> |
|-------------------------------------------|----------------------------------------|---------------------|------------------|----------------------------------------|
| <b>Governmental activities:</b>           |                                        |                     |                  |                                        |
| Capital assets, not being depreciated     |                                        |                     |                  |                                        |
| Land                                      | \$ 20,281                              | \$ -                | \$ -             | \$ 20,281                              |
| Capital assets, being depreciated         |                                        |                     |                  |                                        |
| Construction in Progress – Boat           | -                                      | 165,949             | -                | 165,949                                |
| Buildings and Improvements                | 2,075,262                              | 18,400              | -                | 2,093,662                              |
| Rolling Equipment                         | 2,072,507                              | 1,101,048           | -                | 3,173,555                              |
| Equipment                                 | 557,578                                | 54,871              | -                | 612,449                                |
| Total assets being depreciated            | <u>4,705,347</u>                       | <u>1,340,268</u>    | <u>-</u>         | <u>6,045,615</u>                       |
| Less: accumulated depreciation for:       |                                        |                     |                  |                                        |
| Buildings and Improvements                | 701,775                                | 39,656              | -                | 741,431                                |
| Rolling Equipment                         | 1,147,998                              | 188,521             | -                | 1,336,519                              |
| Equipment                                 | 288,040                                | 44,304              | -                | 332,344                                |
| Total accumulated depreciation            | <u>2,137,813</u>                       | <u>272,481</u>      | <u>-</u>         | <u>2,410,294</u>                       |
| Total Government-Wide Capital Assets, Net | <u>\$ 2,587,815</u>                    | <u>\$ 1,067,787</u> | <u>\$ -</u>      | <u>\$ 3,655,602</u>                    |

Depreciation expense was charged to functions/programs as follows:

|                                                    |                   |
|----------------------------------------------------|-------------------|
| Governmental activities                            |                   |
| Fire and emergency services                        | \$ 272,481        |
| Total depreciation expense-governmental activities | <u>\$ 272,481</u> |

**7. Unearned Grant Revenue**

Unearned grant revenue of \$926,278, represents municipal grants in aid from the State of Connecticut and FEMA Grants that the District has accumulated through June 30, 2023.

## **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, 2023, was as follows:

|                                  | <u>Balance</u><br><u>June 30,</u><br><u>2022</u> | <u>Additions</u> | <u>Reductions /</u><br><u>Maturities</u> | <u>Balance</u><br><u>June 30,</u><br><u>2023</u> | <u>Due</u><br><u>Within</u><br><u>One Year</u> |
|----------------------------------|--------------------------------------------------|------------------|------------------------------------------|--------------------------------------------------|------------------------------------------------|
| Governmental Activities:         |                                                  |                  |                                          |                                                  |                                                |
| Compensated absences             | \$587,121                                        | \$ -             | \$ 38,485                                | \$548,636                                        | \$ -                                           |
| Other                            | 185,956                                          | -                | 46,489                                   | 139,467                                          |                                                |
| Total Governmental<br>Activities |                                                  |                  |                                          |                                                  |                                                |
| <u>Long-term liabilities</u>     | <u>\$773,077</u>                                 | <u>\$ -</u>      | <u>\$ 84,974</u>                         | <u>\$688,103</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, 2023, 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, 2023, 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, 2023, employer contributions to the plan totaled \$336,720.



## **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, 2023. 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, 2023 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, 2023 is estimated to be \$1,351,195.

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 (3.130%) or 1 percentage point higher (5.130%) than the current discount rate:

|                      | 1% Decrease<br><u>(3.130%)</u> | Baseline<br><u>(4.130%)</u> | 1% Higher<br><u>(5.130%)</u> |
|----------------------|--------------------------------|-----------------------------|------------------------------|
| Total OPEB liability | \$1,504,432                    | \$1,351,195                 | \$1,223,735                  |
| Change from baseline | 153,237                        |                             | (127,460)                    |

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

### Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2023. The components of the net OPEB liability at June 30, 2023 were as follows:

|                             |                   |
|-----------------------------|-------------------|
| Total OPEB Liability        | \$1,351,195       |
| Plan fiduciary net position | <u>570,078</u>    |
| Net OPEB Liability          | <u>\$ 781,117</u> |

### Actuarial Assumptions

The total OPEB liability was determined by an actual valuation as of June 30, 2023. 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 4.130 %.

