

**TOWN OF
MARLBOROUGH,
CONNECTICUT**

**FINANCIAL STATEMENTS
JUNE 30, 2019**

TOWN OF MARLBOROUGH, CONNECTICUT
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Independent Auditors' Report

To the Board of Finance
Town of Marlborough, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Marlborough, Connecticut, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Marlborough, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Town of Marlborough, Connecticut, as of June 30, 2019 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the pension and OPEB schedules, 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, which 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Marlborough, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Marlborough, Connecticut, as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated December 14, 2018, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2018 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2018 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of the Town of Marlborough, Connecticut'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 effectiveness of the Town of Marlborough, Connecticut'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 Town of Marlborough, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 12, 2019

**TOWN OF MARLBOROUGH, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

This discussion and analysis of the Town of Marlborough, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2019. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to V.

Financial Highlights

- Net position of our governmental activities increased by \$3,016,163.
- During the year, the Town had expenses that were \$3,016,163 less than the \$28 million generated in tax and other revenues for governmental programs.
- The total cost of all of the Town's programs was \$25 million with no new programs added this year, compared to \$25.9 million last year.
- The General Fund reported a fund balance at June 30, 2019 of \$4.6 million, .9 million more than last year. An appropriation of fund balance of \$100,000 was included in the adopted budget for the year.
- Total revenues available for appropriation were \$620,460 more than budgeted revenues, not including the \$100,000 appropriation of fund balance which was not used. Expenditures were \$422,519 lower than budgeted.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer term view of the Town's finances. Fund financial statements are presented in Exhibits III and IV. 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 Town's operations in more detail than the government wide statements by providing information about the Town's most significant funds. The fiduciary funds statement (Exhibit V) provides financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the Town as a whole and about its activities for the current period. 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. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in net position from the prior year. The Town's net position - the difference between assets and liabilities - is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and

the condition of the Town's capital assets, to assess the overall health of the Town. In the statement of net position and the statement of activities, the Town reports its activities including education, public safety, public works, health and welfare, parks and recreation, library, school and general administration. Property taxes, charges for services and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements (Exhibits III, IV and V) provide detailed information about the most significant funds - not the Town as a whole. The Town establishes several funds to help control and manage financial activities for particular purposes. These funds include the Educational Grants, Town Grants, Capital and Non-Recurring, Cafeteria, Parks and Recreation, Recycling, WPCA Operations & Maintenance, and the Land Acquisition and Improvement Funds. Funds are also established to show that the Town is meeting legal responsibilities for using grants and other money, such as grants received from the State Department of Transportation for the Town Aid Roads program. The Town's funds are divided into two categories: governmental and fiduciary.

Governmental Funds (Exhibits III and IV)

Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation at the bottom of each of the fund financial statements.

Fiduciary Funds (Exhibit V)

The Town has custodial responsibility for assets that it holds for others. The Student Activity and Performance Bond Funds are the only fiduciary funds reported by the Town. The activities of these agency funds are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The Town's net position increased by \$3,016,163 from June 30, 2018. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

Table 1
NET POSITION

| | Governmental Activities | |
|---|------------------------------------|----------------------|
| | 2019 | 2018 |
| Current assets | \$ 13,187,760 | \$ 13,580,443 |
| Capital assets, net of accumulated depreciation | <u>48,881,846</u> | <u>47,582,529</u> |
| Total assets | <u>62,069,606</u> | <u>61,162,972</u> |
| Deferred outflows of resources | <u>89,079</u> | <u>85,239</u> |
| Long-term liabilities outstanding | 12,444,473 | 13,926,764 |
| Other liabilities | <u>680,563</u> | <u>1,311,089</u> |
| Total liabilities | <u>13,125,036</u> | <u>15,237,853</u> |
| Deferred inflows of resources | <u>25,870</u> | <u>18,742</u> |
| Net Position: | | |
| Net investment in capital assets | 40,524,168 | 34,858,915 |
| Unrestricted | <u>8,483,611</u> | <u>11,132,701</u> |
| Total Net Position | <u>\$ 49,007,779</u> | <u>\$ 45,991,616</u> |

Net position of the Town's governmental activities increased by \$3,016,163 (\$49,007,779 compared to \$45,991,616). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased from \$11,132,701 at June 30, 2018 to \$8,483,611 at the end of this year.

Table 2
CHANGE IN NET POSITION

| | Governmental Activities | |
|--|------------------------------------|--------------|
| | 2019 | 2018 |
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ 882,657 | \$ 2,653,217 |
| Operating grants and contributions | 3,947,316 | 5,792,351 |
| Capital grants and contributions | 1,424,315 | 300,281 |
| General revenues: | | |
| Property taxes | 21,436,059 | 20,627,528 |
| Grants and contributions not restricted to specific purposes | 77,313 | 45,083 |
| Unrestricted investment earnings | 109,432 | 43,948 |
| Other general revenues | 96,345 | 155,125 |
| Total revenues | 27,973,437 | 29,617,533 |
| | | |
| Program expenses: | | |
| General government | 2,075,630 | 2,056,070 |
| Public safety | 687,714 | 577,440 |
| Public works | 2,384,343 | 2,594,832 |
| Parks and recreation | 146,125 | 262,593 |
| Health and welfare | 192,886 | 243,285 |
| Sewer operations | 276,095 | 278,167 |
| Library | 340,168 | 341,668 |
| Education | 18,592,775 | 19,214,604 |
| Interest on long-term debt | 261,538 | 334,814 |
| Total program expenses | 24,957,274 | 25,903,473 |
| | | |
| Increase in Net Position | \$ 3,016,163 | \$ 3,714,060 |

The Town's total revenues (excluding special items) were \$28 million. The total cost of all programs and services was \$25 million. Our analysis below considers the operations of governmental activities.

Governmental Activities

Overall, net position increased \$3,016,163. This increase is attributable to an increase in capital grants, property taxes and other general revenue. Overall, expenses decreased by 3.8% partially due to a decrease in public works, parks and recreation, education and interest on long-term debt. Property tax revenues increased by 3.8% for 2019 compared to an increase of 3.6% for 2018.

Table 3 presents the cost of each of the Town's programs - general government, public safety, public works, parks and recreation, health and welfare, sewer operations, education, and all others - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

**Table 3
GOVERNMENTAL ACTIVITIES**

| | Total Cost of Services | | Net Cost of Services | |
|----------------------|-------------------------------|----------------------|-----------------------------|----------------------|
| | 2019 | 2018 | 2019 | 2018 |
| General government | \$ 2,075,630 | \$ 2,056,070 | \$ 1,834,117 | \$ 1,514,360 |
| Public safety | 687,714 | 577,440 | 680,686 | 573,570 |
| Public works | 2,384,343 | 2,594,832 | 1,087,518 | 1,484,067 |
| Parks and recreation | 146,125 | 262,593 | 29,280 | 157,648 |
| Health and welfare | 192,886 | 243,285 | 22,651 | 220,037 |
| Sewer operations | 276,095 | 278,167 | (73,910) | (1,703,463) |
| Education | 18,592,775 | 19,214,604 | 14,520,938 | 14,234,923 |
| All others | 601,706 | 676,482 | 601,706 | 676,482 |
| Total | \$ 24,957,274 | \$ 25,903,473 | \$ 18,702,986 | \$ 17,157,624 |

Town Funds Financial Analysis

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$7.5 million, as of June 30, 2019, an increase of \$.6 million.

General Fund Budgetary Highlights

On a budgetary basis (see Schedules RSI-1 and RSI-2) total revenue was more than the approved Town budget by \$620,460. The appropriation from fund balance of \$100,000 was not used. Most revenue categories were favorable versus budget including property taxes which exceeded the budget by \$206,646. Investment income was \$59,845 above budget due to an investment account with a favorable guaranteed interest rate. Transfers from other funds were more than budgeted by \$47,807 due to transfers from the Sewer Benefit Assessment Fund. Local revenues, including fees and non-property taxes, also exceeded the budget by \$22,624. State revenues were more than budgeted by \$383,538 due to uncertainty of state revenues and therefore budgeting conservatively.

Overall, expenditures were less than budget by \$422,519. Expenditures for most departments and functional areas were less than budget with the largest favorable variances as follows: general government including contingency (\$302,145), public safety (\$40,422) and public works (\$59,979).

Capital Asset and Debt Administration

Capital Assets

At June 30, 2019, the Town had \$48.9 million invested in a broad range of capital assets, including land, buildings, municipal sewer system, municipal water system, park facilities, vehicles and equipment, roads and storm drains (see Table 4). The most significant changes were road improvements, culverts, bridges and municipal water system. Approximately \$3.1 million was expended during 2019 on buildings, vehicles and equipment, and infrastructure projects.

Table 4
CAPITAL ASSETS, NET OF DEPRECIATION
(In Thousands)

| | Governmental Activities | |
|----------------------------|------------------------------------|---------------|
| | 2019 | 2018 |
| Land | \$ 2,936 | \$ 2,937 |
| Buildings and improvements | 9,037 | 9,716 |
| Equipment | 2,178 | 2,231 |
| Infrastructure | 33,967 | 31,018 |
| Construction in progress | 764 | 1,681 |
| Total | \$ 48,882 | \$ 47,583 |

More detailed information about the Town's capital assets is presented in Note 1 and Note 5 of the financial statements.

Long-Term Debt

At June 30, 2019, the Town had \$10,818,566 in bonds outstanding versus \$12,375,672 at the end of the prior year, a decrease of \$1,557,106.

The Town has overlapping debt of \$3.3 million with the Regional School District #8, of which it is a member.

The Town's general obligation bonds currently have an AA3 rating, that was assigned by a national rating agency in 2017. The State limits the amount of general obligation debt that cities can issue based on a formula determined under State statutes based on the type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$150 million state-imposed limit.

Other obligations include accrued vacation pay, personal time and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year budget tax rates. For fiscal year ended June 30, 2019, the mill rate was set at 36.52. For fiscal year ending June 30, 2020, the rate was set at 37.25, representing a 2.01% increase. Between July 2018 and June 2019, the State of Connecticut's unemployment rate decreased from 4.0% to 3.7%. Hartford County (which includes Marlborough) also decreased from 4.6% to 3.9%. These decreases are in line with the national average of 3.7%, which was .4% lower than last year. The U.S. Consumer Price Index (CPI) for the 12-month period ended June 30, 2019 was 1.6%, compared to 2.9% for the same period last year.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2018-2019. Amounts available for appropriation in the General Fund budget are \$24,625,494, representing an increase of 2.14% over the 2017-2018 budget of \$24,109,681. Property taxes and Local Revenue are expected to fund most of this increase.

Given the declining and uncertain state revenues, budgeted expenses were purposely constrained in the FY19 budget. No new programs or major initiatives were added to the FY17 budget.

