

TOWN OF WATERFORD, CONNECTICUT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

Town of Waterford, Connecticut

Comprehensive Annual Financial Report

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

**Department of Finance
Kimberly Allen
Director of Finance**



Introductory Section

TOWN OF WATERFORD, CONNECTICUT
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The organizational chart for the Town of East Lyme, Connecticut, is structured as follows:

- Representative Town Meeting**
 - Board of Education**
 - Ethics Commission**
 - Board of Selectmen**
 - Flood & Erosion Control Board**
 - Waterford Shellfish Commission**
 - Director of Finance Department**
 - Zoning Board of Appeals**
 - Tax Collector**
 - Treasurer**
 - Town Clerk**
 - First Selectman**
 - Conservation Commission**
 - Economic Development Commission**
 - Ledge Light Health District**
 - Board of Assessment Appeals**
 - Board of Finance**
- Personnel Review Board**
 - Police Commission**
 - Police Chief**
 - Senior Citizens Commission**
 - Director of Senior Services**
 - Utility Commission**
 - Chief Engineer**
- Building Committee(s)**
 - Director of Public Works Department**
- Housing Code Appeals Bd**
- Building Board of Appeals**
- Housing Authority**
- Planning & Zoning Commission**
- Director of Emergency Management**
 - Director of Recreation & Parks Dept.**
 - Operations & Administrative Officers**
- Recreation & Parks Commission**
- Director of Emergency Management Advisory Coun.**
- Emergency Management**
- Fire Service Director of Fire Services**
- Building Official**
- Director of Human Resources**
- Youth Services Director**
- Youth Services Advisory Comm.**
- Assessor**
- Youth Services**
- Director of Planning**

Town of Waterford, Connecticut

Principal Town Officials

As of June 30, 2020

Robert J. Brule, Jr.
Thomas W. Giard III
Kimberly Allen
Abbas Danesh
Abby Piersall
Gary Schneider
Brett Mahoney
Neftali Soto
Alan Wilensky
Paige Walton
Brian Flaherty
Lisa Cappuccio
David Campo
Daniela Gorman
John Murphy
Roslyn Rubenstein
Bruce A. Miller
Joyce Sauchuk

First Selectman
Superintendent of Schools
Director of Finance
Treasurer
Planning Director
Director of Public Works
Chief of Police
Chief Engineer, Utilities Commission
Tax Collector
Assessor
Recreation & Parks Director
Director of Senior Services
Town Clerk
Director of Youth Services
Building Official
Library Director
Director of Fire Services
Director of Human Resources



November 17, 2020

To the Honorable First Selectman, Representative Town Meeting and the Citizens of the Town of Waterford:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2020.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Blum Shapiro, Certified Public Accountants, have issued an unqualified opinion on the Town of Waterford financial statements for the year ended June 30, 2020. The independent auditors' report is located at the front of the financial section of this report.

Management Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The Town of Waterford separated from the City of New London, the neighboring urban seaport, a century and a half after European settlers arrived. Waterford was incorporated in 1801. Covering an area of 33.2 square miles, the Town is located in the southeastern region of the state. Waterford is bordered by the Towns of East Lyme to the west, New London, Groton and Ledyard to the east, and Montville to the north. It borders Long Island Sound to the south.

The Town has a Selectmen/Board of Finance/Representative Town Meeting form of government. The Representative Town Meeting exercises the legislative authority of the Town. The Board of Selectmen is composed of three members who are

elected at large for four-year terms. The Representative Town Meeting is elected for two-year terms. The First Selectman is the head of the administrative branch of the Town Government and is responsible to the Representative Town Meeting for the administration of all affairs relating to the Town.

The Town of Waterford provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; municipal solid waste and recycling collection; recreational and cultural activities. Municipal water and sewer services, the Town's one business-type activity, are provided through the Town's Utility Commission.

By Charter, the Representative Town Meeting must hold its Town Budget Meeting no later than the first Monday in May each year. If, within fifteen days of the budget adoption no referendum is called, the budget is considered approved. The annual budget serves as the foundation for Town of Waterford financial planning and control. The budget is prepared by Department/Agency at an object level. With the exception of the Police, Recreation and Parks, Senior Services, Utility and Planning and Zoning Commissions, Board of Finance, Board of Education, Board of Assessment Appeals, Zoning Board of Appeals, Building Board of Appeals, Economic Development Commission, Flood & Erosion Control Board, Conservation Commission, Retirement Commission, Harbor Management Commission and Ethics Commission, all other Town Boards, Commissions or agencies report to the Board of Selectmen. The Board of Selectmen, however, reviews and recommends to the Board of Finance the level of appropriation for all municipal budgets with the exception of the Board of Education. All agencies have the authority to transfer within series any of the budgeted appropriations under their control. Transfers out of series, however, require special approval from the Board of Finance.

Local Economy

Waterford is unique in that its major taxpayer is a nuclear power facility. However, numerous, large retail sales outlets, a production/software development company, several assisted care facilities and numerous financial institutions provide a good mix to tax base diversification. The Waterford Tax Base has a diversified tax base with immediate access to Routes 1, 95, 395 and 85 all of which are major Connecticut arteries.

Dominion Power Facility (Millstone)

- Impact Analysis Completed
 - Increase Economic development
 - Viable Tax payer for at least ten years – Declining tax revenue
- 10-Year Deal
 - \$50M in updates since agreement signed in January 2019

Jordan Village District

- Anticipated zone change to support the area surrounding an established historic district
- District will focus on small businesses, small multi-family and mixed use projects

Waterford Station

- Permitted retail development adjacent to Waterford Commons. Successful OSTA review.

