

Candlewood Tax District

Financial Statements with Independent Auditor's Report

Year Ended June 30, 2023

Candlewood Tax District

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Independent Auditor's Report

To the Board of Directors
Candlewood Tax District
Sherman, Connecticut

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Candlewood Tax District (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 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, and each major fund of the District as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Nanavaty, Davenport, Studley & White, LLP

January 26, 2024

Management's Discussion and Analysis

Candlewood Tax District
Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of the Candlewood Tax District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the District's basic financial statements, which begin on page 8.

The District's discussion and analysis is designed to:

1. Provide an overview of the District's financial activity.
2. Assist the reader in focusing on significant financial issues.
3. Identify a material deviation from the financial plan (approved budget).
4. Identify changes in the District's financial position, as well as its ability to address challenges in future years.

THE DISTRICT'S FINANCIAL HIGHLIGHTS

- The District's net position decreased by \$3,315 or .5% as a result of this year's operations. The District had planned to have a balanced budget and no loss for the year.
- Total cost of the District's general governmental operations was \$80,785 and \$232,333 for public works in 2023 compared to \$89,624 for general government and \$206,861 for public works in 2022.
- During the year, the District had property tax revenues in the governmental activities of \$284,249, and \$8,236 in miscellaneous revenues.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 8 and 9) provide information about the activities of the District as a whole and represent a longer-term view of the District's finances. Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing line-item expense information about the District's general fund programs.

The Statement of Net Position and the Statement of Activities

Our analysis of the District begins on page 8. One of the most important questions asked about the District's finances is "Is the District better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The accrual of the current year's revenues and expenses are considered regardless of when cash is received or paid.

Candlewood Tax District
Management's Discussion and Analysis (Unaudited)

USING THIS ANNUAL REPORT (continued)

The Statement of Net Position and the Statement of Activities (continued)

The Statement of Net Position and the Statement of Activities report the District's net position and changes in it. You can think of the District's net position as the difference between assets (what the District owns), and liabilities (what the District owes), as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other non-financial factors, such as changes in the property tax base and the condition of the District's capital assets (equipment, sidewalks, etc.) to assess the overall health of the District. In the Statement of Net Position and the Statement of Activities, we present the District's operations as Governmental activities: all of the District's basic services are reported here, including the public works and general administration. Property taxes, operating grants and fees finance most of these activities.

Reporting the District's Fund Financial Statements

The District uses governmental funds to report its operations. The fund financial statements begin on page 10. The governmental funds accounting approach is as follows:

Governmental funds: the basic services that the District provides are reported in the general fund. The focus is on how money flows into and out of the general fund and the balance left at year-end that is available for spending. The District also uses a capital projects fund to account for assets accumulated for the District's acquisition or construction of capital projects.

The general fund and the capital projects fund use the modified accrual basis of accounting, which measures cash and all financial assets that can be readily converted into cash. Governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services that it provides. The information presented in the governmental funds helps readers determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities. The governmental activities presented in the Statement of Net Position and the Statement of Activities is reconciled to the governmental fund in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance for the governmental funds.

Notes to the Financial Statements: the notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the financial statements can be found on pages 13-20 of this report.

Required Supplemental Information: in addition to the basic financial statements and accompanying notes, this report also presents a Budgetary Comparison Schedule for the General Fund that can be found on pages 21-24 of this report.

Candlewood Tax District
Management's Discussion and Analysis (Unaudited)

FINANCIAL ANALYSIS OF THE DISTRICT

The following tables present condensed information about the General Fund's net assets, revenues and expenses for fiscal year 2023 and 2022:

	2023	2022
Current assets	\$ 307,548	\$ 284,249
Capital assets, net	327,854	355,445
Total assets	635,402	639,694
Total liabilities and deferred inflows	(811)	(1,788)
Net position:		
Invested in capital assets	327,854	355,445
Unrestricted	306,737	282,461
Total net position	\$ 634,591	\$ 637,906

Net position of the governmental activities decreased by \$3,315 or .5% (\$634,591 compared to \$637,906) in 2023. Unrestricted net position, the part that can be used to finance day-to-day operations without constraints, increased by 8.6% (\$306,737 compared to \$282,461).