The Town appropriated \$937,643 for capital projects and equipment purchases which is included in the FY19 budget. The unassigned balance totaled \$4,208,002 at June 30, 2019, which represents 17.08% of the FY19 operating budget of \$24,625,494.

Contacting the Town's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer, Town of Marlborough, 26 North Main Street, Marlborough, Connecticut, 06447.

**TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2019**

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 8,081,745 |
| Receivables, net | 5,102,440 |
| Inventory | 3,575 |
| Capital assets - nondepreciable: | |
| Land | 2,936,589 |
| Construction in progress | 763,680 |
| Capital assets - depreciable, net of accumulated depreciation: | |
| Building | 9,036,653 |
| Furniture and equipment | 2,178,060 |
| Infrastructure | 33,966,864 |
| Total assets | <u>62,069,606</u> |
| Deferred Outflows of Resources: | |
| Deferred charge on refunding | 64,069 |
| Deferred outflows related to OPEB | 25,010 |
| Total deferred outflows of resources | <u>89,079</u> |
| Liabilities: | |
| Accounts and other payables | 598,022 |
| Unearned revenue | 58,221 |
| Due to fiduciary funds | 24,320 |
| Noncurrent liabilities: | |
| Due within one year | 1,764,216 |
| Due in more than one year | 10,680,257 |
| Total liabilities | <u>13,125,036</u> |
| Deferred Inflows of Resources: | |
| Deferred inflows related to OPEB | <u>25,870</u> |
| Net Position: | |
| Net investment in capital assets | 40,524,168 |
| Unrestricted | <u>8,483,611</u> |
| Total Net Position | <u>\$ 49,007,779</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--|----------------------|----------------------|------------------------------------|---|
| | | Charges for Services | Operating Grants and Contributions | |
| | | | | Governmental Activities |
| Governmental activities: | | | | |
| General government | \$ 2,075,630 | \$ 237,013 | \$ 4,500 | \$ (1,834,117) |
| Public safety | 687,714 | 3,813 | 3,215 | (680,686) |
| Public works | 2,384,343 | 33,463 | | (1,087,518) |
| Parks and recreation | 146,125 | 102,464 | | (29,280) |
| Health and welfare | 192,886 | | 23,663 | (22,651) |
| Sewer operations | 276,095 | 350,005 | | 73,910 |
| Library | 340,168 | | | (340,168) |
| Education | 18,592,775 | 155,899 | 3,915,938 | (14,520,938) |
| Interest on long-term debt | 261,538 | | | (261,538) |
| Total | \$ 24,957,274 | \$ 882,657 | \$ 3,947,316 | \$ 1,424,315 |
| | | | | |
| General revenues: | | | | |
| Property taxes | | | | 21,436,059 |
| Grants and contributions not restricted to specific programs | | | | 77,313 |
| Unrestricted investment earnings | | | | 109,432 |
| Miscellaneous | | | | 96,345 |
| Total general revenues | | | | <u>21,719,149</u> |
| Change in net position | | | | 3,016,163 |
| Net Position at Beginning of Year | | | | <u>45,991,616</u> |
| Net Position at End of Year | | | | <u>\$ 49,007,779</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

| | <u>General</u> | <u>CNR</u> | <u>MWPCA Benefit Assessment</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---------------------|---|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 5,016,451 | \$ 1,312,791 | \$ 428,236 | \$ 1,324,267 | \$ 8,081,745 |
| Receivables, net | 281,551 | | 4,447,483 | 373,406 | 5,102,440 |
| Due from other funds | 2,585 | | | 7,469 | 10,054 |
| Inventory | | | | 3,575 | 3,575 |
| Total Assets | <u>\$ 5,300,587</u> | <u>\$ 1,312,791</u> | <u>\$ 4,875,719</u> | <u>\$ 1,708,717</u> | <u>\$ 13,197,814</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts and other payables | \$ 428,532 | \$ 70,728 | | \$ 83,156 | \$ 582,416 |
| Due to other funds | 7,469 | | | 26,905 | 34,374 |
| Unearned revenue | | | | 58,221 | 58,221 |
| Total liabilities | <u>436,001</u> | <u>70,728</u> | <u>-</u> | <u>168,282</u> | <u>675,011</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenue - property taxes | 231,586 | | | | 231,586 |
| Unavailable revenue - special assessments | | | 4,447,483 | 5,482 | 4,452,965 |
| Unavailable revenue - CDBG loans receivable | | | | 307,777 | 307,777 |
| Total deferred inflows of resources | <u>231,586</u> | <u>-</u> | <u>4,447,483</u> | <u>313,259</u> | <u>4,992,328</u> |
| Fund balances: | | | | | |
| Nonspendable | | | | 3,575 | 3,575 |
| Restricted | | 42,882 | 428,236 | 628,819 | 1,099,937 |
| Committed | | 1,145,525 | | 594,782 | 1,740,307 |
| Assigned | 424,998 | | | | 424,998 |
| Unassigned | 4,208,002 | 53,656 | | | 4,261,658 |
| Total fund balances | <u>4,633,000</u> | <u>1,242,063</u> | <u>428,236</u> | <u>1,227,176</u> | <u>7,530,475</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 5,300,587</u> | <u>\$ 1,312,791</u> | <u>\$ 4,875,719</u> | <u>\$ 1,708,717</u> | <u>\$ 13,197,814</u> |

(Continued on next page)

TOWN OF MARLBOROUGH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position:

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

| | |
|--|--------------|
| Fund balances - total governmental funds (Exhibit III) | \$ 7,530,475 |
|--|--------------|

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

| | | |
|-------------------------------|-------------------|------------|
| Governmental capital assets | \$ 81,009,478 | |
| Less accumulated depreciation | <u>32,127,632</u> | |
| Net capital assets | | 48,881,846 |

Other deferred inflows of resources are not available to pay for current-period
expenditures and, therefore, are reported as unavailable revenue in the funds:

| | |
|---|-----------|
| Property tax receivables greater than 60 days | 155,246 |
| Interest receivable on property taxes | 76,340 |
| Assessments receivable | 4,447,483 |
| Sewer operations receivable | 5,482 |
| Housing loans | 307,777 |

Long-term liabilities, including deferred outflows of resources and bonds payable,
are not due and payable in the current period and, therefore, are
not reported in the funds:

| | |
|-------------------------------------|---------------|
| Bonds and notes payable | (10,818,566) |
| Interest payable on bonds and notes | (15,606) |
| Capital lease | (272,424) |
| Compensated absences | (611,174) |
| Total OPEB liability | (591,552) |
| Deferred outflows related to OPEB | 25,010 |
| Deferred inflows related to OPEB | (25,870) |
| Bond premiums | (150,757) |
| Deferred charge on refunding | <u>64,069</u> |

| | |
|---|----------------------|
| Net Position of Governmental Activities (Exhibit I) | <u>\$ 49,007,779</u> |
|---|----------------------|

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>General</u> | <u>CNR</u> | <u>MWPCA Benefit Assessment</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---------------------|---|--|---|
| Revenues: | | | | | |
| Property taxes | \$ 21,425,634 | \$ | \$ | \$ | \$ 21,425,634 |
| Intergovernmental | 3,769,016 | | | 1,672,448 | 5,441,464 |
| Charges for services | 199,998 | | 375,821 | 638,262 | 1,214,081 |
| Income on investments | 94,845 | 14,587 | | | 109,432 |
| Miscellaneous | 38,006 | 57,838 | 20 | 118,948 | 214,812 |
| Total revenues | <u>25,527,499</u> | <u>72,425</u> | <u>375,841</u> | <u>2,429,658</u> | <u>28,405,423</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 1,957,040 | | | 89,910 | 2,046,950 |
| Public safety | 559,106 | | | | 559,106 |
| Public works | 1,530,208 | | | 320,663 | 1,850,871 |
| Health and welfare | 171,592 | | | 21,294 | 192,886 |
| Parks and recreation | 88,694 | | | 107,746 | 196,440 |
| Sewer operations | | | | 276,095 | 276,095 |
| Education | 17,456,613 | | | 358,104 | 17,814,717 |
| Library | 340,168 | | | | 340,168 |
| Debt service | 1,989,874 | | | | 1,989,874 |
| Capital outlay | 177,497 | 1,283,111 | | 1,190,279 | 2,650,887 |
| Total expenditures | <u>24,270,792</u> | <u>1,283,111</u> | <u>-</u> | <u>2,364,091</u> | <u>27,917,994</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>1,256,707</u> | <u>(1,210,686)</u> | <u>375,841</u> | <u>65,567</u> | <u>487,429</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 405,016 | 937,643 | | 8,523 | 1,351,182 |
| Transfers out | (946,166) | | (377,940) | (27,076) | (1,351,182) |
| Capital lease issuance | 177,497 | | | | 177,497 |
| Total other financing sources (uses) | <u>(363,653)</u> | <u>937,643</u> | <u>(377,940)</u> | <u>(18,553)</u> | <u>177,497</u> |
| Net Change in Fund Balances | 893,054 | (273,043) | (2,099) | 47,014 | 664,926 |
| Fund Balances at Beginning of Year | <u>3,739,946</u> | <u>1,515,106</u> | <u>430,335</u> | <u>1,180,162</u> | <u>6,865,549</u> |
| Fund Balances at End of Year | <u>\$ 4,633,000</u> | <u>\$ 1,242,063</u> | <u>\$ 428,236</u> | <u>\$ 1,227,176</u> | <u>\$ 7,530,475</u> |

(Continued on next page)

**TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

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

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

| | |
|---|------------|
| Net change in fund balances - total governmental funds (Exhibit IV) | \$ 664,926 |
|---|------------|

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

| | |
|---|-------------|
| Capital outlay - including amounts classified in other expenditure categories | 3,074,288 |
| Depreciation expense | (1,698,635) |

| | |
|--|----------|
| The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely governmental funds do not report any gain or loss on a trade-in of capital assets. | (76,336) |
|--|----------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

| | |
|---|-----------|
| Small Cities loan receivable - accrual basis change | (61,449) |
| Property tax receivable - accrual basis change | 8,746 |
| Property tax interest and lien revenue - accrual basis change | 1,679 |
| Sewer assessment and sewer receivable - accrual basis change | (380,962) |
| Change in deferred outflows related to OPEB | 23,553 |

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

| | |
|----------------------------------|-----------|
| Bond and note principal payments | 1,557,106 |
| Capital lease payments | 138,949 |
| Capital lease issuance | (177,497) |

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:

| | |
|--|----------|
| Compensated absences | (28,383) |
| Accrued interest | 4,903 |
| Change in total OPEB liability | (54,975) |
| Change in deferred inflows related to OPEB | (7,128) |
| Amortization of deferred charge on refunding | (19,713) |
| Amortization of bond premiums | 47,091 |

| | |
|--|---------------------|
| Change in Net Position of Governmental Activities (Exhibit II) | <u>\$ 3,016,163</u> |
|--|---------------------|

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019**

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 70,870 |
| Due from other funds | <u>24,320</u> |
| Total assets | <u>\$ 95,190</u> |
| Liabilities: | |
| Deposits held for others | <u>\$ 95,190</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Marlborough (the Town) 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 standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the Town are described below.