Economic Development Commission Master Plan

- Emphasis on pushing economic development
- Restructure of economic development department
- Changes in zoning and permitting to streamline reviews, and encourage flexibility for small businesses during COVID-19

New Developments

- Victoria Gardens – Age restricted Apartments are complete and occupied.
- 171 Rope Ferry Rd – 52 Units – 40% Affordable Housing under construction
- 22 Minor Lane – 70 Units – 1-2 Bedroom High End Apartments are complete and occupied
- Approximately 200+ additional units
 - One 48 unit affordable project development has received funding
 - One 98 unit development has public hearing scheduled for September 2020
- Seaside – DEEP
- 33 Acres state owned property redevelopment (Wetlands and Planning Permits in progress).
- Planning approvals in place for new restaurant and office space at Mago Point

New Industry

- Cross Rd Surgery – 2000 sq. ft. project completed and developing permits filed for an expansion.
- Tractor Supply – open
- Hartford Healthcare medical offices are underway in former Toys R Us property
- Ollies Open in former JoAnn Fabrics retail space
- Dollar General open in former Rite-Aid building

Electric Boat

- \$5.1B Navy Contract – estimated 2,000 to 5,000 jobs
- Building of Columbia Class Submarines to begin in 2023
- Current impact – Increased housing activity

Long Term Financial Planning

In 1998 the Representative Town Meeting formed its Long Range Fiscal Planning Committee. The RTM at the recommendation of this committee commissioned the Government Consulting Group to develop a report and make recommendations on containing tax increases in light of the reduced revenue base affected by utility deregulation. The RTM Committee was disbanded after the Representative Town Meeting accepted the Government Consulting Groups report. In FY01 the Board of Finance appointed an Ad Hoc Long-Range Budget Planning Committee to analyze the impact of the annual tax revenue loss due to the Dominion deregulation and to provide guidance in developing budgets that would sustain a consistent level of service with a declining revenue base over the ten-year period. This proactive approach to long-range operational budget planning, combined with multi-year capital planning, has become an effective budgetary management tool. Despite the fact that the Town has successfully absorbed the impact to its tax base due to deregulation, the Long-Range Budget Planning Committee remains active and is in the process of developing an updated long-term financial plan based of GFOA guidelines.

The Town implemented a Fleet Management Program that served as the basis for sizing the fleet and provided a 5 year approach to managing a fleet valued in excess of \$4.4 million. This program allows the Town to undertake a needs assessment of its rolling stock, and based upon established life-cycle parameters, provided a forty-year replacement plan that uses a combination of residual values, investment income, vehicle rental revenues and an equalized level of budget over a sustained period of time to fund all rolling stock replacements.

Major Initiatives

In compliance with GASB 54 and to strengthen Waterford's commitment to sound financial management and fiscal accountability, the Town still maintains the adopted fund balance policy from 2015. In that regard, the Town's 2019 Audited Financial Waterford has an Unassigned Fund Balance of \$16,781,193.

In May of 2019, the Town began the first phase of the construction on a new Municipal Complex project for the Public Works Department. The project consists of a full demolition of the existing structure and construction of a new 60,100 sq. ft. facility. The cost of the project is estimated to be \$15,000,000 and completed by April of 2021. A \$10M BAN was issued in July of 2019. The full \$15M was bonded in July 2020.

Increase school enrollment

- Attract students from neighboring districts to Waterford High School on a tuition basis
 - Up to 80 students; 5 students enrolled in 2020

Eco Friendly Town

- Achieved Bronze Certificate as a Sustainable CT Community
- Land Preservation
 - Easements, Purchase and Donations
- Plan of Conservation and Development
 - DEEP analysis
 - Fall 2019-2021
- Energy audit of buildings
- LED Streetlight conversion project completed

Affordable Housing Plan

- Assessing housing needs for the future
 - In process of collecting data to fit into regional area needs

Town Center Improvements (“Main Street”)

- Committee Formed in June 2020
- Support Infrastructure for Farmer’s Market
- Improved Recreational Amenities
 - Accessible walking paths, sidewalks and boardwalks
- Improved Fiber Connectivity

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Excellence in Financial Reporting to the Town for its Comprehensive Annual Financial Report in past fiscal years, and the Town will be applying for the award again for the 2020 financial statements. In order to be awarded a Certificate of Achievement, the Town publishes an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both generally accepted accounting principles and applicable legal requirements.

Although the preparation of the comprehensive annual financial report is primarily the responsibility of the Director of Finance, it could not have been accomplished without the support of numerous town staff. Special recognition goes to the Finance department staff. Without their dedication, oversight and hard work the Town could never have achieved this prestigious award. I appreciate the unflagging support of First Selectman Robert Brule, Superintendent of Schools Thomas Girard and his staff, as well as, the entire Board of Selectmen, Board of Finance and the Representative Town Meeting who continually show their commitment to fiscal integrity and financial leadership.

Respectfully submitted,



Kimberly Allen
Director of Finance



Financial Section

Independent Auditors' Report

To the Board of Finance
Town of Waterford, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Waterford, Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Waterford, 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, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Waterford, Connecticut, as of June 30, 2020 and the respective changes in financial position and, where applicable, cash flows 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 Waterford, Connecticut's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2020 on our consideration of the Town of Waterford, 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 the effectiveness of the Town of Waterford, 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 Waterford, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
November 17, 2020

**TOWN OF WATERFORD, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

This discussion and analysis of the Town of Waterford, Connecticut (the Town) financial performance is prepared by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2020. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town's net position decreased as a result of this year's operations. While net position of our business-type activities decreased by \$1.6 million, or 2.9 %, net position of our governmental activities decreased by \$894 thousand or 0.6 %.
- During the year, the Town had expenses that were \$894 thousand more than the \$111.4 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues and transfers in decreased by \$120.0 thousand or 3.0%, while expenses increased by \$182.0 thousand or 3.5 %.
- The total cost of all of the Town's programs was \$117.6 million, with no new programs added this year.
- The General Fund reported a fund balance this year of \$20.1 million.
- The resources available for appropriation were \$1.5 million more than anticipated for the General Fund. There was an additional appropriation of \$1.0 million to transfer unreserved fund balance to the capital and Non-recurring fund. However, unused appropriations of \$1.8 million were returned to fund balance at year end. Overall, the operating results increased the General Fund balance by \$2.3 million

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 to IX. 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 remaining statements provide 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

Our analysis of the Town as a whole begins on Exhibits I and II. 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 it. 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 non-financial 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, we divide the Town into two types of activities:

- *Governmental Activities* - Most of the Town's basic services are reported here, including education, public safety, public works, recreation, library, social services and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-Type Activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Utility Commission Enterprise Fund is reported here.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by Charter. However, the Board of Finance establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (i.e. grants received for education from the State and Federal Government). The Town's funds are divided into three categories: governmental, proprietary 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 to 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 included with the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise fund (a component of proprietary funds) is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's Insurance Administration Fund.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities 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 combined net position decreased from \$212.9 to \$210.5 million or 1.2 %. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