The Discount rate used to measure the total OPEB liability was 4,130%.

## **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 December 28, 2023, which is the date that the financial statements were available to be issued

## **15. Issued Accounting Standards**

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, 2023**

|                                   | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL<br/>AMOUNT</u> | <u>VARIANCE-<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|-----------------------------------|----------------------------|---------------------------|--------------------------|--------------------------------------------------|
| <b><u>REVENUES</u></b>            |                            |                           |                          |                                                  |
| <b>Tax Collector:</b>             |                            |                           |                          |                                                  |
| Receipts from Taxation            | \$ 5,793,283               | \$ 5,793,283              | \$ 5,901,465             | \$ 108,182                                       |
| Tax Supplement                    | -                          | -                         | -                        | -                                                |
| Interest and Lien Fees            | 30,000                     | 30,000                    | 57,004                   | 27,004                                           |
| Total Tax Collector               | <u>5,823,283</u>           | <u>5,823,283</u>          | <u>5,958,469</u>         | <u>135,186</u>                                   |
| <b>Grants:</b>                    |                            |                           |                          |                                                  |
| Federal                           | -                          | -                         | 285,201                  | 285,201                                          |
| State                             | 521,885                    | 521,885                   | 759,002                  | 237,117                                          |
| Total State of Connecticut        | <u>521,885</u>             | <u>521,885</u>            | <u>1,044,203</u>         | <u>522,318</u>                                   |
| <b>Other:</b>                     |                            |                           |                          |                                                  |
| NRG                               | 201,650                    | 201,650                   | 201,650                  | -                                                |
| Other                             | 2,000                      | 2,000                     | 58,001                   | 56,001                                           |
|                                   | <u>203,650</u>             | <u>203,650</u>            | <u>259,651</u>           | <u>56,001</u>                                    |
| <b>Total Revenues</b>             | <u>\$ 6,548,818</u>        | <u>\$ 6,548,818</u>       | <u>7,262,323</u>         | <u>\$ 713,505</u>                                |
| <b>Total Revenues - Exhibit D</b> |                            |                           | <u>\$ 7,262,323</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, 2023**