A. Reporting Entity

The Town adopted a Town Charter that became effective in 1975, and was amended in 1981, 1985 and 2017. The Town's form of government includes a Board of Selectmen and a Board of Finance.

The Board of Selectmen consists of a First Selectman and two Selectmen, whose duties and responsibilities include directing, supervising and overseeing the performance of the duties and affairs of the officers, boards, commissions and other agencies of the Town.

The Board of Finance, consisting of six members and three alternate members, is primarily responsible for reviewing the estimates and proposed budgets presented by the Boards of Selectmen and Education and preparing a recommended budget for action at the Town Meeting.

The legislative powers of the Town are vested in the combination of the Town Meeting and the Board of Selectmen. For purposes of approval of the Annual Budget, the Town Meeting is adjourned to a referendum on the voting machines.

The Town provides the following services as authorized by its Charter: General Government, Public Safety, Public Works, Health and Welfare, Parks and Recreation, Library and Schools.

B. 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 nonfiduciary activities of the Town. As a general rule, the effect of interfund activity has been eliminated from these statements.

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 segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from 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.

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.

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. 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 as revenues 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 Town 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.

Property taxes, intergovernmental revenue, charges for services, licenses 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 Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund. The major sources of revenue for this fund are tax revenue and governmental grants.

The CNR Fund is used to account for capital and nonrecurring expenditures. The major sources of revenue for this fund are proceeds from the sale of bonds and General Fund appropriations.

The MWPCA Benefit Assessment Fund accounts for all of the financial resources required for extending sewers within the Town. The major source of revenue for this fund is sewer assessment charges.

Additionally, the Town reports the following fund type:

Agency Funds (fiduciary funds) are used to report resources held by the Town in a custodial capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Deposits and Investments

The Town'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 Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown net of an allowance for uncollectibles. Allowances for uncollectibles are computed based on historical data.

Property taxes are assessed as of October 1 and billed the following July. Real, personal property and motor vehicle bills are payable in two installments, July 1 and January 1.

Supplemental motor vehicle taxes are due and payable in one installment on January 1. Assessments for real property are computed at 70% of the market value, as of the date of the latest revaluation. Assessments for motor vehicles are computed at 70% of the current market value as provided by the State of Connecticut Department of Motor Vehicles. Liens are filed on real property that have unpaid property taxes as of June 30. Delinquent taxes are charged interest of 18% per year (1.5% per month). An amount of \$55,820 has been established as an allowance for uncollectible taxes. At June 30, 2019, this represents 22.28% of all property taxes receivable.

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 40 |
| Building improvements | 15 |
| Infrastructure | 30-50 |
| Vehicles | 3-15 |
| Office equipment | 5-10 |
| Computer equipment | 5 |

G. Total Other Postemployment Benefits Other than Pensions (OPEB) Liability

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer’s prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period.

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to OPEB in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The Town reports deferred outflows related to OPEB in the government-wide statement of net position. A deferred outflow of resources related to OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow of resources related to OPEB in the government-wide statement of net position. A deferred inflow of resources related to OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner. Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes, special assessments and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available.

I. Compensated Absences

Employees are paid by prescribed formula for absence due to vacation or sickness. The liability for accumulated vacation and sick pay earned and not paid as of June 30, 2019 is reflected in the accompanying government-wide financial statements.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any significant applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Fund Equity

Equity in the government-wide financial statements is defined as “net position” and is classified in the following categories:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position

Net position is restricted because it is externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Town currently has no assets under restriction.

Unrestricted Net Position

This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance

This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance

This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors or laws and regulations of their governments.

Committed Fund Balance

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of Marlborough Board of Finance).

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Assigned Fund Balance

For all governmental funds other than the General Fund, this represents any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, this includes amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the Town Charter.

Unassigned Fund Balance

This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

L. Accounting 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

Budgetary Information

General Fund

It is the duty of the Board of Education and the Board of Selectmen to compile preliminary estimates and present proposed budgets to the Board of Finance. After a public hearing, the Board of Finance prepares a recommended Town Budget for action at the Annual Budget Meeting (Town Meeting). By Charter, the Annual Budget Meeting is adjourned to a referendum on the voting machines. The budget becomes effective when approved by referendum. Expenditures cannot legally exceed departmental appropriations. The Board of Finance may make special appropriations not exceeding \$10,000 per department in any one fiscal year from an approved contingency fund. Special appropriations in excess of \$10,000 must be approved by Town Meeting. The Board of Finance, when requested by the Board of Selectmen, may transfer unexpended balances from one appropriation to another in accordance with the General Statutes. Unexpended General Fund appropriations lapse at the end of the fiscal year.

The General Fund budget is prepared on a modified accrual basis of accounting, except for payroll which is reported on a cash basis and encumbrances which are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued. There were no additional appropriations approved during the year for the General Fund. Encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year. Additionally, the Town does not budget for revenue or expenditures associated with pension and OPEB expense incurred by the State of Connecticut on behalf of Marlborough teachers. The pension and OPEB expense (revenue) from the State of Connecticut Teachers Retirement plans for the current year were \$1,449,734 and \$(857,814), respectively.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) 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 asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does 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 Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are 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 a market-average rate of return throughout budgetary and economic cycles. Investors accrue 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.

Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the state of Connecticut and out-of-state banks as long as the amount is covered by FDIC insurance.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$4,380,542 of the Town’s bank balance of \$5,104,977 was exposed to custodial credit risk as follows:

| | |
|--|----------------------------|
| Uninsured and uncollateralized | \$ 3,940,861 |
| Uninsured and collateralized held by pledging bank | <u>439,681</u> |
| Total Amount Subject to Custodial Credit Risk | <u><u>\$ 4,380,542</u></u> |

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.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019, the Town's cash equivalents amounted to \$3,238,498. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

| | <u>Standard & Poor's</u> | <u>Amount</u> |
|---|----------------------------------|---------------|
| State Short-Term Investment Fund (STIF) | AAAm | \$ 3,238,498 |

4. RECEIVABLES

Receivables as of year end for the Town's individual major funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | <u>General</u> | <u>MWPCA Benefit Assessment</u> | <u>Nonmajor and Other Funds</u> | <u>Total</u> |
|-----------------------------------|-------------------|---|---|---------------------|
| Receivables: | | | | |
| Loans - small cities | \$ | \$ | \$ 307,777 | \$ 307,777 |
| Interest | 76,340 | | | 76,340 |
| Taxes | 250,534 | | | 250,534 |
| Accounts receivable | 10,497 | | 12,288 | 22,785 |
| Sewer benefit assessments | | 4,447,483 | | 4,447,483 |
| Intergovernmental | | | 53,341 | 53,341 |
| Gross receivables | <u>337,371</u> | <u>4,447,483</u> | <u>373,406</u> | <u>5,158,260</u> |
| Less allowance for uncollectibles | <u>55,820</u> | | | <u>55,820</u> |
| Net Total Receivables | <u>\$ 281,551</u> | <u>\$ 4,447,483</u> | <u>\$ 373,406</u> | <u>\$ 5,102,440</u> |

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|--------------------|---------------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 2,936,589 | \$ | \$ | \$ | \$ 2,936,589 |
| Construction in progress | <u>1,680,673</u> | <u>486,293</u> | <u></u> | <u>(1,403,286)</u> | <u>763,680</u> |
| Total capital assets not being depreciated | <u>4,617,262</u> | <u>486,293</u> | <u>-</u> | <u>(1,403,286)</u> | <u>3,700,269</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 22,842,520 | 32,814 | | | 22,875,334 |
| Furniture and equipment | 6,036,292 | 272,375 | 278,667 | | 6,030,000 |
| Infrastructure | <u>44,914,199</u> | <u>2,282,806</u> | <u>196,416</u> | <u>1,403,286</u> | <u>48,403,875</u> |
| Total capital assets being depreciated | <u>73,793,011</u> | <u>2,587,995</u> | <u>475,083</u> | <u>1,403,286</u> | <u>77,309,209</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | 13,126,120 | 712,561 | | | 13,838,681 |
| Furniture and equipment | 3,805,337 | 298,038 | 251,435 | | 3,851,940 |
| Infrastructure | <u>13,896,287</u> | <u>688,036</u> | <u>147,312</u> | <u></u> | <u>14,437,011</u> |
| Total accumulated depreciation | <u>30,827,744</u> | <u>1,698,635</u> | <u>398,747</u> | <u>-</u> | <u>32,127,632</u> |
| Total capital assets being depreciated, net | <u>42,965,267</u> | <u>889,360</u> | <u>76,336</u> | <u>1,403,286</u> | <u>45,181,577</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 47,582,529</u> | <u>\$ 1,375,653</u> | <u>\$ 76,336</u> | <u>\$ -</u> | <u>\$ 48,881,846</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|--|---------------------|
| Governmental activities: | |
| General government | \$ 37,644 |
| Public safety | 118,906 |
| Public works | 824,960 |
| Parks and recreation | 21,547 |
| Education | <u>695,578</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 1,698,635</u> |