TABLE 1

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|-------------------------|-------------------|--------------------------|------------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current assets | \$ 46,091 | \$ 37,468 | \$ 5,331 | \$ 5,196 | \$ 51,422 | \$ 42,664 |
| Capital assets, net of accumulated depreciation | 243,891 | 244,054 | 47,418 | 49,212 | 291,309 | 293,266 |
| Total assets | <u>289,982</u> | <u>281,522</u> | <u>52,749</u> | <u>54,408</u> | <u>342,731</u> | <u>335,930</u> |
| Deferred outflows of resources | 17,947 | 20,183 | - | - | 17,947 | 20,183 |
| Long-term debt outstanding | 134,964 | 130,233 | 345 | 406 | 135,309 | 130,639 |
| Other liabilities | 8,251 | 8,561 | 378 | 429 | 8,629 | 8,990 |
| Total liabilities | <u>143,215</u> | <u>138,794</u> | <u>723</u> | <u>835</u> | <u>143,938</u> | <u>139,629</u> |
| Deferred inflows of resources | 6,296 | 3,599 | - | - | 6,296 | 3,599 |
| Net Position: | | | | | | |
| Net investment in capital assets | 177,425 | 172,217 | 47,417 | 49,212 | 224,842 | 221,429 |
| Restricted | 127 | 135 | - | - | 127 | 135 |
| Unrestricted | <u>(19,134)</u> | <u>(13,040)</u> | <u>4,609</u> | <u>4,361</u> | <u>(14,525)</u> | <u>(8,679)</u> |
| Total Net Position | <u>\$ 158,418</u> | <u>\$ 159,312</u> | <u>\$ 52,026</u> | <u>\$ 53,573</u> | <u>\$ 210,444</u> | <u>\$ 212,885</u> |

Net position of the Town's governmental activities decreased by 0.6 % (\$158.5 million in 2020 compared to \$159.3 million in 2019). 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 by \$6.1 million (\$13.0 million in 2019 compared to (\$19.1 million) at the end of this year.

By far the largest portion of the Town's net position is its investment in capital assets (e.g., land, buildings, machinery and equipment). Since the Town's investment in its capital assets, net of accumulated depreciation, must also be reported net of related debt, it should be noted that the Town's outstanding debt is related to bonds payable as of June 30, 2020.

The net position of our business-type activities decreased by 2.9 % (\$52.0 million in 2020 compared to \$53.6 million in 2019).

The Town's total revenues (excluding special items) were \$115.2 million. The total cost of all programs and services was \$117.6 million. Our analysis below separately considers the operations of governmental and business-type activities.

TABLE 2

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|------------------------------------|-------------------|-------------------------------------|------------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,091 | \$ 3,613 | \$ 3,710 | \$ 3,765 | \$ 6,801 | \$ 7,378 |
| Operating grants and contributions | 13,901 | 6,171 | | | 13,901 | 6,171 |
| Capital grants and contributions | 658 | 839 | | | 658 | 839 |
| General revenues: | | | | | | |
| Property taxes | 92,136 | 90,251 | | | 92,136 | 90,251 |
| Grants and contributions not restricted to specific purposes | 351 | 353 | | | 351 | 353 |
| Unrestricted investment earnings | 1,082 | 1,297 | 47 | 70 | 1,129 | 1,367 |
| Miscellaneous revenue | 197 | 39 | | | 197 | 39 |
| Total revenues | <u>111,416</u> | <u>102,563</u> | <u>3,757</u> | <u>3,835</u> | <u>115,173</u> | <u>106,398</u> |
| Program expenses: | | | | | | |
| General government | 15,856 | 15,427 | | | 15,856 | 15,427 |
| Public safety | 13,150 | 13,198 | | | 13,150 | 13,198 |
| Public works | 8,086 | 8,432 | | | 8,086 | 8,432 |
| Recreation | 1,941 | 1,773 | | | 1,941 | 1,773 |
| Library | 1,159 | 1,154 | | | 1,159 | 1,154 |
| Social services | 1,427 | 1,370 | | | 1,427 | 1,370 |
| Education | 68,539 | 60,142 | | | 68,539 | 60,142 |
| Interest and fiscal charges | 2,057 | 2,285 | | | 2,057 | 2,285 |
| Utility Commission | | | 5,399 | 5,217 | 5,399 | 5,217 |
| Total program expenses | <u>112,215</u> | <u>103,781</u> | <u>5,399</u> | <u>5,217</u> | <u>117,614</u> | <u>108,998</u> |
| Excess (deficiency) of revenues over expenses before transfers | (799) | (1,218) | (1,642) | (1,382) | (2,441) | (2,600) |
| Transfers | <u>(95)</u> | <u>(138)</u> | <u>95</u> | <u>138</u> | <u>-</u> | <u>-</u> |
| Change in Net Position | (894) | (1,356) | (1,547) | (1,244) | (2,441) | (2,600) |
| Beginning Net Position | <u>159,312</u> | <u>160,668</u> | <u>53,573</u> | <u>54,817</u> | <u>212,885</u> | <u>215,485</u> |
| Ending Net Position | <u>\$ 158,418</u> | <u>\$ 159,312</u> | <u>\$ 52,026</u> | <u>\$ 53,573</u> | <u>\$ 210,444</u> | <u>\$ 212,885</u> |

Governmental Activities

Approximately 82.7% of these revenues were derived from property taxes, followed by 13.4% from operating and capital grants and contributions, 2.8% from charges for services and 1.1% from investment and other general revenues.

Major factors affecting operations include:

- Operating grants and contributions were up by \$7.70 million due primarily to the increase in the State's on-behalf contribution for the Teachers' Retirement System (\$3.5 million) and the Teachers' Retirement System OPEB (\$3.9 million)
- Property tax revenues were up by \$1.9 million due to an increase in the mill rate of 2.4%
- Capital grants and contributions decreased by \$181 thousand, due to the mainly following:
 - LOCIP grant for HVAC was down by \$392.1 thousand
 - LOCIP grant for Pepperbox Lane was up by \$185.6 thousand

- Local Bridge grant was down by \$128.3 thousand
- Town Aid Road was down by \$1.2 thousand
- Recreation capital grants were up by \$20 thousand
- Electrical rebates were received for HVAC project (\$13.6 thousand) and the Street Light Project (\$120.8 thousand)
- Charges for services were down by \$522 thousand due to many programs being canceled due to Covid-19
- Investment earnings were down by \$215.0 thousand from FY19.

