

MIFD Treasurer's Report for Fiscal Year 2023-2024 and Proposed Budget for Fiscal Year 2024-2025

The attached spreadsheets provide a summary of the financial activity of Masons Island Fire District (MIFD) for fiscal year 2023-2024. The spreadsheets also include the budget for fiscal year 2024-2025 and projections for its reserve funds. There are two spreadsheets:

- **Covered Facilities: Budgets & Actuals**
- **Financial Summary: Budgets & Actuals**

The first spreadsheet summarizes the activity associated with the maintenance of roads and recreational facilities within the fire district. The second spreadsheet summarizes all activity for the fire district. (The totals for the maintenance of roads and recreational facilities are carried over from the first spreadsheet to the second and appear under the "Covered Facilities Maintenance" expense category.)

Each spreadsheet contains five columns of numeric data which show the financial activity for the different accounting periods as well as their associated budgets. The five columns are:

- **Actual 2022-2023.** This column shows the results for fiscal year 2022-2023. Because MIFD's fiscal year ends on June 30, only an estimate of the results is provided at the time of the annual meeting in May. Thus, to keep the taxpayers fully informed, the final results are included with this report. These results have been reviewed by Mystic Accounting Group, LLP.
- **Projected Actual 2023-2024.** This column shows our best estimate of what the results for fiscal year 2023-2024 will be. Since MIFD's fiscal year ends on June 30, only an estimate can be provided at this time.
- **Budget 2023-2024.** This column shows the approved budget for fiscal year 2023-2024. This budget was approved at last year's annual meeting and then amended at a Special Meeting in April. The budget, as amended, is shown.
- **Budget 2024-2025.** This column shows the proposed budget for fiscal year 2024-2025, which the MIFD Board recommends.
- **Budget Increase.** This column shows the net change in the budgets between fiscal year 2023-2024 and fiscal year 2024-2025.

Comments on Projected Actual versus Budget for Fiscal Year 2023-2024

In general, revenues and expenditures for fiscal year 2023-2024 came in as expected. There will be only one significant variance. That variance is in Improvement Projects. It is discussed below under Reserve Fund for Roads.

- **Tax Revenue.** Revenue from taxes was slightly ahead of budget. This is typical. There are usually additions to our tax base in January which result in a modest amount of

unplanned revenues each year. MIFD also receives small amounts of interest and fees associated with late payments.

- **Interest & Dividends.** Significantly higher interest rates this year should result in interest and dividend income of around \$21,000, well ahead of the budget of \$10,400.
- **Covered Facilities Maintenance.** Fortunately, we didn't incur any Unplanned Storm Expenses this year. Pond Maintenance expenses also came in under budget. In total, expenses associated with the roads and recreational facilities should be lower than expected by about \$13,000.
- **Tick Control – Residential.** Participation in the tick prevention program remained almost constant in 2023-2024. The associated expenses only increased by about \$1000.
- **Tick Control – Four Posters.** Expenditures on the 4-poster system, which is used to treat deer for ticks, came in slightly below budget. Our annual budget usually includes funds for replacing one of the 4-poster systems. This year, none needed to be replaced.
- **Traffic Control and Safety.** Expenditures for Traffic Control and Safety should come in on budget. We are scheduled to have 7-day coverage at the guardhouse from mid-May through mid-September with weekend-only coverage for the last weekend in April, the first two weekends in May, the last two weekends in September, and the first two weekends in October.
- **Tax Collection.** This year was our fifth year using the Town of Stonington for tax collection. The fees associated with their services came in slightly lower than expected.
- **Surplus.** The surplus of revenues over expenses for the year should be about \$35,000 ahead of budget (\$99,735 estimated versus \$64,033 budget).
- **Reserve Fund for Fire.** This fund was put in place to cover extra charges from Mystic Fire District under our previous fire protection contract. Next year's contract has no provision for extra charges. Thus, MIFD is proposing to eliminate this fund and to transfer the remaining balance of \$12,500 to the Reserve Fund for Catastrophe.
- **Reserve Fund for Catastrophe.** This fund is available to cover costs associated with unexpected catastrophes. MIFD has been trying to increase the fund to \$100,000 at a rate of approximately \$10,000 per year. This year, MIFD is proposing to use \$10,000 from the expected Surplus plus \$12,500 from the Reserve Fund for Fire to increase the fund by \$22,500 to \$77,181.
- **Reserve Fund for Roads.** This reserve fund is expected to decrease from \$183,318 to approximately \$100,348. The decrease is due to reimbursement of transitional costs associated with MIPOA's purchase of recreational property. On the positive side, the costs associated with the Shoreline Roads Protection Program were lower than expected due to a grant, which fully covered this year's budgeted expenses, creating a positive variance. To keep the Reserve Fund for Roads at a healthy level, MIFD is proposing to transfer the remaining surplus for 2023-2024, which was not applied to the Reserve Fund for Catastrophe, to the Reserve Fund for Roads.
- **Working Capital.** Our net working capital should remain constant at \$90,376. This is below guidelines that suggest that fire districts keep an operating reserve sufficient to cover 6-months of expenses. The MIFD board will be evaluating our working capital needs in the coming year and will propose any changes at next year's annual meeting.

Comments on Budget for Fiscal Year 2024-2025

In general, budgeted expenditures for fiscal year 2024-2025 are expected to be little changed from fiscal year 2023-2024. The big exceptions are the budget for Fire Protection, which is being increased due to the new contract with Mystic Fire Department, and the budget for the Shoreline Roads Protection Program, which should be getting close to the build-out phase. To cover the increase in those expenditures, the Mil Rate is planned to be increased from 1.60 to 3.40.

- **Tax Revenue.** Revenue from taxes is expected to increase to \$699,576 due to the increase in the Mil Rate.
- **Covered Facilities Maintenance.** Total expenditures associated with the maintenance of the roads and recreational facilities are expected to remain constant at \$92,615.
- **Fire Protection.** Due to the new contract with Mystic Fire Department, expenditures for fire protection are expected to rise significantly (\$294,980) to approximately \$350,000.
- **Traffic Control and Safety.** Total expenditures associated with traffic control and safety are expected to rise modestly (\$2000) to \$42,000 due to increases in the minimum wage.
- **Surplus.** The surplus of revenues over expenses for fiscal year 2024-2025 should be approximately \$146,361. It is expected that these funds will be applied to the Reserve Fund for Catastrophe (\$10,000) and the Reserve Fund for Roads (\$136,361).
- **Improvement Projects.** Two expenditures from the Reserve Fund for Roads are planned for fiscal year 2024-2025. The funds will be used to repave the west side of Black Duck Road (\$13,800) and to continue funding the Shoreline Roads Protection project (\$195,000). Some of the Shoreline money may not be spent depending on grants, construction schedules, etc. However, MIFD needs to have the funds available to be well-qualified for grants and to act when appropriate. In fiscal year 2025-2026, additional funds may need to be allocated towards the Shoreline project depending on grants and final construction costs.
- **Reserve Fund for Catastrophe.** This reserve fund is expected to increase by \$10,000 to a total of \$87,181.
- **Reserve Fund for Roads.** After deducting the expected costs of the improvement projects and adding the projected surplus, the Reserve Funds for Roads is expected to decrease to \$27,910. The balance could be higher if not all the funds allocated towards the Shoreline project are spent.
- **Working Capital.** Our net operating funds are expected to remain constant at \$90,376.

Audrey Brown, Treasurer