	2023	2022
Revenues:		
Property taxes	\$ 284,249	\$ 278,798
Charges for services	3,310	3,587
Operating grants and contributions	13,840	15,562
Other revenues	8,236	8,370
Investment earnings	168	140
Total revenues	309,803	306,457
Expenses:		
General government	80,785	89,624
Public works	232,333	206,861
Total expenses	313,118	296,485
(Decrease) increase in net position	\$ (3,315)	\$ 9,972

Candlewood Tax District
Management's Discussion and Analysis (Unaudited)

FINANCIAL ANALYSIS OF THE DISTRICT (continued)

Overall, revenues for the year have increased over the prior year. The mill rate increased from 5.35 to 5.36 which increased the property tax levy. Charges for services were slightly lower than the prior year. General government expenses were in line with the budget and the prior year. Public works expenses were higher than the prior year. The current year included higher road repair expenses than the budget and the prior year.

General government is defined as the general and administrative expenses incurred by the District to provide services to the residents of the District. Public works includes maintenance of the roadways year-round, the beaches, and to provide other services in the District. These activities are mainly financed by property taxes.

Analysis of Governmental Funds – General Fund and Capital Projects Fund

The general fund balance and the capital projects fund balance both increased during the year. Overall revenues were anticipated to be higher than the prior year as a result of the increased mill rate. Expenditures of \$285,527 and the transfer to the capital projects fund were higher in total than the prior year by \$17,298 due to higher costs for road repair expenses. The only activity in the capital projects fund was investment earnings of \$167 and the transfer in from the general fund of \$20,000.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances as follows:

General fund	\$ 100,798
Capital Projects fund	201,524
Total	<u>\$ 302,322</u>

Budgetary Highlights – General Fund

The general fund budget was approved at total expenditures of \$301,500. Budgeted revenues equaled budgeted expenditures. Actual expenditures were \$4,027 greater than the final budget due to various expense line items that exceeded the plan.

Candlewood Tax District
Management's Discussion and Analysis (Unaudited)

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

The District's investment in capital assets as of June 30, 2023, amounted to \$327,854 (net of accumulated depreciation). The investment in capital assets includes equipment and infrastructure. Additional information on the District's capital assets may be found in Note 3 to the financial statements.

At the end of the current fiscal year, there were no long-term payables outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District established a 2023-24 budget with a mill rate of 5.65 mills raising property tax revenues totaling \$308,150 and other revenues of \$24,262. Total budgeted expenses for 2023-24 are \$358,150. Revenues will not be adequate to finance the current year's expenditures and therefore an appropriation of unassigned fund balance of \$25,738 is planned to balance the budget.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Candlewood Tax District of Sherman, Connecticut, and its citizens with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's Treasurer, P.O. Box 123, Sherman, Connecticut 06784.

Basic Financial Statements

Candlewood Tax District
Statement of Net Position
 June 30, 2023

	Governmental Activities
Assets:	
Cash	\$ 86,598
Investments	201,524
Receivables:	
Property taxes	4,415
Other receivables	11,579
Prepaid expenses	3,432
Capital assets, net of accumulated depreciation	327,854
Total assets	\$ 635,402
 Liabilities:	
Accounts payable	\$ 574
Total liabilities	574
 Deferred Inflows of Resources:	
Advanced tax collections	237
Total deferred inflows of resources	237
 Net Position:	
Invested in capital assets	327,854
Unrestricted	306,737
Total net position	634,591
Total liabilities, deferred inflows, and net position	\$ 635,402

See accompanying notes to the basic financial statements.

Candlewood Tax District
Statement of Activities
Year Ended June 30, 2023

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities				
General government	\$ 80,785	\$ 3,310	\$ -	\$ (77,475)
Public works	232,333	-	13,840	(218,493)
Total governmental activities	\$ 313,118	\$ 3,310	\$ 13,840	(295,968)

General revenues:

Property taxes	284,249
Investment earnings	168
Miscellaneous	8,236
Total general revenues	292,653
Change in net position	(3,315)
Net Position at beginning of year	637,906
Net Position at end of year	\$ 634,591

See accompanying notes to the basic financial statements.