Table 3 presents the cost of each of the Town's five largest programs - education, general government, public safety, public works and recreation - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden to the Town's taxpayers by each of these functions.

TABLE 3

| | Total Cost of Services | | Net Cost of Services | |
|--------------------|-------------------------------|-------------------|-----------------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Education | \$ 68,539 | \$ 60,142 | \$ 54,670 | \$ 53,683 |
| General government | 15,856 | 15,429 | 14,679 | 13,828 |
| Public safety | 13,150 | 13,198 | 12,308 | 12,446 |
| Public works | 8,086 | 8,432 | 6,850 | 7,250 |
| Recreation | 1,941 | 1,773 | 1,738 | 1,541 |
| All others | 4,643 | 4,809 | 4,320 | 4,412 |
| Totals | <u>\$ 112,215</u> | <u>\$ 103,783</u> | <u>\$ 94,565</u> | <u>\$ 93,160</u> |

Business-Type Activities

Net position of the Town's business-type activities (see Table 2) decreased by 2.9% (\$52.0 million in 2020 compared to \$ 53.6 million in 2019). Revenues and transfers in for the Town's business-type activities (see Table 2) decreased by \$120.0 thousand (\$3.9 million in 2020 compared to \$4.0 million in 2019). The factors driving these results include:

- A decrease in Sewer use fee revenue of \$55 thousand.
- A decrease in capital contributions of \$43 thousand
- A decrease of investment earnings of \$23 thousand.
- An increase in expenses of \$182.0 thousand.

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 \$31.2 million, which is increase of \$7.5 million from last year's total of \$23.7 million. Included in this year's total change in fund balance is an increase of \$2.8 million in the General Fund, an increase of \$3.6 million in the Capital and Nonrecurring Fund and an increase of \$1.1 million for Nonmajor Governmental Funds.

Capital Projects Funds:

- The Capital and Nonrecurring Fund balance increased by \$3.6 million due to expenditures of \$10.0 million being offset by revenues of \$439.8 thousand and other financing sources or \$13.2 million. Included in other financing sources were transfers in of \$3.1 million, bond anticipation note proceeds of \$10 million and a premium on the note of \$93.5 thousand.

Non-Major Capital Projects Funds:

- The Fleet Management Fund increased by \$650.5 thousand due to expenditures of \$627.6 thousand being offset by revenues and transfers in of \$1.3 million.
- The Capital Improvement Fund increased by \$416.9 thousand due to expenditures of \$766.7 thousand being offset by net transfers in and out \$1.2 million.
- The Animal Control Facility fund decreased by \$186.8 thousand due to expenditures of the same amount.
- The Sewer Development and Maintenance Fund increased by \$93.5 thousand due to expenditures of \$20.8 thousand being offset by revenues of \$114.4 thousand.

Special Revenue Funds:

- The Small Cities Grant Fund increased by \$45.9 thousand due to loan repayments of the same amount.
- The Youth and Family Services special revenue fund increased by \$30.9 thousand due to expenditures of \$169.5 thousand and total revenues of \$200.4 thousand.
- The Drug Enforcement fund increased by \$10.9 thousand due to expenditures of \$7.9 thousand and total revenues of \$18.8 thousand.

Proprietary Funds

The Town's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Overall, proprietary funds net assets total \$57.8 million at the end of the year, which includes a \$5.8 million fund balance in the Internal Service Fund.

Net position of the Utility Commission Fund at the end of the year amounted to \$52.0 million. Factors affecting the balance of this fund are included in the discussion of the Town's business-type activities.

In fiscal year 2020, net position of the Internal Service fund increased by \$1.3 million from fiscal year 2019. This is due to \$11.4 million in contributions and other revenues (a decrease of \$215.9 thousand over fiscal year 2019), offset by expenses for claims and program administration of \$10.2 million (a decrease of \$1.8 million over fiscal year 2019).

General Fund Budgetary Highlights

Revenues were higher than budgetary estimates by \$1.5 million and expenditures were less than original budgetary estimates by \$780 thousand. Overall revenues over expenditures on a budgetary basis were \$2.3 million. In the current year, revenues increased by \$891.0 thousand or 1.0 % over the prior year and expenditures increased by \$1.5 million or 1.6%.

The major factors affecting this year's annual operating results are as follows:

- Property tax revenue was under budgetary estimates by \$145.8 thousand and over prior year revenue by \$998.4 thousand.
- State grant funding was over budgetary estimates by \$370.0 thousand and under prior year revenue by \$20.5 thousand.
- Assessment revenue is over budgetary estimates by \$14.3 thousand and under the prior year by \$12.9 thousand.
- License and Permit revenue is over budgetary estimates by \$79.9 thousand and under the prior year by \$113.3 thousand. Town clerk fees increased by \$25 thousand over FY19. The building department is down from FY19 by \$43.0 thousand, followed by conveyance tax revenue, which is down from FY19 by \$20.9 thousand. Planning & zoning had a decrease of \$17.7 thousand over the prior year.
- Fines, Penalties and Charges for Services are over budgetary estimates by \$7.0 thousand and under the prior year revenue by \$40.3 thousand. The biggest change was an increase for tuition fees of \$60.3 thousand, followed by a decrease of \$51.2 thousand in tipping fee revenue. Recycling revenue decreased by \$21.0 thousand. Senior Services program revenue was down by 7.3 thousand and the library was down by \$5.5 thousand.
- Other sources of revenue were over budgetary estimates by \$153.6 thousand and over the prior year revenue by \$24.3 thousand.
- Investment income is over budgetary estimates by \$572.6 thousand but under prior year revenue by \$176.0 thousand.
- Other Financing Sources, which consists of the cancelation of prior year encumbrances and transfers in from the capital improvement fund, was over estimated revenue by \$398.2 thousand and over the prior year by \$231.3 thousand.