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

6. CAPITAL PROJECTS

Following is a summary of significant project authorizations in the Capital and Nonrecurring Fund as of June 30, 2019:

| Description | Project Authorization | Current Year Expenditures | Encumbrance | Cumulative Expenditures and Encumbrances | Balance June 30, 2019 |
|--|--------------------------|------------------------------|------------------|---|--------------------------|
| General Government - Reserve | \$ 145,611 | \$ | \$ | \$ 72,550 | \$ 73,061 |
| Revaluation | 55,664 | 7,500 | | 7,500 | 48,164 |
| Plan of Development | 25,000 | 7,182 | 12,770 | 19,952 | 5,048 |
| Security Upgrades Town Facilities | 25,000 | 520 | 1,885 | 21,924 | 3,076 |
| Energy Improvements Town Hall | 18,700 | 844 | 4,750 | 17,578 | 1,122 |
| Parking Lot - Library | 54,345 | 54,343 | | 54,343 | 2 |
| Roof - Food Bank | 15,000 | 10,700 | | 10,700 | 4,300 |
| Police Vehicle | 38,400 | | | | 38,400 |
| Utility/Staff Truck - Fire Dept | 45,000 | 736 | | 45,000 | - |
| Fire Department - Reserve | 25,000 | | | | 25,000 |
| Open Space - Recreational Land | 50,000 | 7,118 | | 7,118 | 42,882 |
| ADA Compliance - Blish Park | 20,000 | 2,400 | | 2,400 | 17,600 |
| Road Reconstruction | 443,641 | 443,641 | | 443,641 | - |
| Water System Phase II Construction | 50,000 | 50,000 | | 50,000 | - |
| Finley Hill Over Flat Brook Construction | 443,246 | 380,309 | | 380,309 | 62,937 |
| Engineering-Fawn Brook Bridge | 320,724 | 32,766 | | 52,240 | 268,484 |
| Design and Eng. Jones Hollow Bridge | 324,957 | 47,254 | | 71,737 | 253,220 |
| Capital Design and Engineering | 590,464 | 147,194 | | 504,143 | 86,321 |
| South Main St Repaving Proj. (LOTICIP Ph I) | 92,400 | 3,860 | | 91,217 | 1,183 |
| South Main St Repaving Proj. (LOTICIP Ph II) | 20,000 | 988 | | 10,988 | 9,012 |
| Public Works Reserve | 115,000 | | | | 115,000 |
| Used F150 Pickup Truck - Public Works | 16,500 | 717 | | 16,500 | - |
| Metal Building Improvements - Public Works | 25,000 | 11,828 | | 16,708 | 8,292 |
| Guardrails around Dumpsters - Transfer Station | 10,000 | 9,607 | | 9,607 | 393 |
| SCAG Mower | 14,900 | 13,486 | | 13,486 | 1,414 |
| Toro Mower | 36,530 | | | | 36,530 |
| Roof Replacement Plan (multi-year) - BOE | 10,000 | | | | 10,000 |
| Fixtures/Plumbing - BOE | 2,771 | 2,771 | | 2,771 | - |
| HVAC - BOE | 2,876 | 2,876 | | 2,876 | - |
| Electrical work-Server Rm/Classroom - BOE | 1,573 | | 1,573 | 1,573 | - |
| Floor Maintenance - BOE | 2,200 | 2,200 | | 2,200 | - |
| Technology Infrastructure - BOE | 9,760 | 9,760 | | 9,760 | - |
| Phone System Upgrade - BOE | 19,992 | 19,992 | | 19,992 | - |
| Sound System upgrades - BOE | 12,519 | 12,519 | | 12,519 | - |
| Board of Education - Reserve | 55,988 | | | | 55,988 |
| | <u>\$ 3,138,761</u> | <u>\$ 1,283,111</u> | <u>\$ 20,978</u> | <u>\$ 1,971,332</u> | <u>\$ 1,167,429</u> |

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2019, the interfund receivables and payables are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|------------------|
| General Fund | Nonmajor Governmental Funds | \$ 2,585 |
| Agency Funds | Nonmajor Governmental Funds | 24,320 |
| Nonmajor Governmental Funds | General Fund | <u>7,469</u> |
| Total | | <u>\$ 34,374</u> |

All balances reflect recurring reimbursement-type transactions expected to be repaid in the current period.

Interfund transfers:

| | <u>Transfers In</u> | | | <u>Total</u> |
|-----------------------------|---------------------|-------------------|------------------------------------|---------------------|
| | <u>General Fund</u> | <u>CNR Fund</u> | <u>Nonmajor Governmental Funds</u> | |
| Transfers out: | | | | |
| General Fund | \$ | \$ 937,643 | \$ 8,523 | \$ 946,166 |
| MWPCA Benefit Assessment | 377,940 | | | 377,940 |
| Nonmajor Governmental Funds | <u>27,076</u> | | | <u>27,076</u> |
| Total | <u>\$ 405,016</u> | <u>\$ 937,643</u> | <u>\$ 8,523</u> | <u>\$ 1,351,182</u> |

Transfers represent routine transactions moving resources from one fund to another.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 3,810,000 | \$ | \$ 990,000 | \$ 2,820,000 | \$ 945,000 |
| CWF Loans | 8,565,672 | | 567,106 | 7,998,566 | 578,553 |
| Bond issuance premiums | <u>197,848</u> | | <u>47,091</u> | <u>150,757</u> | |
| Total bonds and notes payable | 12,573,520 | - | 1,604,197 | 10,969,323 | 1,523,553 |
| Compensated absences | 582,791 | 37,542 | 9,159 | 611,174 | 141,969 |
| Capital lease | 233,876 | 177,497 | 138,949 | 272,424 | 98,694 |
| Total OPEB liability | <u>536,577</u> | <u>54,975</u> | | <u>591,552</u> | |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 13,926,764</u> | <u>\$ 270,014</u> | <u>\$ 1,752,305</u> | <u>\$ 12,444,473</u> | <u>\$ 1,764,216</u> |

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

A schedule of governmental activities bonds payable as of June 30, 2019 is presented below:

| Description | Principal Amount Payable |
|--|---|
| \$2,305,000 of general obligation bonds issued December 9, 2009 and maturing serially to December 1, 2019 at an interest rate of 3.49% | \$ 250,000 |
| \$6,205,000 of school improvement and general obligation bonds issued on September 8, 2011 and maturing serially to May 15, 2023 at an interest rate of 2-4% | 1,985,000 |
| \$2,315,000 of general obligation bonds issued September 8, 2011 and maturing serially to September 1, 2021 at an interest rate of 2-3% | 585,000 |
| \$908,774 of Clean Water Loans issued July 31, 2007 and maturing serially to April 30, 2023 at an interest rate of 2% | 344,355 |
| \$8,151,743 of Clear Water Loans issued October 31, 2010 and maturing serially to September 30, 2030 at an interest rate of 2% | 4,981,608 |
| \$613,583 of Clean Water Loans issued May 31, 2015 and maturing serially to December 31, 2034 at an interest rate of 2% | 502,919 |
| \$2,343,844 of Clean Water Loans issued October 31, 2017 and maturing serially to April 30, 2037 at an interest rate of 2% | <u>2,169,684</u> |
| Total | \$ <u><u>10,818,566</u></u> |

The following is a schedule of long-term debt maturities as of June 30, 2019:

| Year Ending June 30 | Amount Due | |
|----------------------------|------------------------------------|-----------------------------------|
| | Principal | Interest |
| 2020 | \$ 1,523,553 | \$ 246,825 |
| 2021 | 1,285,231 | 207,434 |
| 2022 | 1,292,144 | 173,421 |
| 2023 | 1,104,298 | 138,542 |
| 2024 | 626,747 | 106,543 |
| 2025-2029 | 3,131,021 | 344,291 |
| 2030-2034 | 1,438,458 | 92,669 |
| 2035-2037 | <u>417,114</u> | <u>11,835</u> |
| Total | \$ <u><u>10,818,566</u></u> | \$ <u><u>1,321,560</u></u> |

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Clean Water Fund Loan

The Town’s Sewer fund is funded by the State of Connecticut Clean Water Fund 2% Loan and Grant program. The Town permanently financed Phase III of this loan as of October 31, 2017 and recorded the related loan proceeds in the Sewer fund. This is now carried as long-term debt and is included in the preceding debt tables above.

The Town’s indebtedness does not exceed the legal debt limitations as established by Connecticut General Statutes as reflected in the following schedule (in thousands):

| <u>Category</u> | <u>Debt Limit</u> | <u>Net Indebtedness</u> | <u>Balance</u> |
|-----------------|-------------------|-----------------------------|----------------|
| General Purpose | \$ 46,386 | \$ 1,985 | \$ 44,401 |
| Schools | 92,772 | 4,079 | 88,693 |
| Sewers | 77,310 | 7,999 | 69,311 |
| Urban renewal | 67,002 | - | 67,002 |
| Pension deficit | 61,848 | - | 61,848 |

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$149,870,000.

Marlborough is a member of Regional School District #8, which provides education for grades seven through twelve for the towns of Marlborough, Andover and Hebron. As of June 30, 2019, the District has bonds outstanding of \$10,100,000. The Town of Marlborough’s share will be approximately 32%. These are general obligations of Regional School District #8 and its member towns.

9. CAPITAL LEASES

The Town entered into a lease agreement for the financing of a truck, loader and air packs. The lease agreement qualifies as a capital lease for accounting purposes (titles transfer at the end of lease term) and, therefore, has been recorded at the present value of future minimum lease payments as of the date of its inception:

| | |
|-------------------------------|--------------------------|
| Asset: | |
| Furniture and equipment | \$ 682,008 |
| Less accumulated depreciation | <u>(104,287)</u> |
| Total | <u><u>\$ 577,721</u></u> |

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

The following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments at June 30, 2019:

Fiscal Year Ending June 30

| | |
|--|-------------------|
| 2020 | \$ 107,110 |
| 2021 | 107,110 |
| 2022 | 38,238 |
| 2023 | <u>38,238</u> |
| Total future minimum lease payments | 290,696 |
| Interest on future lease payments | <u>(18,272)</u> |
| Principal Balance of Future Minimum Payments | <u>\$ 272,424</u> |

10. OTHER POSTEMPLOYMENT BENEFITS

Town Plan

A. Plan Description

The Town, in accordance with the various collective bargaining agreements, is required to provide health benefits to certain eligible retirees and/or their spouses. The Other Postemployment Benefit (OPEB) program covers the Board of Education’s teachers and administrators. Retired but not yet Medicare-eligible members and/or their dependents currently receiving benefits are required to contribute towards the cost of receiving those benefits under the Town’s fully insured health insurance plans. The contribution paid by the retirees and/or their dependents for these benefits varies based on plan selection as detailed within the Town’s various bargaining agreements. The Town does not issue a separate stand-alone financial statement for this program.

At July 1, 2017, plan membership consisted of the following:

| | |
|---|-----------|
| Inactive employees currently receiving benefit payments | 2 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | <u>47</u> |
| Total | <u>49</u> |

B. Funding Policy

The Town funding and payment of postemployment benefits are accounted for in the General Fund. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits. The Town does not currently have a funding strategy to provide for normal cost and the amortization of the accrued liability.

The Town’s decision to not fund the liability is based on the following:

- Eligibility for benefits includes the earlier of age 55 with 20 years of service or 25 years of service.
- Retirees and spouses contribute 100% of the premium. Benefits valued are equal to the implicit rate subsidy.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

Total OPEB Liability

The Town's total OPEB liability of \$591,552 was measured as of June 30, 2019 and was determined by an actuarial valuation as July 1, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined in the June 30, 2017 actuarial valuation using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|--|--|
| Inflation | 2.60% |
| Salary increases | 2.60%, average, including inflation |
| Discount rate | 3.51% |
| Healthcare cost trend rates | 7.00 % for 2017, decreasing 0.5% per year to an ultimate rate of 4.6% for 2022 and later years |
| Retirees' share of benefit-related costs | 100% of projected health insurance premiums for retirees |

The discount rate was based on the 20-year AA municipal bond index.

Mortality rates were based on RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for nonannuitants and annuitants, projected to the valuation date with Scale BB.