Candlewood Tax District
Balance Sheet---Governmental Funds
June 30, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 86,598	\$ -	\$ 86,598
Investments	-	201,524	201,524
Receivables			
Property taxes	4,415	-	4,415
Other receivables	11,579	-	11,579
Prepaid expenses	3,432	-	3,432
Total assets	<u>\$ 106,024</u>	<u>\$ 201,524</u>	<u>\$ 307,548</u>
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Accounts payable	\$ 574	\$ -	\$ 574
Total liabilities	<u>574</u>	<u>-</u>	<u>574</u>
Deferred Inflows of Resources:			
Unavailable revenues - property taxes	4,652	-	4,652
Total deferred inflows of resources	<u>4,652</u>	<u>-</u>	<u>4,652</u>
Fund Balances:			
Nonspendable	3,432	-	3,432
Assigned	-	201,524	201,524
Unassigned	97,366	-	97,366
Total fund balances	<u>100,798</u>	<u>201,524</u>	<u>302,322</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 106,024</u>	<u>\$ 201,524</u>	<u>\$ 307,548</u>
Reconciliation of Governmental Fund Balance Sheet to Statement of Net Position:			
Total fund balance of governmental funds			\$ 302,322
Add: Capital assets, net of depreciation			327,854
Add: Property tax revenues in arrears			4,415
Total net position of governmental activities			<u>\$ 634,591</u>

See accompanying notes to the basic financial statements.

Candlewood Tax District
Statement of Revenues, Expenditures, and Changes in Fund Balances---Governmental Funds
 Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Property taxes	\$ 284,629	\$ -	\$ 284,629
Intergovernmental	13,840	-	13,840
Charges for services	3,310	-	3,310
Investment income	1	167	168
Miscellaneous	8,236	-	8,236
Total revenues	310,016	167	310,183
Expenditures:			
Current:			
General government			
Legal	4,704	-	4,704
Audit/accounting services	8,000	-	8,000
Insurance	17,505	-	17,505
Property taxes	2,302	-	2,302
Administrative	10,252	-	10,252
Secretary's pay	3,000	-	3,000
President's pay	8,000	-	8,000
Tax collector	11,022	-	11,022
Donations	16,000	-	16,000
Total general government	80,785	-	80,785
Public works			
Road repair	64,825	-	64,825
Culverts and gutters	15,288	-	15,288
Brushing	26,449	-	26,449
Snowplowing and sanding	25,241	-	25,241
Signs	1,466	-	1,466
Beach maintenance	20,823	-	20,823
Weed control	4,200	-	4,200
Porta potty - A Beach	625	-	625

See accompanying notes to the basic financial statements.

Candlewood Tax District
Statement of Revenues, Expenditures, and Changes in Fund Balances---Governmental Funds
Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Total Governmental Funds
Expenditures (continued):			
Public works (continued)			
Contingency/storm damage	\$ 20,294	\$ -	\$ 20,294
Gate operation	7,251	-	7,251
Tree maintenance	14,430	-	14,430
Guard rails	3,850	-	3,850
Total public works	204,742	-	204,742
Total expenditures	285,527	-	285,527
Excess of revenues over expenditures	24,489	167	24,656
Other Financing Sources (Uses):			
Transfer in	-	20,000	20,000
Transfer out	(20,000)	-	(20,000)
Excess of revenues over expenditures and other financing sources (uses)	4,489	20,167	24,656
Fund balance--July 1, 2022	96,309	181,357	277,666
Fund balance--June 30, 2023	\$ 100,798	\$ 201,524	\$ 302,322

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities:**

Net change in fund balances - governmental funds	\$ 24,656
Less: Change from prior year in deferred inflows that provide current financial resources	(380)
Less: depreciation expense on capital assets	(27,591)
Change in net assets of governmental activities	\$ (3,315)

See accompanying notes to the basic financial statements.