Overall Expenditures came in \$1.8 million under budgetary estimates. The largest amounts of unused appropriations returned in the current fiscal year are outlined below:

- The Board of Education would have returned \$664.9 thousand, however, one half of this was subsequently assigned to a non-lapsing account for their future use. The amount returned to the general fund balance was \$332.4 thousand.
- The Retirement budget returned \$383.1 thousand.
- The Public Works Department returned \$331.3 thousand.
- The Planning & Zoning Department returned \$88.2 thousand.
- The Recreation and Parks Department returned \$81.0 thousand.
- The Debt Service budget returned \$65.9 thousand.
- The Library budget returned \$55.5 thousand.
- The Information Technology Department returned \$53.3 thousand.

The Town's General Fund balance of \$20.1 million reported on Exhibit III differs from the General Fund's budgetary balance of \$19.2 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance does not include \$522.1 thousand of outstanding encumbrances at year-end, which are reported as expenditures for budgetary purposes. The balances for special revenue funds that are funded primarily from operating transfers from the General Fund are also rolled into that fund for reporting purposes. For fiscal year 2020, those balances amounted to \$355.5 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the Town had \$291.3 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net decrease (including additions and deductions) of \$2.0 million, or 0.7%, from last year.

TABLE 4

| | Governmental Activities | | Business-Type Activities | | Total | |
|---------------------------|----------------------------|------------|-----------------------------|-----------|------------|------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 8,957 | \$ 8,956 | \$ 128 | \$ 129 | \$ 9,085 | \$ 9,085 |
| Land improvements | 1,543 | 528 | | | 1,543 | 528 |
| Building and improvements | 160,281 | 166,112 | 978 | 1,013 | 161,259 | 167,125 |
| Machinery and equipment | 2,970 | 3,865 | 668 | 707 | 3,638 | 4,572 |
| Vehicles | 5,823 | 6,419 | 227 | 205 | 6,050 | 6,624 |
| Infrastructure | 54,912 | 55,538 | 45,409 | 47,149 | 100,321 | 102,687 |
| Permanent easements | 5 | 5 | | | 5 | 5 |
| Software | 94 | 107 | 8 | 9 | 102 | 116 |
| Construction in progress | 9,306 | 2,524 | | | 9,306 | 2,524 |
| Total | \$ 243,891 | \$ 244,054 | \$ 47,418 | \$ 49,212 | \$ 291,309 | \$ 293,266 |

Major capital asset events during the current fiscal year are noted below:

Governmental Activities:

- Construction-in-progress increased by \$6.8 million due mainly to the ongoing costs associated with the public works complex renovation project of \$7.2 million, offset by a decrease of \$719.4 thousand for the completion of the street light project. Other additions came to \$320.6 thousand.
- Buildings and improvements decreased by \$5.8 million. Decreases are due to the razing of the municipal complex buildings (net decrease of \$200.5 thousand) and depreciation expense of \$5.6 million.
- Land improvements increased by \$1.0 million due to the addition of the Girls' Softball field at the High School (\$1.0 million). There were also additions to the playground at Civic Triangle (\$49.7 thousand) and the replacement of the dog park fencing (\$12.7 thousand). Land improvements were also reduced by depreciation expense of \$66.8 thousand.
- Infrastructure decreased by \$626 thousand due mainly due to depreciation expense of \$1.7 million. Additions included the completion of the streetlight project (\$1.0 million), various road projects \$55.6 thousand, and a sidewalk addition at civic triangle \$14.9 thousand.
- Machinery and equipment decreased by \$895.0 thousand due to mainly to depreciation expense of \$961.5 thousand, which was offset by additions of \$65.9 thousand.
- Vehicles decreased by \$595.0 thousand due to additions of \$444.8 thousand, in accordance with the fleet management plan, this was offset by net retirements of \$53.2 thousand and depreciation expense of \$986.6 thousand.

- Software decreased by \$13.5 thousand due to amortization expense of the same amount.
- Land increased by \$1.0 thousand due to the addition of property acquired through donation.

Business-Type Activities

- There was an increase in vehicles of \$22.0 thousand due to additions of \$58.1 thousand and depreciation expense of \$36.5 thousand.
- Additions to equipment of \$37.0 thousand were offset by depreciation of \$76.5 thousand.
- The decreases to all other asset categories were due entirely to depreciation and amortization expense.

Additional information on the Town's capital assets can be found in Note 5 of this report.

Long-Term Debt

At the end of the current fiscal year, the Town had \$63.0 million of outstanding general obligation bonds. Bonds issued in June 2017 carried an AA rating from Standard & Poor. This rating was maintained with the refunding bonds issued in December 2019.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its total prior years' tax collections. The current debt limitation for the Town is \$638.6 million.

Additional information on the Town's long-term debt can be found in Note 7.

Economic Factors

- The unemployment rate for the Town in 2020 was 10.8%, which is an increase from a rate of 3.7% a year ago. Waterford's unemployment rate is higher than the State's average unemployment rate of 10.1%, and lower than the national average of 11.1% as of June 2020.

During the current fiscal year, unassigned fund balance in the General Fund increased by \$2.2 million. The main reason for the increase is due to the positive operating results of \$2.9 million. An increase in the assigned fund balance of \$647.4 thousand and an increase in nonspendable balance of \$24.4 thousand reduced the overall increase of the unassigned total.

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 Director of Finance, Town of Waterford, 15 Rope Ferry Road, Waterford, Connecticut 06385.