The actuarial assumptions used in the July 1, 2017 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|---------------------------------|
| Balances as of July 1, 2018 | \$ <u>536,577</u> |
| Changes for the year: | |
| Service cost | 18,039 |
| Interest on total OPEB liability | 21,449 |
| Difference between expected and actual experience | (9,282) |
| Changes in assumptions or other inputs | 25,532 |
| Benefit payments | <u>(763)</u> |
| Net changes | <u>54,975</u> |
| Balances as of June 30, 2019 | \$ <u><u>591,552</u></u> |

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|----------------------|--------------------|--------------------------------------|--------------------|
| Total OPEB Liability | \$ 670,910 | \$ 591,552 | \$ 524,093 |

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.0% decreasing to 3.6%) or 1 percentage point higher (8.0% decreasing to 5.6%) than the current healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Healthcare Cost Trend Rates</u> | <u>1% Increase</u> |
|----------------------|--------------------|--|--------------------|
| Total OPEB Liability | \$ 502,621 | \$ 591,552 | \$ 700,238 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$36,673. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 1,342 | \$ 8,604 |
| Changes of assumptions | 23,668 | 17,266 |
| Total | <u>\$ 25,010</u> | <u>\$ 25,870</u> |

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30

| | | |
|------------|----|-------|
| 2020 | \$ | (175) |
| 2021 | | (175) |
| 2022 | | (175) |
| 2023 | | (175) |
| 2024 | | (175) |
| Thereafter | | 15 |

State Teachers Retirement Plan

A. Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers’ Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost sharing multiple-employer defined benefit other post employment benefit plan administered by the Teachers’ Retirement Board (TRB), if they choose to be covered.

Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

B. Benefit Provisions

There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplement Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

Any member who is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree’s share of the cost of coverage, and any remaining portion is used to offset the district’s cost. The subsidy amount is set by statute and has not increased since July 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost and contributes at least \$220 per month towards coverage under a local school district plan.

Any member who is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplement Plans. Effective July 1, 2018, the System added a Medicare Advantage Plan option. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits) under the Medicare Advantage Plan. Retired members who choose to enroll in the Medicare Supplement Plan are responsible for the full difference in the premium cost between the two plans. Additionally, effective July 1, 2018, retired members who cancel their health care coverage or elect to not enroll in a CTRB sponsored health care coverage option must wait two years to re-enroll.

Survivor Health Care Coverage

Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplement Plans, as long as they do not remarry.

C. Eligibility

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

Credited Service

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement if the member pays one-half the cost.

Normal Retirement

Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

Early Retirement

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

Proratable Retirement

Age 60 with 10 years of Credited Service

Disability Retirement

No service requirement if incurred in the performance of duty, and 5 years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

D. Contributions

State of Connecticut

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The State contributions are not currently actuarially funded. The State appropriates from the General Fund one third of the annual costs of the Plan. Administrative costs of the Plan are financed by the State. Based upon Chapter 167a, Subsection D of Section 10-183t of the Connecticut statutes, it is assumed the State will pay for any long-term shortfall arising from insufficient active member contributions.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

Employees

Each member is required to contribute 1.25% of their annual salary up to \$500,000. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

E. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the Town was as follows:

| | | |
|--|----|-------------------------|
| Town's proportionate share of the net OPEB liability | \$ | - |
| State's proportionate share of the net OPEB liability associated with the Town | | <u>2,582,226</u> |
| Total | \$ | <u><u>2,582,226</u></u> |

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2018. At June 30, 2019, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2019, the Town recognized OPEB expense and revenue of \$(857,814) in Exhibit II.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

F. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.75% |
| Health care costs trend rate | |
| Pre-Medicare | 5.95% decreasing to 4.75% by 2025 |
| Medicare | 5.00% decreasing to 4.75% by 2028 |
| Salary increases | 3.25-6.50%, including inflation |
| Investment rate of return | 3.00%, net of OPEB plan investment expense, including inflation |
| Year fund net position will be depleted | 2019 |

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) over age 80. For disabled retirees, mortality rates were based on the RPH-2014 Disabled Mortality Table projected to 2020 using the BB improvement scale.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.27%).

G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination.

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate

The Town's proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

I. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

11. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There are no significant reductions in insurance coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

12. CONTINGENT LIABILITIES

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town's management, based on the advice of counsel, believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Connecticut Teachers Retirement System - Pension

A. Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

B. Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019**

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

C. Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are approved, amended and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

School District employers are not required to make contributions to the plan.

The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

| | | |
|---|----|--------------------------|
| Town's proportionate share of the net pension liability | \$ | - |
| State's proportionate share of the net pension liability associated with the Town | | <u>12,917,254</u> |
| Total | \$ | <u><u>12,917,254</u></u> |

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at June 30, 2018. At June 30, 2019, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2019, the Town recognized pension expense and revenue of \$1,449,734 in Exhibit II.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 2.75% |
| Salary increase | 3.25-6.50%, including inflation |
| Investment rate of return | 8.00%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increased rates (5% for females and 8% for males) over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

For teachers who were members of the Teachers' Retirement System before July 1, 2007 and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Large Cap U.S equities | 21.0% | 5.8% |
| Developed non-U.S. equities | 18.0% | 6.6% |
| Emerging markets (non-U.S.) | 9.0% | 8.3% |
| Core fixed income | 7.0% | 1.3% |
| Inflation linked bond fund | 3.0% | 1.0% |
| Emerging market bond | 5.0% | 3.7% |
| High yield bonds | 5.0% | 3.9% |
| Real estate | 7.0% | 5.1% |
| Private equity | 11.0% | 7.6% |
| Alternative investments | 8.0% | 4.1% |
| Liquidity fund | 6.0% | 0.4% |
| Total | <u>100.0%</u> | |

F. Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The Town's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

H. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

14. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2019 are as follows:

| | General Fund | Major Special Revenue Funds | | Nonmajor Governmental Funds | Total |
|--|-----------------|--------------------------------|--------------------------------|-----------------------------------|--------------|
| | | CNR | MWPCA Benefit Assessment | | |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Inventory | \$ | \$ | \$ | \$ 3,575 | \$ 3,575 |
| Restricted for: | | | | | |
| Open space recreation land | | 42,882 | | | 42,882 |
| Unspent grant balances | | | | 628,819 | 628,819 |
| Sewer operations | | | 428,236 | | 428,236 |
| Committed to: | | | | | |
| Revaluation | | 48,164 | | | 48,164 |
| Plan of Development | | 5,048 | | | 5,048 |
| Security Upgrades Town Facilities | | 3,076 | | | 3,076 |
| Energy Improvements Town Hall | | 1,122 | | | 1,122 |
| Parking Lot - Library | | 2 | | | 2 |
| Roof - Food Bank | | 4,300 | | | 4,300 |
| Police Vehicle | | 38,400 | | | 38,400 |
| Fire Department - Reserve | | 25,000 | | | 25,000 |
| ADA Compliance - Blish Park | | 17,600 | | | 17,600 |
| Finley Hill Over Flat Brook Construction | | 62,937 | | | 62,937 |
| Engineering-Fawn Brook Bridge | | 268,484 | | | 268,484 |
| Design and Eng. Jones Hollow Bridge | | 253,220 | | | 253,220 |
| Capital Design and Engineering | | 86,321 | | | 86,321 |
| South Main St Repaving Proj. (LOTICIP Ph I) | | 1,183 | | | 1,183 |
| South Main St Repaving Proj. (LOTICIP Ph II) | | 9,012 | | | 9,012 |
| Public Works Reserve | | 115,000 | | | 115,000 |
| Metal Building Improvements - Public Works | | 8,292 | | | 8,292 |
| Guardrails around Dumpsters - Transfer Station | | 393 | | | 393 |
| SCAG Mower | | 1,414 | | | 1,414 |
| Toro Mower | | 36,530 | | | 36,530 |
| Roof Replacement Plan (multi-year) - BOE | | 10,000 | | | 10,000 |
| Other Capital Projects | | 76,966 | | | 76,966 |
| General government | | 73,061 | | 58,456 | 131,517 |
| Public works | | | | 224,940 | 224,940 |
| WPCA reserve | | | | 19,721 | 19,721 |
| WPCA | | | | 173,507 | 173,507 |
| Parks and recreation | | | | 74,792 | 74,792 |
| Education | | | | 43,366 | 43,366 |
| Assigned to: | | | | | |
| Subsequent year's budget | 375,000 | | | | 375,000 |
| General government | 5,310 | | | | 5,310 |
| Public safety | 7,185 | | | | 7,185 |
| Public works | 33,903 | | | | 33,903 |
| Health and welfare | 1,950 | | | | 1,950 |
| Parks and recreation | 1,650 | | | | 1,650 |
| Unassigned | 4,208,002 | 53,656 | | | 4,261,658 |
| Total Fund Balances | \$ 4,633,000 | \$ 1,242,063 | \$ 428,236 | \$ 1,227,176 | \$ 7,530,475 |

Encumbrances of \$49,998, \$20,728 and \$53,722 at June 30, 2019 are contained in the above table in the assigned categories of the General Fund, the restricted and committed categories of the CNR fund, and the committed category of the Nonmajor Governmental Funds, respectively.

15. JOINT VENTURES

Regional School District 8 Health and Medical Insurance Consortium

The Town of Marlborough and the Marlborough Board of Education is a member of the Regional School District 8 Health and Medical Insurance Consortium (the Consortium). The members consist of the Town of Andover, the Town of Hebron, the Town of Marlborough (collectively, the Towns), the Andover Board of Education, the Hebron Board of Education, the Marlborough Board of Education (collectively, the Boards), Connecticut Regional School District Number 8 (RHAM) and Andover, Hebron and Marlborough Youth and Family Services (AHM). Pursuant to Connecticut Public Act 10-174, a municipality or local or regional board of education may join together with any combination of other municipalities and local or regional boards of education by written agreement as a single entity for the purpose of providing medical or health care benefits for their employees and eligible retirees (Enrollees). The Consortium collectively procures health care insurance for their respective enrollees in a manner designed to stabilize and contain the cost of such insurance. Effective July 1, 2017, the Consortium members share the claims risk associated with being self-insured. Each entity deposits their monthly premium in the Consortium bank account. Each fiscal year, the Consortium is audited by an independent auditor. Any withdrawing member shall be responsible for its pro rata share of any plan deficit that exists on the date of the withdrawal.