Candlewood Tax District
Notes to the Financial Statements
June 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Candlewood Tax District (the “District”) is a special governmental unit located in the Town of Sherman, Connecticut (the “Town”). The District was established in July 1976 in accordance with Sections 7-324 and 7-325 of the Connecticut General Statutes, as an improvement association tax district. The District operates under a Board of Directors, several committees, and an annual meeting form of government. The District’s main purpose is to levy and collect property taxes for the maintenance of the roadways year-round, the beaches, and to provide other services in Candlewood Lake Estates.

The accompanying statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The financial statements include all organizations, activities, and functions that comprise the District. Component units are legally separate entities for which the District (primary entity) is financially accountable. Financial accountability is defined as the ability to appoint a voting majority of the organization’s governing body and either (1) the District’s ability to impose its will over the organization or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the District. Using these criteria, the District has no component units and is not considered a component unit of the Town.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers that directly benefit from the services or privileges provided by a given program and 2) operating or capital grants, contributions and reimbursements that are restricted to meeting the operational or capital requirements of a program, as applicable. Taxes and other items not properly included among program revenues are reported instead as general revenues. The major individual governmental funds of the District are the general fund and the capital projects fund and are reported in separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Candlewood Tax District
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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 government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, under accrual accounting.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District uses only governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid by the General Fund.

Capital Projects Fund is a governmental fund that is used to account for all financial resources used for the acquisition or construction of capital projects.

The financial statements of the District are presented in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Candlewood Tax District
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year ended June 30, 2023.

Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control within the District for the General Fund. An annual operating budget is adopted each fiscal year in accordance with the District's Bylaws and amended as required. The General Fund budget is adopted on a modified accrual basis of accounting (GAAP), except those encumbrances and continued appropriations are treated as budgeted expenditures in the year of incidence of the commitment to purchase.

In accordance with the Bylaws, the District must use the property tax, levied on the same "assessed valuation" basis as municipal property taxes. Property valuation for taxation purposes is performed by the Town assessor with District Grand Lists prepared for and delivered to the District. A special meeting of the District is called for the purpose of establishing the District tax. At this time the Board of Directors shall submit an estimate of the probable expenditures of the District for the next ensuing fiscal year. Upon approval of the budget by the membership, rate bills are prepared for tax collection.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on an accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Cash and Cash Equivalents

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. All cash and cash equivalents are insured or collateralized with securities held by the pledging financial institution segregated from its other assets, in accordance with State Statutes.

Candlewood Tax District
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Fair Value Measurements:

Investments are stated at fair value. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments are in certificates of deposit and are considered Level 1 investments.

Receivables

Receivables at June 30, 2023 consist of accounts receivable for Property Taxes. All property taxes receivable are deemed collectible in full, and therefore no allowance for doubtful accounts exists.

Capital Assets and Depreciation

Capital assets consist of road and beach improvements and are reported in governmental-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets, if any, are valued at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets range from 15 to 25 years. Maintenance and repairs are recorded as expenses when incurred.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Candlewood Tax District
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position is the net effect of assets, deferred outflows of resources, liabilities, and deferred inflows of resources. In the government-wide financial statements, net position is classified in the following categories:

1. *Net Investment in Capital Assets* – this category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation on the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.
2. *Restricted* – this category represents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions, or enabling legislation.
3. *Unrestricted* – this category represents the net position of the District which is not restricted for any project or other purpose.

Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported using the fund balance categories listed below:

4. *Non-spendable* - fund balance that is either (a) not in spendable form (i.e., inventories, prepaids, and long-term receivables and payables), or (b) legally or contractually required to remain intact.
5. *Restricted* - fund balance that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
6. *Committed* - fund balance that can be used only for the specific purposes determined by a formal action of the Board of Directors (the District's highest level of decision-making authority).
7. *Assigned* - fund balance that is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed.
8. *Unassigned* - fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Candlewood Tax District
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Subsequent Events

The Board has evaluated transactions and events that occurred through January 26, 2024, the date these financial statements were available to be issued, for recognition and/or disclosure in these financial statements.

NOTE 2 - CASH AND INVESTMENTS

At June 30, 2023 the General Fund had \$86,598 reported as cash and cash equivalents in the financial statements. At June 30, 2023 the bank balances of the District's cash deposits totaled \$86,257.