Basic Financial Statements

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2020

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets: | | | |
| Cash and cash equivalents | \$ 38,107,720 | \$ 4,836,350 | \$ 42,944,070 |
| Investments | 4,485,308 | | 4,485,308 |
| Receivables, net | 2,107,924 | 1,664,839 | 3,772,763 |
| Internal balances | 1,170,604 | (1,170,604) | - |
| Inventories | 3,946 | | 3,946 |
| Prepaid items | 215,384 | | 215,384 |
| Capital assets: | | | |
| Intangible assets not being amortized | 5,000 | | 5,000 |
| Intangible assets being amortized, net | 93,901 | 7,546 | 101,447 |
| Assets not being depreciated | 18,263,201 | 127,970 | 18,391,171 |
| Assets being depreciated, net | 225,528,498 | 47,282,190 | 272,810,688 |
| Total assets | <u>289,981,486</u> | <u>52,748,291</u> | <u>342,729,777</u> |
| Deferred Outflows of Resources: | | | |
| Deferred outflows of resources related to pensions | 16,654,702 | | 16,654,702 |
| Deferred outflows of resources related to OPEB | 99,797 | | 99,797 |
| Deferred charge on refunding | 1,192,771 | | 1,192,771 |
| Total deferred outflows of resources | <u>17,947,270</u> | <u>-</u> | <u>17,947,270</u> |
| Liabilities: | | | |
| Accounts and other payables | 2,531,964 | 208,409 | 2,740,373 |
| Accrued liabilities | 5,320,620 | 150,599 | 5,471,219 |
| Unearned revenue | 397,947 | 17,394 | 415,341 |
| Noncurrent liabilities: | | | |
| Due within one year | 6,521,348 | 26,463 | 6,547,811 |
| Due in more than one year | 128,442,654 | 318,932 | 128,761,586 |
| Total liabilities | <u>143,214,533</u> | <u>721,797</u> | <u>143,936,330</u> |
| Deferred Inflows of Resources: | | | |
| Deferred inflows of resources related to pensions | 3,175,123 | | 3,175,123 |
| Deferred inflows of resources related to OPEB | 3,121,204 | | 3,121,204 |
| Total deferred inflows of resources | <u>6,296,327</u> | <u>-</u> | <u>6,296,327</u> |
| Net Position: | | | |
| Net investment in capital assets | 177,424,772 | 47,417,706 | 224,842,478 |
| Restricted for: | | | |
| Trust purposes: | | | |
| Nonexpendable | 127,134 | | 127,134 |
| Unrestricted | (19,134,010) | 4,608,788 | (14,525,222) |
| Total Net Position | <u>\$ 158,417,896</u> | <u>\$ 52,026,494</u> | <u>\$ 210,444,390</u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

| Functions/Programs | Net Revenue (Expense) And Changes In Net Position | | | | | | |
|--|---|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|-----------------|
| | Program Revenues | | | Primary Government | | | Total |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | |
| Governmental activities: | | | | | | | |
| General government | \$ 15,856,106 | \$ 1,067,833 | \$ 96,164 | \$ 13,590 | \$ (14,678,519) | \$ | \$ (14,678,519) |
| Public safety | 13,150,126 | 501,809 | 340,426 | | (12,307,891) | | (12,307,891) |
| Public works | 8,086,097 | 612,044 | | 623,982 | (6,850,071) | | (6,850,071) |
| Recreation | 1,941,152 | 180,440 | 3,165 | 20,000 | (1,737,547) | | (1,737,547) |
| Library | 1,159,254 | 10,304 | | | (1,148,950) | | (1,148,950) |
| Social services | 1,426,757 | 185,383 | 125,571 | | (1,115,803) | | (1,115,803) |
| Education | 68,538,571 | 533,338 | 13,335,691 | | (54,669,542) | | (54,669,542) |
| Interest on long-term debt | 2,057,033 | | | | (2,057,033) | | (2,057,033) |
| Total governmental activities | 112,215,096 | 3,091,151 | 13,901,017 | 657,572 | (94,565,356) | - | (94,565,356) |
| Business-type activities: | | | | | | | |
| Utility commission | 5,399,184 | 3,710,253 | | | | (1,688,931) | (1,688,931) |
| Total primary governmental activities | \$ 117,614,280 | \$ 6,801,404 | \$ 13,901,017 | \$ 657,572 | (94,565,356) | (1,688,931) | (96,254,287) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 92,136,370 | | 92,136,370 |
| Grants and contributions not restricted to specific programs | | | | | 350,996 | | 350,996 |
| Unrestricted investment earnings | | | | | 1,082,404 | 47,265 | 1,129,669 |
| Miscellaneous | | | | | 196,761 | | 196,761 |
| Transfers | | | | | (95,069) | 95,069 | - |
| Total general revenues and transfers | | | | | 93,671,462 | 142,334 | 93,813,796 |
| Change in Net Position | | | | | (893,894) | (1,546,597) | (2,440,491) |
| Net Position at Beginning of Year | | | | | 159,311,790 | 53,573,091 | 212,884,881 |
| Net Position at End of Year | | | | | \$ 158,417,896 | \$ 52,026,494 | \$ 210,444,390 |

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General Fund | Capital and Nonrecurring Expenditures Fund | Waterford High School Building Project | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-------------------------|---|---|--|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 15,782,518 | \$ 10,776,354 | \$ 1,179 | \$ 5,513,891 | \$ 32,073,942 |
| Investments | 4,335,606 | | | 149,702 | 4,485,308 |
| Receivables, net | 1,978,505 | | | 117,106 | 2,095,611 |
| Interfund receivables | 7,004,675 | | | 1,636,890 | 8,641,565 |
| Inventories | | | | 3,946 | 3,946 |
| Prepaid items | 215,384 | | | | 215,384 |
| Total Assets | <u>\$ 29,316,688</u> | <u>\$ 10,776,354</u> | <u>\$ 1,179</u> | <u>\$ 7,421,535</u> | <u>\$ 47,515,756</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts and other payables | \$ 1,597,726 | \$ 822,053 | \$ | \$ 108,705 | \$ 2,528,484 |
| Accrued liabilities | 3,714,454 | | | 29,414 | 3,743,868 |
| Interfund payables | 2,103,288 | 1,891,367 | 2,942,807 | 999,897 | 7,937,359 |
| Unearned revenue | 64,051 | | | 266,935 | 330,986 |
| Total liabilities | <u>7,479,519</u> | <u>2,713,420</u> | <u>2,942,807</u> | <u>1,404,951</u> | <u>14,540,697</u> |
| Deferred Inflows of Resources: | | | | | |
| Unavailable revenue - property taxes | 1,489,059 | | | | 1,489,059 |
| Unavailable revenue - special assessments | 30,795 | | | | 30,795 |
| Unavailable revenue - grants receivable | 173,068 | | | | 173,068 |
| Unavailable revenue - other receivables | 31,085 | | | 3,097 | 34,182 |
| Total deferred inflows of resources | <u>1,724,007</u> | <u>-</u> | <u>-</u> | <u>3,097</u> | <u>1,727,104</u> |
| Fund Balances: | | | | | |
| Nonspendable | 215,384 | | | 131,080 | 346,464 |
| Restricted | | | | 910,461 | 910,461 |
| Committed | | 8,062,934 | | 3,371,316 | 11,434,250 |
| Assigned | 934,631 | | | 1,605,630 | 2,540,261 |
| Unassigned | 18,963,147 | | (2,941,628) | (5,000) | 16,016,519 |
| Total fund balances | <u>20,113,162</u> | <u>8,062,934</u> | <u>(2,941,628)</u> | <u>6,013,487</u> | <u>31,247,955</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 29,316,688</u> | <u>\$ 10,776,354</u> | <u>\$ 1,179</u> | <u>\$ 7,421,535</u> | <u>\$ 47,515,756</u> |