| <b>EXPENDITURES</b>            | <b>ORIGINAL<br/>BUDGET</b> | <b>REVISED<br/>BUDGET</b> | <b>ACTUAL<br/>AMOUNT</b> | <b>VARIANCE-<br/>FAVORABLE<br/>(UNFAVORABLE)</b> |
|--------------------------------|----------------------------|---------------------------|--------------------------|--------------------------------------------------|
| <b>Utilities:</b>              |                            |                           |                          |                                                  |
| Electricity                    | \$ 22,500                  | \$ 22,500                 | \$ 22,242                | \$ 258                                           |
| Water and Sewer                | 2,500                      | 2,500                     | 2,210                    | 290                                              |
| Heating                        | 12,000                     | 12,000                    | 13,518                   | (1,518)                                          |
| Telephone                      | 3,000                      | 3,000                     | 2,743                    | 257                                              |
| Total Utilities                | <u>40,000</u>              | <u>40,000</u>             | <u>40,713</u>            | <u>(713)</u>                                     |
| <b>Apparatus / Vehicles:</b>   |                            |                           |                          |                                                  |
| Fuel                           | 30,000                     | 30,000                    | 40,259                   | (10,259)                                         |
| Repairs                        | 62,000                     | 62,000                    | 84,020                   | (22,020)                                         |
| Annual Inspection (OSHA)       | 1,200                      | 1,200                     | 7,043                    | (5,843)                                          |
| Vehicle Supplies               | 2,000                      | 2,000                     | 861                      | 1,139                                            |
| Total Apparatus / Vehicles     | <u>95,200</u>              | <u>95,200</u>             | <u>132,183</u>           | <u>(36,983)</u>                                  |
| <b>Insurance:</b>              |                            |                           |                          |                                                  |
| Workers Compensation           | 190,000                    | 190,000                   | 160,066                  | 29,934                                           |
| Commercial Package             | 51,000                     | 51,000                    | 46,697                   | 4,303                                            |
| Medical                        | 911,911                    | 911,911                   | 814,017                  | 97,894                                           |
| Cyber                          | 6,250                      | 6,250                     | 6,250                    |                                                  |
| Life Insurance and Disability  | 55,504                     | 55,504                    | 45,519                   | 9,985                                            |
| Pension - Defined Contribution | 370,040                    | 370,040                   | 336,720                  | 33,320                                           |
| Sick Time Incentive            | 20,000                     | 20,000                    | 18,908                   | 1,092                                            |
| Total Insurance                | <u>1,604,705</u>           | <u>1,604,705</u>          | <u>1,428,177</u>         | <u>176,528</u>                                   |
| <b>Salaries:</b>               |                            |                           |                          |                                                  |
| Salaries - Fire Department     | 2,964,700                  | 2,964,700                 | 2,832,380                | 132,320                                          |
| Salaries - Administrative      | 185,000                    | 185,000                   | 148,295                  | 36,705                                           |
| Replacement / Call-Backs       | 520,000                    | 520,000                   | 680,437                  | (160,437)                                        |
| Fringe Benefits                | 123,600                    | 123,600                   | 120,994                  | 2,606                                            |
| PEB - Uncompensated Absences   | 10,000                     | 10,000                    | 75,003                   | (65,003)                                         |
| PEB - Heart and Hypertension   | 206,489                    | 206,489                   | 46,489                   | 160,000                                          |
| Social Security - Employer     | 236,038                    | 236,038                   | 231,168                  | 4,870                                            |
| Medicare - Employer            | 55,203                     | 55,203                    | 54,064                   | 1,139                                            |
| Total Salaries                 | <u>4,301,030</u>           | <u>4,301,030</u>          | <u>4,188,830</u>         | <u>112,200</u>                                   |
| <b>Physical Plant:</b>         |                            |                           |                          |                                                  |
| Repairs                        | 20,000                     | 20,000                    | 16,900                   | 3,100                                            |
| Supplies - Maintenance         | 8,900                      | 8,900                     | 8,976                    | (76)                                             |
| Services                       | 18,000                     | 18,000                    | 15,467                   | 2,533                                            |
| Equipment                      | 4,600                      | 4,600                     | 2,912                    | 1,688                                            |
| Total Physical Plant           | <u>51,500</u>              | <u>51,500</u>             | <u>44,255</u>            | <u>7,245</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, 2023**