At June 30, 2023 the Capital Projects Fund had \$201,524 in certificates of deposit reported as investments in the financial statements. At June 30, 2023 the bank balance of the certificate of deposits totaled \$201,524.

All of the District's deposits are with one financial institution. The certificates of deposits have a maturity of greater than three months and therefore are classified as investments for financial statement purposes.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. 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 deposits based upon the depository's risk-based capital ratio. Municipal deposits that exceed the coverage of the Federal Depository Insurance of \$250,000 and are collateralized by amounts held by the pledging bank's trust department. At June 30, 2023 all of the District's deposits with the financial institution were covered by Federal Depository Insurance or collateral held by the financial institution. The District has no formally adopted investment policy that would limit its investment choices due to credit risk other than the State of Connecticut General Statutes that limit investments to obligations of the United States of America or certain other investment types.

Candlewood Tax District
Notes to the Financial Statements (continued)
 June 30, 2023

NOTE 3 - CAPITAL ASSETS AND DEPRECIATION

A summary of changes in capital assets follows:

	Balance			Balance
	July 1, 2022	Increases	Decreases	June 30, 2023
Swim platforms	\$ 8,350	\$ -	\$ -	\$ 8,350
Entrance gate	53,653	-	-	53,653
Infrastructure	658,167	-	-	658,167
	720,170	-	-	720,170
Accumulated depreciation	(364,725)	(27,591)	-	(392,316)
	\$ 355,445	\$ (27,591)	\$ -	\$ 327,854

The depreciation expense of \$27,591 is included in public works in the Statement of Activities.

NOTE 4 - PROPERTY TAX REVENUES

Property taxes are levied each July based on the assessed valuation of property as of the proceeding October 1 for all real property located within the District boundaries. Assessed values are maintained by the Assessor of the District at 70% of appraised market value of real property based on the most recent October 1 revaluation of the grand list of the District of the Town of Sherman. Taxes of \$100 and greater are due in two installments on the first of July and January. Liens are recorded on any unpaid taxes. Property taxes collected in advance are reported in the statement of net assets as advanced tax collections, under deferred inflows of resources. For fund financial statements, property taxes due and not collected within 60 days following the end of the fiscal year are reported in the governmental balance sheet as unavailable revenues – property taxes, under deferred inflows of resources.

NOTE 5 - RISK MANAGEMENT

The District is exposed to various risks of loss related to public officials, torts, damage to, and theft or destruction of assets, and errors and omissions. The District purchases commercial insurance coverage for all risks of loss. The District has had no significant reduction in the coverage on the above insurances. The District has had no settlements on any insurance coverage in the current year or prior years.

Candlewood Tax District
Notes to the Financial Statements (continued)
June 30, 2023

NOTE 6 - INTER-TAX DISTRICT AGREEMENT

In April 1997, the District entered an agreement with the Tax District of Candlewood Lake Estates New Milford (“CLETDNM”), to provide access to certain beaches within the District as well as maintenance of certain roadways within the District. In exchange for these rights, CLETDNM shall pay to the District one-sixth of the actual amount expended by the District for beach maintenance of all beaches owned or maintained by the District, as well as 40% of all road maintenance and snow plowing costs associated with Blueberry Lane, and 40% of the total road maintenance and snow plowing costs for only the portion of Green Pond Road as is situated within the Town of New Milford.

CLETDNM is also responsible for paying for 50% of road overlay costs associated with Blueberry Lane, and 33% of road overlay costs for only that portion of Green Pond as is situated within the Town of New Milford. The amount of the payment to be made by CLETDNM shall not exceed \$3,000 in any one fiscal year.