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2020

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 | \$ 31,247,955 |
|--|---------------|

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

| | | |
|-------------------------------|----------------------|-------------|
| Governmental capital assets | \$ 398,425,599 | |
| Less accumulated depreciation | <u>(154,534,999)</u> | |
| Net capital assets | | 243,890,600 |

Other long-term assets are not available to pay for current-period
expenditures and, therefore, are not recorded in the funds:

| | |
|--|------------|
| Property tax receivables greater than 60 days | 982,939 |
| Interest receivable on property taxes | 506,120 |
| Delinquent special assessments | 33,892 |
| Unavailable revenue - grants receivable | 173,068 |
| Unavailable revenue - other receivables | 31,085 |
| Deferred outflows of resources related to pensions | 16,654,702 |
| Deferred outflows of resources related to OPEB | 99,797 |
| Deferred charge on refunding | 1,192,771 |

Internal service funds are used by management to charge the costs of
risk management to individual funds. The assets and liabilities of
the internal service funds are reported with governmental activities
in the statement of net position.

5,802,649

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

| | |
|---|--------------------|
| Net pension liability | (31,574,561) |
| Pension prior service cost | (835,265) |
| Bonds and notes payable | (73,030,000) |
| Bond and note premiums | (4,722,099) |
| Interest payable on bonds and notes | (937,353) |
| Compensated absences | (7,239,502) |
| Landfill post-closure monitoring liability | (271,000) |
| Net OPEB liability | (17,291,575) |
| Deferred inflows of resources related to pensions | (3,175,123) |
| Deferred inflows of resources related to OPEB | <u>(3,121,204)</u> |

| | |
|---|-----------------------|
| Net Position of Governmental Activities (Exhibit I) | <u>\$ 158,417,896</u> |
|---|-----------------------|

The accompanying notes are an integral part of the financial statements

**TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

| | General Fund | Capital and Nonrecurring Expenditures Fund | Waterford High School Building Projects | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------------|---|--|--|---|
| Revenues: | | | | | |
| Property taxes | \$ 92,060,165 | \$ | \$ | \$ | \$ 92,060,165 |
| Intergovernmental | 9,267,202 | 319,984 | | 1,809,518 | 11,396,704 |
| Assessments and connections | 14,288 | | | 108,436 | 122,724 |
| Licenses and permits | 1,641,388 | | | | 1,641,388 |
| Fines, penalties and charges for services | 587,866 | 175 | | 793,642 | 1,381,683 |
| Investment earnings | 872,628 | 119,636 | 17 | 27,564 | 1,019,845 |
| Other | 9,236 | | | 266,620 | 275,856 |
| Total revenues | <u>104,452,773</u> | <u>439,795</u> | <u>17</u> | <u>3,005,780</u> | <u>107,898,365</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 14,146,860 | | | 17,508 | 14,164,368 |
| Public safety | 10,498,624 | | | 116,675 | 10,615,299 |
| Public works | 4,317,510 | | | 67,751 | 4,385,261 |
| Recreation | 1,438,328 | | | 26,449 | 1,464,777 |
| Library | 1,006,740 | | | | 1,006,740 |
| Social services | 886,105 | | | 226,884 | 1,112,989 |
| Education | 56,658,060 | | | 2,038,977 | 58,697,037 |
| Capital outlay | | 10,035,000 | | 1,601,968 | 11,636,968 |
| Debt service: | | | | | |
| Principal retirements | 5,145,000 | | | | 5,145,000 |
| Interest and fiscal charges | 2,355,433 | | | | 2,355,433 |
| Total expenditures | <u>96,452,660</u> | <u>10,035,000</u> | <u>-</u> | <u>4,096,212</u> | <u>110,583,872</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>8,000,113</u> | <u>(9,595,205)</u> | <u>17</u> | <u>(1,090,432)</u> | <u>(2,685,507)</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 358,913 | 3,073,309 | | 2,542,510 | 5,974,732 |
| Transfers out | (5,615,819) | | | (358,913) | (5,974,732) |
| Issuance of debt | | 10,000,000 | | | 10,000,000 |
| Premium on debt issuance | | 93,500 | | | 93,500 |
| Issuance of refunding bonds | 9,085,000 | | | | 9,085,000 |
| Premium on refunding bonds issued | 1,515,924 | | | | 1,515,924 |
| Payments to escrow agents | (10,490,393) | | | | (10,490,393) |
| Total other financing sources (uses) | <u>(5,146,375)</u> | <u>13,166,809</u> | <u>-</u> | <u>2,183,597</u> | <u>10,204,031</u> |
| Net Change in Fund Balances | 2,853,738 | 3,571,604 | 17 | 1,093,165 | 7,518,524 |
| Fund Balances at Beginning of Year | <u>17,259,424</u> | <u>4,491,330</u> | <u>(2,941,645)</u> | <u>4,920,322</u> | <u>23,729,431</u> |
| Fund Balances at End of Year | <u>\$ 20,113,162</u> | <u>\$ 8,062,934</u> | <u>\$ (2,941,628)</u> | <u>\$ 6,013,487</u> | <u>\$ 31,247,955</u> |

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

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) | \$ 7,518,524 |
|---|--------------|

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 | 9,838,932 |
| Depreciation expense | (9,366,645) |

The statement of activities reports losses arising from the disposal of existing capital assets.