|                                                        | <u>ORIGINAL<br/>BUDGET</u> | <u>REVISED<br/>BUDGET</u> | <u>ACTUAL<br/>AMOUNT</u> | <u>VARIANCE-<br/>FAVORABLE<br/>(UNFAVORABLE)</u> |
|--------------------------------------------------------|----------------------------|---------------------------|--------------------------|--------------------------------------------------|
| <b>Administration:</b>                                 |                            |                           |                          |                                                  |
| Tax Collector's Expenses                               | \$ 23,000                  | \$ 23,000                 | \$ 13,073                | \$ 9,927                                         |
| Professional Organizations / Periodicals               | 2,205                      | 2,205                     | 1,931                    | 274                                              |
| Office Expenses / Supplies                             | 3,500                      | 3,500                     | 3,391                    | 109                                              |
| Auditor                                                | 7,750                      | 7,750                     | 7,750                    | -                                                |
| Professional Development                               | 4,500                      | 4,500                     | 483                      | 4,017                                            |
| Postage                                                | 4,000                      | 4,000                     | 2,557                    | 1,443                                            |
| Contingency                                            | 50,000                     | 50,000                    | -                        | 50,000                                           |
| Commissioner's Compensation                            | 9,000                      | 9,000                     | 9,000                    | -                                                |
| Activity Expense                                       | 3,500                      | 3,500                     | 3,871                    | (371)                                            |
| Professional Services                                  | 35,000                     | 35,000                    | 49,788                   | (14,788)                                         |
| Office Equipment                                       | 1,200                      | 1,200                     | 685                      | 515                                              |
| Actuarial Services                                     | 3,300                      | 3,300                     | -                        | 3,300                                            |
| Advertising / Voting                                   | 4,500                      | 4,500                     | 7,509                    | (3,009)                                          |
| Lien Fees                                              | 1,200                      | 1,200                     | 1,260                    | (60)                                             |
| Archive Services                                       | 978                        | 978                       | 780                      | 198                                              |
| Software Support                                       | 53,100                     | 53,100                    | 48,250                   | 4,850                                            |
| Total Administration                                   | <u>206,733</u>             | <u>206,733</u>            | <u>150,328</u>           | <u>56,405</u>                                    |
| <b>Fire Department Operations:</b>                     |                            |                           |                          |                                                  |
| Emergency Medical Equipment                            | 12,500                     | 12,500                    | 10,314                   | 2,186                                            |
| Computer Equipment & Supplies                          | 2,000                      | 2,000                     | 1,842                    | 158                                              |
| Training                                               | 30,500                     | 30,500                    | 55,111                   | (24,611)                                         |
| Public Fire Education                                  | 4,500                      | 4,500                     | 5,983                    | (1,483)                                          |
| Firefighting Equipment                                 | 14,000                     | 14,000                    | 53,103                   | (39,103)                                         |
| Special Service Units                                  | 5,500                      | 5,500                     | 7,645                    | (2,145)                                          |
| Fire Marshal's Office                                  | 4,000                      | 4,000                     | 4,030                    | (30)                                             |
| Uniforms                                               | 27,150                     | 27,150                    | 43,114                   | (15,964)                                         |
| Protective Clothing                                    | 30,000                     | 30,000                    | 43,022                   | (13,022)                                         |
| Communications                                         | 4,500                      | 4,500                     | 5,150                    | (650)                                            |
| Cellular / Paging Services                             | 5,200                      | 5,200                     | 7,332                    | (2,132)                                          |
| Breathing Air & Oxygen                                 | 1,500                      | 1,500                     | 1,017                    | 483                                              |
| Medical Testing                                        | 3,800                      | 3,800                     | 2,350                    | 1,450                                            |
| FEMA Grant Expenses                                    | -                          | -                         | 177,333                  | (177,333)                                        |
| Capital Expenditures                                   | -                          | -                         | 1,167,657                | (1,167,657)                                      |
| Breathing Apparatus Testing, Repair and purchases      | 4,500                      | 4,500                     | 4,286                    | 214                                              |
| Total Fire Department Operations                       | <u>149,650</u>             | <u>149,650</u>            | <u>1,589,289</u>         | <u>(1,439,639)</u>                               |
| <b>Total Expenditures Before Reserve Fund Transfer</b> | <u>6,448,818</u>           | <u>6,448,818</u>          | <u>7,573,775</u>         | <u>(1,124,957)</u>                               |
| Transfer to Reserve Fund                               | 100,000                    | 100,000                   | -                        | 100,000                                          |
| Transfer to the Post-Employment Benefit Fund           | -                          | -                         | -                        | -                                                |
| <b>Total Expenditures</b>                              | <u>\$ 6,548,818</u>        | <u>\$ 6,548,818</u>       | <u>7,573,775</u>         | <u>\$ (1,024,957)</u>                            |
| Less: Transfer to the Reserve Fund                     |                            |                           | -                        |                                                  |
| Less: Transfer to the Post-Employment Benefit Fund     |                            |                           | -                        |                                                  |
| <b>Total Expenditures - Exhibit D</b>                  |                            |                           | <u>\$ 7,573,775</u>      |                                                  |