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Property taxes: | | | | |
| Current year levy | \$ 21,020,988 | \$ 21,020,988 | \$ 21,221,223 | \$ 200,235 |
| Prior years' collection | 110,000 | 110,000 | 105,412 | (4,588) |
| Interest, lien fees and other | 88,000 | 88,000 | 98,999 | 10,999 |
| Total property taxes | <u>21,218,988</u> | <u>21,218,988</u> | <u>21,425,634</u> | <u>206,646</u> |
| Intergovernmental revenues: | | | | |
| State of Connecticut: | | | | |
| Veterans exemption | 1,460 | 1,460 | 2,461 | 1,001 |
| Disability exemption | 690 | 690 | 701 | 11 |
| Civil preparedness | 2,500 | 2,500 | 3,215 | 715 |
| In lieu of taxes on state property | | | 14,788 | 14,788 |
| Miscellaneous state grants | 6,500 | 6,500 | 8,579 | 2,079 |
| Mashantucket Pequot grant | 1,807 | 1,807 | 1,807 | |
| Municipal stabilization grant | 17,011 | 17,011 | 48,977 | 31,966 |
| Educational programs: | | | | |
| Educational cost sharing | <u>2,657,829</u> | <u>2,657,829</u> | <u>2,990,807</u> | <u>332,978</u> |
| Total intergovernmental revenues | <u>2,687,797</u> | <u>2,687,797</u> | <u>3,071,335</u> | <u>383,538</u> |
| Local revenues: | | | | |
| Licenses, fees, permits and charges for services: | | | | |
| Real estate conveyance tax | 68,000 | 68,000 | 66,727 | (1,273) |
| Conservation/farm land | 2,500 | 2,500 | 2,398 | (102) |
| Building permits | 85,000 | 85,000 | 84,102 | (898) |
| Recording fees and sports licenses | 31,000 | 31,000 | 27,460 | (3,540) |
| Photo copier fees | 6,000 | 6,000 | 6,791 | 791 |
| Miscellaneous | 25,000 | 25,000 | 52,939 | 27,939 |
| Telephone tax share | 9,000 | 9,000 | 8,707 | (293) |
| Total licenses, fees, permits and charges for services | <u>226,500</u> | <u>226,500</u> | <u>249,124</u> | <u>22,624</u> |
| Investment income | <u>35,000</u> | <u>35,000</u> | <u>94,845</u> | <u>59,845</u> |

(Continued on next page)

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-----------------------------|-----------------------------|-----------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Transfers from other funds | \$ <u>357,209</u> | \$ <u>357,209</u> | \$ <u>405,016</u> | \$ <u>47,807</u> |
| Use of fund balance | <u>100,000</u> | <u>100,000</u> | - | <u>(100,000)</u> |
| Total | \$ <u><u>24,625,494</u></u> | \$ <u><u>24,625,494</u></u> | 25,245,954 | \$ <u><u>620,460</u></u> |
| Budgetary revenues are different than GAAP revenues because: | | | | |
| State of Connecticut pension expense | | | 1,449,734 | |
| State of Connecticut OPEB income | | | (857,814) | |
| The Town budgets for excess cost grant revenues as an offset to education expenditures, rather than revenue | | | 91,955 | |
| Capital lease issuance | | | 177,497 | |
| Cancellation of prior year encumbrances are recognized as budgetary revenue | | | (14,933) | |
| School security infrastructure grant proceeds are not budgeted | | | 13,806 | |
| Dog license fund revenues are not budgeted | | | <u>3,813</u> | |
| Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV | | | \$ <u><u>26,110,012</u></u> | |

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| General government: | | | | |
| Selectmen | \$ 1,800 | \$ 2,634 | \$ 2,633 | \$ 1 |
| Town Clerk | 19,600 | 18,766 | 17,820 | 946 |
| Tax Collector | 15,257 | 15,014 | 14,053 | 961 |
| Treasurer | 12,410 | 12,653 | 12,646 | 7 |
| Election expenses | 11,385 | 11,385 | 7,889 | 3,496 |
| Town Counsel | 77,000 | 132,540 | 132,539 | 1 |
| Assessor | 15,993 | 15,993 | 14,549 | 1,444 |
| Appointed personnel | 1,577,955 | 1,577,955 | 1,364,794 | 213,161 |
| Town Hall | 78,419 | 80,054 | 78,419 | 1,635 |
| Administrative expenses | 210,340 | 192,825 | 187,883 | 4,942 |
| Land Use Department | 7,180 | 7,180 | 5,293 | 1,887 |
| Library Building | 35,137 | 33,818 | 32,918 | 900 |
| Senior Center Building | 35,952 | 35,229 | 33,135 | 2,094 |
| Commission on Aging Operating | 50 | 50 | | 50 |
| Economic Development Committee | 4,125 | 4,125 | 2,000 | 2,125 |
| Board of Finance | 16,750 | 16,750 | 16,417 | 333 |
| Board of Assessment Appeal | 480 | 480 | 480 | - |
| Lake Study Advisory | 10,200 | 10,200 | 10,038 | 162 |
| Contingency | 100,000 | 56,500 | | 56,500 |
| Capital Region Council on Governments | 7,329 | 7,329 | 7,329 | - |
| Connecticut Conference of Municipalities | 3,836 | 3,836 | 3,836 | - |
| Connecticut Conference of Small Towns | 825 | 825 | 825 | - |
| Renters Rebate Program | 11,500 | 11,500 | | 11,500 |
| Total general government | <u>2,253,523</u> | <u>2,247,641</u> | <u>1,945,496</u> | <u>302,145</u> |
| Public safety: | | | | |
| Fire Commissioners | 39,067 | 39,067 | 37,086 | 1,981 |
| Fire Department | 101,696 | 106,947 | 101,765 | 5,182 |
| Firehouse #2 | 43,424 | 45,361 | 45,292 | 69 |
| Public Safety | 371,514 | 364,326 | 336,669 | 27,657 |
| Civil Preparedness | 6,908 | 6,908 | 5,901 | 1,007 |
| Emergency Dispatch 911 | 12,860 | 12,860 | 12,860 | - |
| Paramedic Service - Middlesex Hospital | 6,430 | 6,430 | 1,904 | 4,526 |
| North Central CT EMS Council | 5,731 | 5,731 | 5,731 | - |
| Total public safety | <u>587,630</u> | <u>587,630</u> | <u>547,208</u> | <u>40,422</u> |
| Public works: | | | | |
| Town Garage | 873,370 | 834,483 | 825,206 | 9,277 |
| General maintenance roads | 169,000 | 169,000 | 167,142 | 1,858 |
| Snow removal and sanding | 175,000 | 170,963 | 135,629 | 35,334 |
| Tree Warden | 15,500 | 63,037 | 62,612 | 425 |
| Contracted services operating | 93,795 | 105,295 | 101,816 | 3,479 |
| Sanitation/landfill | 186,725 | 174,849 | 165,243 | 9,606 |
| Total public works | <u>1,513,390</u> | <u>1,517,627</u> | <u>1,457,648</u> | <u>59,979</u> |

(Continued on next page)

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
|--|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| Health and welfare: | | | | |
| Health services | \$ 448 | \$ 448 | \$ 448 | \$ - |
| Agent for the Aged | 24,070 | 24,070 | 13,997 | 10,073 |
| Food Bank | 5,800 | 6,207 | 6,177 | 30 |
| Chatham Health District | 71,438 | 71,438 | 71,438 | - |
| Cemeteries | 1,500 | 1,500 | 137 | 1,363 |
| AHM | 79,938 | 79,938 | 79,938 | - |
| Total health and welfare | <u>183,194</u> | <u>183,601</u> | <u>172,135</u> | <u>11,466</u> |
| Parks and recreation: | | | | |
| Parks and Recreation Commission | 83,995 | 83,995 | 81,556 | 2,439 |
| Memorial day | 900 | 900 | 900 | - |
| Salmon River Watershed Partnership | 5,000 | 5,000 | 5,000 | - |
| Total parks and recreation | <u>89,895</u> | <u>89,895</u> | <u>87,456</u> | <u>2,439</u> |
| Education: | | | | |
| Elementary Education | 7,294,497 | 7,294,497 | 7,292,936 | 1,561 |
| Transfer to Regional School District #8 | 9,415,889 | 9,415,889 | 9,415,889 | - |
| Total education | <u>16,710,386</u> | <u>16,710,386</u> | <u>16,708,825</u> | <u>1,561</u> |
| Libraries: | | | | |
| Richmond Memorial Library | 340,168 | 340,168 | 340,168 | - |
| Debt service: | | | | |
| Principal | 1,700,043 | 1,701,281 | 1,701,277 | 4 |
| Interest | 288,599 | 288,599 | 288,596 | 3 |
| Total debt service | <u>1,988,642</u> | <u>1,989,880</u> | <u>1,989,873</u> | <u>7</u> |
| Total expenditures | <u>23,666,828</u> | <u>23,666,828</u> | <u>23,248,809</u> | <u>418,019</u> |

(Continued on next page)

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|-------------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Transfers to other funds: | | | | |
| CNR | \$ 937,643 | \$ 937,643 | \$ 937,643 | \$ - |
| Dog Fund | 12,500 | 12,500 | 8,000 | 4,500 |
| Probate Court | 8,523 | 8,523 | 8,523 | - |
| Total transfers to other funds | <u>958,666</u> | <u>958,666</u> | <u>954,166</u> | <u>4,500</u> |
| Total | \$ <u>24,625,494</u> | \$ <u>24,625,494</u> | 24,202,975 | \$ <u>422,519</u> |
| Budgetary expenditures are different than GAAP revenues because: | | | | |
| State of Connecticut pension expense | | | 1,449,734 | |
| State of Connecticut OPEB income | | | (857,814) | |
| Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes | | | 127,062 | |
| The Town budgets for excess cost grant revenues as an offset to education expenditures, rather than revenue | | | 91,955 | |
| Capital lease issuance | | | 177,497 | |
| Payroll recorded on a cash basis for budgetary purposes - change in accrual | | | 9,446 | |
| Transfers to the Dog Fund are budgetary other financing uses, but are eliminated for financial reporting purposes as the Dog Fund is consolidated with the General Fund | | | (8,000) | |
| School security infrastructure grant proceeds are not budgeted | | | 13,806 | |
| Dog Fund expenditures are not budgeted | | | <u>10,297</u> | |
| Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds - Exhibit IV | | | \$ <u>25,216,958</u> | |

TOWN OF MARLBOROUGH, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST FIVE FISCAL YEARS*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Town's proportion of the net pension liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Town's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated with the Town | <u>10,061,640</u> | <u>10,899,807</u> | <u>14,290,313</u> | <u>13,545,222</u> | <u>12,917,254</u> |
| Total | <u>\$ 10,061,640</u> | <u>\$ 10,899,807</u> | <u>\$ 14,290,313</u> | <u>\$ 13,545,222</u> | <u>\$ 12,917,254</u> |
| Town's covered payroll | \$ 3,797,276 | \$ 4,002,228 | \$ 3,937,913 | \$ 4,039,864 | \$ 3,919,900 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.51% | 59.50% | 52.26% | 55.93% | 57.69% |

Notes to Schedule

Changes in benefit terms Beginning January 1, 2018, member contributions increased from 6% to 7% of salary.
Changes of assumptions During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015.