Required Supplemental Information

Candlewood Tax District
Budgetary Comparison Schedule---General Fund
Year Ended June 30, 2023

	<u>Original/Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget</u>
Revenues:			
Property taxes	\$ 283,979	\$ 284,629	\$ 650
Intergovernmental	11,191	13,840	2,649
Charges for services	1,500	3,310	1,810
Investment income	-	1	1
Miscellaneous	4,830	8,236	3,406
Total revenues	<u>301,500</u>	<u>310,016</u>	<u>8,516</u>
Expenditures:			
Current:			
General government			
Legal	10,000	4,704	5,296
Audit/accounting services	10,000	8,000	2,000
Insurance	20,000	17,505	2,495
Property taxes	3,000	2,302	698
Administrative	5,000	10,252	(5,252)
Secretary's pay	3,000	3,000	-
President's pay	8,000	8,000	-
Tax collector	12,000	11,022	978
Donations	16,000	16,000	-
Total general government	<u>87,000</u>	<u>80,785</u>	<u>6,215</u>
Public works			
Road repair	15,000	64,825	(49,825)
Culverts and gutters	15,000	15,288	(288)
Brushing	15,000	26,449	(11,449)
Snowplowing and sanding	65,000	25,241	39,759
Signs	500	1,466	(966)
Beach maintenance	25,000	20,823	4,177
Weed control	-	4,200	(4,200)
Porta potty - A Beach	500	625	(125)
Security	15,000	-	15,000

See notes to required supplementary information.

Candlewood Tax District
Budgetary Comparison Schedule---General Fund
Year Ended June 30, 2023

	<u>Original/Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance With Final Budget</u>
Public works (continued)			
Contingency/storm damage	\$ 20,000	\$ 20,294	\$ (294)
Gate operation	6,500	7,251	(751)
Tree maintenance	12,000	14,430	(2,430)
Guard rails	5,000	3,850	1,150
Capital projects fund	20,000	20,000	-
Total public works	<u>214,500</u>	<u>224,742</u>	<u>(10,242)</u>
Total expenditures	<u>301,500</u>	<u>305,527</u>	<u>(4,027)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 4,489</u>	<u>\$ 4,489</u>

See notes to required supplementary information.

Candlewood Tax District
Notes to the Required Supplemental Information
 June 30, 2023

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control within the District for the General Fund. An annual operating budget is adopted each fiscal year in accordance with the District’s Bylaws and amended as required. The General Fund budget is adopted on a modified accrual basis of accounting (GAAP), except those encumbrances and continued appropriations are treated as budgeted expenditures in the year of incidence of the commitment to purchase.

In accordance with the Bylaws, the District must use the property tax, levied on the same “assessed valuation” basis as municipal property taxes. Property valuation for taxation purposes is performed by the Town assessor with District Grand Lists prepared for and delivered to the District. A special meeting of the District is called for the purpose of establishing the District tax. At this time the Board of Directors shall submit an estimate of the probable expenditures of the District for the next ensuing fiscal year. Upon approval of the budget by the membership, rate bills are prepared for tax collection.

NOTE 2 - BUDGETARY ACCOUNTIBILITY

The following line items had unfavorable variances at June 30, 2023:

	Original/Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
Administrative	\$ 5,000	\$ 10,252	\$ (5,252)
Road repair	\$ 15,000	\$ 64,825	\$ (49,825)
Culverts and gutters	\$ 15,000	\$ 15,288	\$ (288)
Brushing	\$ 15,000	\$ 26,449	\$ (11,449)
Signs	\$ 500	\$ 1,466	\$ (966)
Weed control	\$ -	\$ 4,200	\$ (4,200)
Porta potty - A Beach	\$ 500	\$ 625	\$ (125)
Contingency/storm damage	\$ 20,000	\$ 20,294	\$ (294)
Gate operation	\$ 6,500	\$ 7,251	\$ (751)
Tree maintenance	\$ 12,000	\$ 14,430	\$ (2,430)

Candlewood Tax District
Notes to the Required Supplemental Information (continued)
June 30, 2023

NOTE 2 - BUDGETARY ACCOUNTIBILITY (continued)

A reconciliation of General Fund amounts presented on a budgetary basis to amounts presented in accordance with accounting principles generally accepted in the United States of America (GAAP) is as follows:

	<u>Expenditures</u>
Budgetary basis	\$ 305,527
Recorded as other financial uses through interfund transfers	<u>(20,000)</u>
GAAP basis	<u><u>\$ 285,527</u></u>