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**Required Supplementary Information – Other Post-Employment Benefits (OPEB)**  
**For the Year Ended June 30, 2023**

**5. Actuarial Assumptions and Other Inputs**

Actuarial Valuation Date: June 30, 2023

Fiscal Year-End Date: June 30, 2023

**Changes in the Total OPEB Liability:**

|                            |                    |
|----------------------------|--------------------|
| Balance at 6/30/22 –       | <u>\$1,622,385</u> |
| Charges for the year:      |                    |
| Gain and losses            | -356,338           |
| Change in assumptions      | -5,593             |
| Employer Contributions     | -19,752            |
| Interest on OPEB Liability | 67,706             |
| Service costs              | <u>42,787</u>      |
| Balance at 6/30/23         | <u>\$1,351,195</u> |

Actuarial Assumptions:

|                                |                                                                         |
|--------------------------------|-------------------------------------------------------------------------|
| Age Adjustment Factor:         | 2.286701                                                                |
| 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:                    | 4.130%                                                                  |
| Discount Rate:                 | 4.130%                                                                  |
| 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     | 6/30/23      | 6/30/22      | 6/30/21      | 6/30/20      | 6/30/19      | 6/30/18      | 6/30/17      |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Discount Rate        | 4.130%       | 4.090%       | 2.190%       | 2.090%       | 3.940%       | 3.940%       | 4.160%       |
| Total OPEB Liability | \$ 1,351,195 | \$ 1,622,385 | \$ 2,534,977 | \$ 2,331,977 | \$ 3,244,812 | \$ 3,244,812 | \$ 3,154,873 |
| Service Costs        | \$ 44,124    | \$ 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, 2023**

| Grand List<br>Year | Due Date<br>of Tax | Uncollected<br>taxes 7/1/22 | Current Levy<br>and Amount of<br>Taxes |              | Lawful<br>Corrections | Transfers<br>to<br>Suspense | Adjusted<br>Amount of<br>Taxes |                 | Interest<br>Collected | Liens &<br>Fees<br>Collected | Total<br>Collections | Amount of<br>Taxes<br>Collectible<br>6/30/2023 |
|--------------------|--------------------|-----------------------------|----------------------------------------|--------------|-----------------------|-----------------------------|--------------------------------|-----------------|-----------------------|------------------------------|----------------------|------------------------------------------------|
|                    |                    |                             | Collectible<br>6/30/2022               | \$           |                       |                             | Collectible                    | Taxes Collected |                       |                              |                      |                                                |
| 2021               | 7/1/2022           |                             | 5,878,214                              | \$ 5,878,214 | 1,499                 | (8,459)                     | 5,871,254                      | 5,798,980       | 19,903                | 645                          | 5,819,528            | 72,274                                         |
| 2020               | 7/1/2021           | 139,483                     |                                        |              | 555                   | (685)                       | 139,353                        | 81,637          | 20,674                | 2,696                        | 105,007              | 57,716                                         |
| 2019               | 7/1/2020           | 42,540                      |                                        |              | 3,889                 | (18)                        | 46,411                         | 16,553          | 6,943                 | 2,006                        | 25,502               | 29,858                                         |
| 2018               | 7/1/2019           | 23,004                      |                                        |              | 765                   | (14)                        | 23,755                         | 2,802           | 2,062                 | 431                          | 5,295                | 20,953                                         |
| 2017               | 7/1/2018           | 12,758                      |                                        |              | -                     | (1)                         | 12,757                         | 1,029           | 843                   | 193                          | 2,065                | 11,728                                         |
| 2016               | 7/1/2017           | 1,877                       |                                        |              | -                     | -                           | 1,877                          | 447             | 408                   | 176                          | 1,031                | 1,430                                          |
| 2015               | 7/1/2016           | 111                         |                                        |              | -                     | -                           | 111                            | 17              | 19                    | 5                            | 41                   | 94                                             |
| 2014               | 7/1/2015           | -                           |                                        |              | -                     | -                           | -                              | -               | -                     | -                            | -                    | -                                              |
| 2013               | 7/1/2014           | 11                          |                                        |              | -                     | -                           | 11                             | -               | -                     | -                            | -                    | 11                                             |
| 2012               | 7/1/2013           | 41                          |                                        |              | -                     | -                           | 41                             | -               | -                     | -                            | -                    | 41                                             |
| 2011 & prior       | 7/1/2012           | 991                         |                                        |              | -                     | -                           | 991                            | -               | -                     | -                            | -                    | 991                                            |
|                    |                    | \$ 220,816                  | \$ 5,878,214                           | \$ 6,708     | \$ (9,177)            | \$ 6,096,561                | \$ 5,901,465                   | \$ 50,852       | \$ 6,152              | \$ 5,958,469                 | \$ 195,096           |                                                |