| | |
|---------------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level percent of salary, closed |
| Single equivalent amortization period | 17.6 years |
| Asset valuation method | 4-year smoothed market |
| Investment rate of return | 8.00%, net of investment-related expense |

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

TOWN OF MARLBOROUGH, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT PLAN
LAST TWO FISCAL YEARS*

| | <u>2018</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Town's proportion of the net OPEB liability | 0.00% | 0.00% |
| Town's proportionate share of the net OPEB liability | \$ - | \$ - |
| State's proportionate share of the net OPEB liability associated with the Town | <u>3,486,396</u> | <u>2,582,226</u> |
| Total | <u>\$ 3,486,396</u> | <u>\$ 2,582,226</u> |
| Town's covered payroll | \$ 4,039,864 | \$ 3,919,900 |
| Town's proportionate share of the net OPEB liability as a percentage of its covered payroll | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 1.79% | 1.49% |

Notes to Schedule

| | |
|-------------------------------|--|
| Changes in benefit terms | Effective July 1, 2018, Medicare Advantage Plan was added to available options, changed the base plan to the Medicare Advantage Plan for the purposes of determining retiree subsidies and/or cost sharing amounts, and introduced a two-year waiting period for re-enrollment in a System-sponsored Plan for those who cancel their coverage or choose not to enroll after the effective date. |
| Changes of assumptions | <p>The expected rate of return on assets was changed from 2.75% to 3.00% to better reflect the anticipated returns on cash and other high quality short-term fixed income investments.</p> <p>Based on the procedure described in GASB 75, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2018 was updated to equal the Municipal Bond Index Rate as of June 30, 2018. The System selected the 3.87% discount rate used to measure the Total OPEB Liability as of the June 30, 2018 measurement date</p> <p>Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on July 1, 2018.</p> <p>The assumed age-related annual percentage increases in expected annual per capita health care claim costs were updated to better reflect the expected differences between the Medicare Supplement and Medicare Advantage Plan amounts as part of the plan change that became effective on July 1, 2018.</p> <p>Long-term health care cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods.</p> <p>The percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a System-sponsored health care plan option in the future, was updated to better reflect anticipated plan experience.</p> <p>The percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options, as well as the portion who are expected to migrate to the Medicare Advantage Plan over the next several years, were updated to better reflect anticipated plan experience after the plan change that became effective on July 1, 2018.</p> <p>The post-disability mortality table was updated to extend the period of projected mortality improvements from 2017 to 2020. This change was made to better reflect anticipated post-disablement plan experience.</p> <p>The percentages of deferred, vested members who will become ineligible for future health care benefits because they are expected to withdraw their contributions from the System was updated to better reflect anticipated plan experience.</p> |
| Actuarial cost method | Entry age |
| Amortization method | Level percent of payroll |
| Remaining amortization period | 30 years, open |
| Asset valuation method | Market value of assets |
| Investment rate of return | 4.25%, net of investment-related expense including price inflation |

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF MARLBOROUGH, CONNECTICUT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TOWN OPEB PLAN
LAST TWO FISCAL YEARS***

| | <u>2018</u> | <u>2019</u> |
|--|-----------------------|-----------------------|
| Total OPEB liability: | | |
| Service cost | \$ 18,264 | \$ 18,039 |
| Interest | 19,474 | 21,449 |
| Differences between expected and actual experience | 1,572 | (9,282) |
| Changes of assumptions and other inputs | (20,218) | 25,532 |
| Benefit payments | <u>(16,247)</u> | <u>(763)</u> |
| Net change in total OPEB liability | 2,845 | 54,975 |
| Total OPEB liability - beginning | <u>533,732</u> | <u>536,577</u> |
| Total OPEB Liability - Ending | <u>\$ 536,577</u> | <u>\$ 591,552</u> |
| Covered payroll | \$ 4,084,506 | \$ 4,190,703 |
| Total OPEB liability as a percentage of covered payroll | 13.14% | 14.12% |

* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2019 AND 2018**

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 5,016,451 | \$ 3,936,841 |
| Property taxes receivable, net of allowance for doubtful accounts of \$55,820 in 2019 and \$50,570 in 2018 | 194,714 | 179,151 |
| Other accounts receivable | 86,837 | 79,651 |
| Due from other funds | <u>2,585</u> | <u>24,142</u> |
| Total Assets | <u>\$ 5,300,587</u> | <u>\$ 4,219,785</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 428,532 | \$ 225,861 |
| Due to other funds | <u>7,469</u> | <u>32,817</u> |
| Total liabilities | <u>436,001</u> | <u>258,678</u> |
| Deferred inflows of resources: | | |
| Unavailable revenue - property taxes | <u>231,586</u> | <u>221,161</u> |
| Fund balance: | | |
| Assigned | 424,998 | 263,446 |
| Unassigned | <u>4,208,002</u> | <u>3,476,500</u> |
| Total fund balance | <u>4,633,000</u> | <u>3,739,946</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 5,300,587</u> | <u>\$ 4,219,785</u> |

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2019**

| Grand List | Uncollected Taxes July 1, 2018 | Lawful Corrections | | Transfers To Suspense | Adjusted Taxes Collectible | Collections | | | Uncollected Taxes June 30, 2019 |
|------------|-----------------------------------|--------------------|----------------------|--------------------------|-------------------------------|----------------------|------------------|----------------------|------------------------------------|
| | | Additions | Deductions | | | Taxes | Interest | Total | |
| 2017 | \$ 21,424,397 | \$ 20,797 | \$ 75,884 | \$ 8,056 | \$ 21,361,254 | \$ 21,217,311 | \$ 66,640 | \$ 21,283,951 | \$ 143,943 |
| 2016 | 136,172 | 1,347 | 7,805 | 7,494 | 122,220 | 64,447 | 15,273 | 79,720 | 57,773 |
| 2015 | 48,066 | 105 | 386 | 10,399 | 37,386 | 10,923 | 6,100 | 17,023 | 26,463 |
| 2014 | 18,247 | 166 | 423 | 1,550 | 16,440 | 5,752 | 4,114 | 9,866 | 10,688 |
| 2013 | 14,695 | | 376 | 2,118 | 12,201 | 5,449 | 2,767 | 8,216 | 6,752 |
| 2012 | 4,702 | | | 1,191 | 3,511 | 617 | 531 | 1,148 | 2,894 |
| 2011 | 2,173 | | | 1,163 | 1,010 | 463 | 249 | 712 | 547 |
| 2010 | 2,995 | | | 2,093 | 902 | 123 | 46 | 169 | 779 |
| 2009 | 372 | | | 288 | 84 | | | - | 84 |
| 2008 | 512 | | | 332 | 180 | | | - | 180 |
| 2007 | 205 | | | 46 | 159 | (20) | | (20) | 179 |
| 2006 | 724 | | | 567 | 157 | | | - | 157 |
| 2005 | 443 | | | 608 | (165) | | | - | (165) |
| 2004 | 801 | | | 92 | 709 | | | - | 709 |
| 2003 | (449) | | | | (449) | | | - | (449) |
| | <u>\$ 21,654,055</u> | <u>\$ 22,415</u> | <u>\$ 84,874</u> | <u>\$ 35,997</u> | <u>\$ 21,555,599</u> | <u>\$ 21,305,065</u> | <u>\$ 95,720</u> | 21,400,785 | <u>\$ 250,534</u> |
| | | | Liens and penalties | | | | | 996 | |
| | | | Suspense collections | | | | | 7,179 | |
| | | | Total Collections | | | | | <u>\$ 21,408,960</u> | |

**TOWN OF MARLBOROUGH, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019**

| | Special Revenue Funds | | | | | | | |
|---|-----------------------|---------------------------------------|----------------------------|---------------------|------------------|------------------|----------------------------|--------------|
| | Small Cities | Board of Education User Fees | Special Purpose Fund | Town Aid Road | Recycling | Cafeteria | Parks and Recreation | Sewer |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 127,199 | \$ | \$ 49,822 | \$ 457,234 | \$ 55,851 | \$ 52,530 | \$ 90,396 | \$ 11 |
| Accounts receivable | 307,777 | | | | 1,109 | 7,988 | | |
| Due from other funds | | | 7,469 | | | | | |
| Inventory | | | | | | 3,575 | | |
| Total Assets | \$ 434,976 | \$ - | \$ 57,291 | \$ 457,234 | \$ 56,960 | \$ 64,093 | \$ 90,396 | \$ 11 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ | \$ | \$ | \$ | \$ 1,540 | \$ 12,907 | \$ 1,726 | \$ |
| Due to other funds | | | | | | | 2,524 | 11 |
| Unearned revenue | 12,405 | | 500 | | | 4,245 | 11,354 | |
| Total liabilities | 12,405 | - | 500 | - | 1,540 | 17,152 | 15,604 | 11 |
| Deferred Inflows of Resources: | | | | | | | | |
| Unavailable revenue - special assessments | | | | | | | | |
| Unavailable revenue - CDBG loans receivable | 307,777 | | | | | | | |
| Total deferred inflows of resources | 307,777 | - | - | - | - | - | - | - |
| Fund Balances: | | | | | | | | |
| Nonspendable | | | | | | 3,575 | | |
| Restricted | 114,794 | | 56,791 | 457,234 | | | | |
| Committed | | | | | 55,420 | 43,366 | 74,792 | |
| Total fund balances | 114,794 | - | 56,791 | 457,234 | 55,420 | 46,941 | 74,792 | - |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 434,976 | \$ - | \$ 57,291 | \$ 457,234 | \$ 56,960 | \$ 64,093 | \$ 90,396 | \$ 11 |

(Continued on next page)

TOWN OF MARLBOROUGH, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (CONTINUED)
 JUNE 30, 2019

| | Special Revenue Funds | | | | | | | Total Nonmajor Governmental Funds |
|---|---|-----------------------|-------------------|--|------------------|---|-------------------------|--|
| | Land Acquisition and Improvement | Educational Grants | Sub-Division | WPCA Operations and Maintenance | Probate Court | Marlborough Municipal Water Fund | Miscellaneous Grants | |
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 16,850 | \$ 2,687 | \$ 195,952 | \$ 222,883 | \$ 10,401 | \$ 28,218 | \$ 14,233 | \$ 1,324,267 |
| Accounts receivable | | 13,536 | | 5,482 | | 5,697 | 31,817 | 373,406 |
| Due from other funds | | | | | | | | 7,469 |
| Inventory | | | | | | | | 3,575 |
| Total Assets | \$ 16,850 | \$ 16,223 | \$ 195,952 | \$ 228,365 | \$ 10,401 | \$ 33,915 | \$ 46,050 | \$ 1,708,717 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ | \$ | \$ 2,112 | \$ 29,605 | \$ 586 | \$ 2,124 | \$ 32,556 | \$ 83,156 |
| Due to other funds | | | 24,320 | 50 | | | | 26,905 |
| Unearned revenue | | 16,223 | | | | | 13,494 | 58,221 |
| Total liabilities | - | 16,223 | 26,432 | 29,655 | 586 | 2,124 | 46,050 | 168,282 |
| Deferred Inflows of Resources: | | | | | | | | |
| Unavailable revenue - special assessments | | | | 5,482 | | | | 5,482 |
| Unavailable revenue - CDBG loans receivable | | | | | | | | 307,777 |
| Total deferred inflows of resources | - | - | - | 5,482 | - | - | - | 313,259 |
| Fund Balances: | | | | | | | | |
| Nonspendable | | | | | | | | 3,575 |
| Restricted | | | | | | | | 628,819 |
| Committed | 16,850 | | 169,520 | 193,228 | 9,815 | 31,791 | | 594,782 |
| Total fund balances | 16,850 | - | 169,520 | 193,228 | 9,815 | 31,791 | - | 1,227,176 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 16,850 | \$ 16,223 | \$ 195,952 | \$ 228,365 | \$ 10,401 | \$ 33,915 | \$ 46,050 | \$ 1,708,717 |