**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, 2023**

|                                    | Unexpended<br>Balance<br>July 1, 2022 | Appropriations  |             |                  | Interest    | Current<br>Year<br>Expenditures | Unexpended<br>Balance<br>June 30, 2023 |
|------------------------------------|---------------------------------------|-----------------|-------------|------------------|-------------|---------------------------------|----------------------------------------|
|                                    |                                       | Current<br>Year | Cancelled   |                  |             |                                 |                                        |
| <b>RESERVED</b>                    |                                       |                 |             |                  |             |                                 |                                        |
| 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                          | 568,001                               | -               | -           | 71,818           | -           | -                               | 639,819                                |
| Emergency Response Vehicles        | 339,117                               | -               | -           | -                | -           | -                               | 339,117                                |
| Staff Vehicle                      | 14,111                                | -               | -           | -                | -           | -                               | 14,111                                 |
| <b>TOTAL RESERVED FUND BALANCE</b> | <u>1,154,467</u>                      | <u>-</u>        | <u>-</u>    | <u>71,818</u>    | <u>-</u>    | <u>-</u>                        | <u>1,226,285</u>                       |
| <b>UNRESERVED AND UNDESIGNATED</b> | <u>-</u>                              | <u>-</u>        | <u>-</u>    | <u>-</u>         | <u>-</u>    | <u>-</u>                        | <u>-</u>                               |
| <b>TOTAL FUND BALANCE</b>          | <u>\$ 1,154,467</u>                   | <u>\$ -</u>     | <u>\$ -</u> | <u>\$ 71,818</u> | <u>\$ -</u> | <u>\$ -</u>                     | <u>\$ 1,226,285</u>                    |

**SOUTH FIRE DISTRICT OF THE CITY OF MIDDLETOWN, CONNECTICUT**  
**SCHEDULE OF DEBT LIMITATION**  
**CONNECTICUT STATUTES, SECTIONS 7-374(B)**  
**JUNE 30, 2023**  
**(UNAUDITED)**

TAX BASE: (including interest and lien fees) \$ 5,958,469

| <u>DEBT LIMITATION:</u>                       | <u>GENERAL<br/>PURPOSE</u> | <u>PENSION<br/>DEFICIT</u> |
|-----------------------------------------------|----------------------------|----------------------------|
| 2 1/4 times base                              | \$ 13,406,555              |                            |
| 3 times base                                  |                            | <u>\$ 17,875,407</u>       |
| TOTAL LIMITATIONS                             | 13,406,555                 | 17,875,407                 |
| INDEBTEDNESS:                                 | <u>-</u>                   | <u>-</u>                   |
| DEBT LIMITATION IN EXCESS OF OUTSTANDING DEBT | <u>\$ 13,406,555</u>       | <u>\$ 17,875,407</u>       |

The total net indebtedness above amounts to: \$ 31,281,962

In no event shall total indebtedness exceed seven times  
the base for debt limitation computation: \$ 41,709,283

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, 2023, 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 28, 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  
December 28, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE AS REQUIRED BY THE STATE SINGLE AUDIT ACT

Board of Fire Commissioners  
South Fire District  
Middletown, Connecticut

***Report on Compliance for Each Major State Program***

***Opinion on Each Major State Program***

We have audited the South Fire District of the City of Middletown's (the District) compliance with the types of compliance requirements identified as subject to audit in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2023. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S Sections 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's state programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the State Single Audit will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## ***Report on Internal Control over Compliance***

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable to any other purpose.

### **Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2023 and have issued our report thereon dated December 28, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Hebron, Connecticut  
December 28, 2023

**SOUTH FIRE DISTRICT OF THE  
CITY MIDDLETOWN,  
CONNECTICUT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
For the Year Ended June 30, 2023**

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| STATE GRANTOR/PASS-THROUGH<br>GRANTOR/PROGRAM TITLE     | STATE GRANT<br>PROGRAM CORE-CT<br>NUMBER | EXPENDITURES |
|---------------------------------------------------------|------------------------------------------|--------------|
| <b>Office of Policy and Management</b>                  |                                          |              |
| Tiered Payment in Lieu of Taxes (PILOT)                 | 11000-OPM20600-17111                     | \$ 23,647    |
| Tiered Payment in Lieu of Taxes (PILOT) - MRSA          | 12060-OPM20600-35691                     | 6,390        |
| Municipal grants-in-aid                                 | 12052-OPM20600-43587                     | 207,080      |
| Total State Financial Assistance Before Exempt Programs |                                          | 237,117      |
| <b>Exempt Program:</b>                                  |                                          |              |
| <b>Office of Policy and Management</b>                  |                                          |              |
| Municipal Transition (Motor Vehicle Tax Credit)         | 11000-OPM20600-17103                     | 521,885      |
| Total Exempt Programs                                   |                                          | 521,885      |
| Total State Financial Assistance                        |                                          | \$ 759,002   |

See note to schedule of expenditures of state financial assistance.



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

**NOTE TO SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE  
For the Year Ended June 30, 2023**

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The accompanying schedule of expenditures of state financial assistance includes state grant activity of the South Fire District of the City of Middletown, (the District) under programs of the State of Connecticut for the fiscal year ended June 30, 2023. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund the operations of the District.

**1. Summary of Significant Accounting Policies**

The accounting policies of the District conform to U.S. generally accepted accounting principles as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

**Basis of Accounting**

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**SOUTH FIRE DISTRICT OF THE  
CITY OF MIDDLETOWN, CONNECTICUT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2023**

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**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_yes X no
- Significant deficiency(ies) identified? \_\_\_yes X none reported

Noncompliance material to financial statements noted? \_\_\_yes X no

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? \_\_\_yes X no
- Significant deficiency(ies) identified? \_\_\_yes X none reported

Type of auditors' opinion issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? \_\_\_yes X no

- The following schedule reflects the major program included in the audit:

| State Grantor and Program | State Grant Program<br>Core-CT Number | Expenditures |
|---------------------------|---------------------------------------|--------------|
|---------------------------|---------------------------------------|--------------|

Office of Policy and Management

|                         |                      |                   |
|-------------------------|----------------------|-------------------|
| Municipal grants-in-aid | 12052-OPM20600-43587 | \$ <u>207,080</u> |
|-------------------------|----------------------|-------------------|

- Dollar threshold used to distinguish between Type A and Type B programs \$ 100,000

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**II. FINANCIAL STATEMENT FINDINGS**

There are no financial statement findings.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

There are no State financial assistance findings or questioned costs.