**TOWN OF MARLBOROUGH, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019**

| | Special Revenue Funds | | | | | | | |
|---|-----------------------|------------------------------|----------------------|-------------------|------------------|------------------|----------------------|-------------|
| | Small Cities | Board of Education User Fees | Special Purpose Fund | Town Aid Road | Recycling | Cafeteria | Parks and Recreation | Sewer |
| Revenues: | | | | | | | | |
| Intergovernmental revenues | \$ | \$ | \$ | \$ 212,342 | \$ | \$ 49,138 | \$ | \$ |
| Charges for services | | | | | 33,463 | 106,361 | 102,464 | |
| Income on investments | | | | | | | | |
| Miscellaneous | 61,449 | | 32,198 | | 13,551 | | | |
| Total revenues | <u>61,449</u> | <u>-</u> | <u>32,198</u> | <u>212,342</u> | <u>47,014</u> | <u>155,499</u> | <u>102,464</u> | <u>-</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | | | | | | | | |
| Public works | | | 50,066 | 165,524 | 38,892 | | | |
| Health and welfare | | | 5,111 | | | | | |
| Parks and recreation | | | 3,648 | | | | 89,717 | |
| Sewer operations | | | | | | | | |
| Education | | 3,545 | | | | 176,247 | | |
| Capital outlay | | | | | | | | |
| Total expenditures | <u>-</u> | <u>3,545</u> | <u>58,825</u> | <u>165,524</u> | <u>38,892</u> | <u>176,247</u> | <u>89,717</u> | <u>-</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>61,449</u> | <u>(3,545)</u> | <u>(26,627)</u> | <u>46,818</u> | <u>8,122</u> | <u>(20,748)</u> | <u>12,747</u> | <u>-</u> |
| Other Financing Sources (Uses): | | | | | | | | |
| Transfers in | | | | | | | | |
| Transfers out | | | | | | | | |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | 61,449 | (3,545) | (26,627) | 46,818 | 8,122 | (20,748) | 12,747 | - |
| Fund Balances at Beginning of Year | <u>53,345</u> | <u>3,545</u> | <u>83,418</u> | <u>410,416</u> | <u>47,298</u> | <u>67,689</u> | <u>62,045</u> | <u>-</u> |
| Fund Balances at End of Year | <u>\$ 114,794</u> | <u>\$ -</u> | <u>\$ 56,791</u> | <u>\$ 457,234</u> | <u>\$ 55,420</u> | <u>\$ 46,941</u> | <u>\$ 74,792</u> | <u>\$ -</u> |

(Continued on next page)

**TOWN OF MARLBOROUGH, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| | Special Revenue Funds | | | | | | | Total Nonmajor Governmental Funds |
|--|---|-----------------------|-------------------|--|------------------|---|-------------------------|--|
| | Land Acquisition and Improvement | Educational Grants | Sub-Division | WPCA Operations and Maintenance | Probate Court | Marlborough Municipal Water Fund | Miscellaneous Grants | |
| Revenues: | | | | | | | | |
| Intergovernmental revenues | \$ | \$ 178,312 | \$ | \$ | \$ | \$ | \$ 1,232,656 | \$ 1,672,448 |
| Charges for services | | | | 333,986 | 40,828 | 21,160 | | 638,262 |
| Income on investments | | | | | | | | |
| Miscellaneous | 11,750 | | | | | | | 118,948 |
| Total revenues | <u>11,750</u> | <u>178,312</u> | <u>-</u> | <u>333,986</u> | <u>40,828</u> | <u>21,160</u> | <u>1,232,656</u> | <u>2,429,658</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 37,738 | | | | 47,672 | | 4,500 | 89,910 |
| Public works | | | 58,868 | | | | 7,313 | 320,663 |
| Health and welfare | | | | | | | 16,183 | 21,294 |
| Parks and recreation | | | | | | | 14,381 | 107,746 |
| Sewer operations | | | | 254,673 | | 21,422 | | 276,095 |
| Education | | 178,312 | | | | | | 358,104 |
| Capital outlay | | | | | | | 1,190,279 | 1,190,279 |
| Total expenditures | <u>37,738</u> | <u>178,312</u> | <u>58,868</u> | <u>254,673</u> | <u>47,672</u> | <u>21,422</u> | <u>1,232,656</u> | <u>2,364,091</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(25,988)</u> | <u>-</u> | <u>(58,868)</u> | <u>79,313</u> | <u>(6,844)</u> | <u>(262)</u> | <u>-</u> | <u>65,567</u> |
| Other Financing Sources (Uses): | | | | | | | | |
| Transfers in | | | | | 8,523 | | | 8,523 |
| Transfers out | | | | (27,076) | | | | (27,076) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>(27,076)</u> | <u>8,523</u> | <u>-</u> | <u>-</u> | <u>(18,553)</u> |
| Net Change in Fund Balances | (25,988) | - | (58,868) | 52,237 | 1,679 | (262) | - | 47,014 |
| Fund Balances at Beginning of Year | <u>42,838</u> | <u>-</u> | <u>228,388</u> | <u>140,991</u> | <u>8,136</u> | <u>32,053</u> | <u>-</u> | <u>1,180,162</u> |
| Fund Balances at End of Year | <u>\$ 16,850</u> | <u>\$ -</u> | <u>\$ 169,520</u> | <u>\$ 193,228</u> | <u>\$ 9,815</u> | <u>\$ 31,791</u> | <u>\$ -</u> | <u>\$ 1,227,176</u> |

**TOWN OF MARLBOROUGH, CONNECTICUT
 AGENCY FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2019**

| | <u>Student Activity</u> | <u>Performance Bond</u> | <u>Total</u> |
|---------------------------|-----------------------------|-----------------------------|------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 17,944 | \$ 52,926 | \$ 70,870 |
| Due from other funds | <u> </u> | <u>24,320</u> | <u>24,320</u> |
| Total assets | <u>\$ 17,944</u> | <u>\$ 77,246</u> | <u>\$ 95,190</u> |
| Liabilities: | | | |
| Deposits held for others | <u>\$ 17,944</u> | <u>\$ 77,246</u> | <u>\$ 95,190</u> |

**TOWN OF MARLBOROUGH, CONNECTICUT
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2019**

| | <u>Balance July 1, 2018</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2019</u> |
|---------------------------------|---------------------------------|------------------|-------------------|----------------------------------|
| Performance Bond Account | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 53,634 | \$ 19,502 | \$ 20,210 | \$ 52,926 |
| Due from other funds | | <u>24,320</u> | | <u>24,320</u> |
| Total assets | <u>\$ 53,634</u> | <u>\$ 43,822</u> | <u>\$ 20,210</u> | <u>\$ 77,246</u> |
| Liabilities: | | | | |
| Due to student and other groups | <u>\$ 53,634</u> | <u>\$ 43,822</u> | <u>\$ 20,210</u> | <u>\$ 77,246</u> |
| Student Activity Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | <u>\$ 18,787</u> | <u>\$ 43,391</u> | <u>\$ 44,234</u> | <u>\$ 17,944</u> |
| Liabilities: | | | | |
| Due to student and other groups | <u>\$ 18,787</u> | <u>\$ 43,391</u> | <u>\$ 44,234</u> | <u>\$ 17,944</u> |
| Total All Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 72,421 | \$ 62,893 | \$ 64,444 | \$ 70,870 |
| Due from other funds | | <u>24,320</u> | | <u>24,320</u> |
| Total assets | <u>\$ 72,421</u> | <u>\$ 87,213</u> | <u>\$ 64,444</u> | <u>\$ 95,190</u> |
| Liabilities: | | | | |
| Due to student and other groups | <u>\$ 72,421</u> | <u>\$ 87,213</u> | <u>\$ 64,444</u> | <u>\$ 95,190</u> |

TOWN OF MARLBOROUGH, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2019
(In Thousands)

| | |
|---|------------------|
| Total tax collections (including interest and lien fees) received by Treasurer for the year ended June 30, 2018 | \$ 20,615 |
| Add State of Connecticut grants: | |
| Elderly freeze | <u>1</u> |
| Base | <u>\$ 20,616</u> |

| | <u>General Purpose</u> | <u>Schools</u> | <u>Sewers</u> | <u>Urban Renewal</u> | <u>Pension Deficit</u> |
|--|------------------------|------------------|------------------|----------------------|------------------------|
| Debt Limitation: | | | | | |
| 2-1/4 times base | \$ 46,386 | \$ | \$ | \$ | \$ |
| 4-1/2 times base | | 92,772 | | | |
| 3-3/4 times base | | | 77,310 | | |
| 3-1/4 times base | | | | 67,002 | |
| 3 times base | | | | | <u>61,848</u> |
| Total debt limitation | <u>46,386</u> | <u>92,772</u> | <u>77,310</u> | <u>67,002</u> | <u>61,848</u> |
| Indebtedness: | | | | | |
| Bonds outstanding | 1,985 | 835 | 7,999 | | |
| Overlapping debt: | | | | | |
| Regional School District #8 | | <u>3,244</u> | | | |
| Total indebtedness | <u>1,985</u> | <u>4,079</u> | <u>7,999</u> | <u>-</u> | <u>-</u> |
| Debt Limitation in Excess of Outstanding and Authorized Debt | <u>\$ 44,401</u> | <u>\$ 88,693</u> | <u>\$ 69,311</u> | <u>\$ 67,002</u> | <u>\$ 61,848</u> |

Note 1: In no case shall total indebtedness exceed \$149,870 or seven times annual receipts from taxation.

Note 2: Marlborough is a member of Regional School District #8, which provides education facilities for grades seven through twelve for the Towns of Marlborough, Andover and Hebron. As of June 30, 2019, the District has bonds outstanding of \$10,100,000. The Town of Marlborough's share is approximately 32%. These are general obligations of Regional School District #8 and its member towns.