| | |
|---|-----------|
| Conversely, governmental funds do not report any gain or loss on disposal of capital assets. This amount represents the disposal of capital assets. | (635,465) |
|---|-----------|

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:

| | |
|---|-------------|
| Property tax receivable - accrual basis change | 35,404 |
| Property tax interest and lien revenue - accrual basis change | 40,801 |
| Delinquent special assessment receivable - accrual basis change | (81,925) |
| Miscellaneous grants and accounts receivable - accrual basis change | 197,593 |
| Change in deferred outflows of resources related to pensions | (2,250,886) |
| Change in deferred outflows of resources related to OPEB | 31,065 |

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:

| | |
|---|--------------|
| Issuance of bonds and notes | (10,000,000) |
| Premium on bonds and notes | (93,500) |
| Bond principal payments | 5,145,000 |
| Issuance of refunding bonds | (9,085,000) |
| Payment to escrow agent on refunded bond issuance | 10,490,393 |
| Premium on refunded bonds | (1,515,924) |
| Amortization of deferred charge on refunding | (131,502) |
| Amortization of premiums | 467,560 |
| Landfill post-closure monitoring | 24,000 |

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 | 18,944 |
| Accrued interest | (37,658) |
| Change in net pension liability | (1,694,684) |
| Change in net OPEB liability | 1,209,994 |
| Change in prior service cost | 417,364 |
| Change in deferred inflows of resources related to pensions | (1,993,438) |
| Change in deferred inflows of resources related to OPEB | (703,474) |

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

| |
|-----------|
| 1,260,633 |
|-----------|

| | |
|--|---------------------|
| Change in Net Position of Governmental Activities (Exhibit II) | <u>\$ (893,894)</u> |
|--|---------------------|

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

| | Business-Type Activities Utility Commission | Governmental Activities Internal Service Fund |
|----------------------------------|--|--|
| Assets: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,836,350 | \$ 6,033,778 |
| Receivables, net | 1,664,839 | 12,313 |
| Interfund receivables | | 466,398 |
| Total current assets | <u>6,501,189</u> | <u>6,512,489</u> |
| Noncurrent assets: | | |
| Capital assets, net | <u>47,417,706</u> | |
| Total assets | <u>53,918,895</u> | <u>6,512,489</u> |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts and other payables | 82,820 | 3,480 |
| Accrued liabilities | 150,599 | 639,399 |
| Interfund payables | 1,170,604 | |
| Advance collections | 17,394 | 66,961 |
| Deposits | 125,589 | |
| Compensated absences | 26,463 | |
| Total current liabilities | <u>1,573,469</u> | <u>709,840</u> |
| Noncurrent liabilities: | | |
| Compensated absences | <u>318,932</u> | |
| Total liabilities | <u>1,892,401</u> | <u>709,840</u> |
| Net Position: | | |
| Net investment in capital assets | 47,417,706 | |
| Unrestricted | <u>4,608,788</u> | <u>5,802,649</u> |
| Total Net Position | <u><u>\$ 52,026,494</u></u> | <u><u>\$ 5,802,649</u></u> |

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Business-Type Activities Utility Commission</u> | <u>Governmental Activities Internal Service Fund</u> |
|---|--|--|
| Operating Revenues: | | |
| User charges for services, interest and lien fees | \$ 3,710,253 | \$ |
| Premium charges to other funds | | 11,436,308 |
| Total operating revenues | <u>3,710,253</u> | <u>11,436,308</u> |
| Operating Expenses: | | |
| Amortization expense | 1,267 | |
| Depreciation expense | 1,888,271 | |
| Salaries, wages and employee benefits | 1,151,009 | |
| Treatment plant costs | 1,465,725 | |
| Utilities | 324,695 | |
| Repairs and maintenance | 332,234 | |
| Other operating expenses | 93,432 | |
| Materials and supplies | 121,548 | |
| Professional services | 21,003 | |
| Claims | | 8,273,177 |
| Program and administrative expenses | | 1,965,057 |
| Total operating expenses | <u>5,399,184</u> | <u>10,238,234</u> |
| Operating Income (Loss) | (1,688,931) | 1,198,074 |
| Nonoperating Revenue: | | |
| Income on investments | <u>47,265</u> | <u>62,559</u> |
| Gain (Loss) Before Capital Contributions | (1,641,666) | 1,260,633 |
| Capital Contributions | <u>95,069</u> | |
| Change in Net Position | (1,546,597) | 1,260,633 |
| Net Position at Beginning of Year | <u>53,573,091</u> | <u>4,542,016</u> |
| Net Position at End of Year | <u>\$ 52,026,494</u> | <u>\$ 5,802,649</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Business-Type Activities Utility Commission</u> | <u>Governmental Activities Internal Service Fund</u> |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Charges for services and premiums | \$ 3,687,227 | \$ 11,440,604 |
| Payments to suppliers | (1,358,646) | |
| Claims and other expenses paid | | (9,904,520) |
| Payments to employees | (1,206,842) | |
| Net cash provided by (used in) operating activities | <u>1,121,739</u> | <u>1,536,084</u> |
| Cash Flows from Investing Activities: | | |
| Income on investments | 47,265 | 62,559 |
| Net cash provided by (used in) investing activities | <u>47,265</u> | <u>62,559</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,169,004 | 1,598,643 |
| Cash and Cash Equivalents at Beginning of Year | <u>3,667,346</u> | <u>4,435,135</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 4,836,350</u> | <u>\$ 6,033,778</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | |
| Operating income (loss) | \$ <u>(1,688,931)</u> | \$ <u>1,198,074</u> |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization expense | 1,889,538 | |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 1,087 | 4,296 |
| (Increase) decrease in interfunds receivable | | 811,309 |
| Increase (decrease) in accounts payable | (58,454) | (139,670) |
| Increase (decrease) in accrued liabilities | 30,652 | (337,297) |
| Increase (decrease) in interfunds payable | 1,032,743 | |
| Increase (decrease) in advance collections and deposits | (24,113) | (628) |
| Increase (decrease) in compensated absences | (60,783) | |
| Total adjustments | <u>2,810,670</u> | <u>338,010</u> |
| Net Cash Provided by (Used in) Operating Activities | <u>\$ 1,121,739</u> | <u>\$ 1,536,084</u> |
| Noncash Capital and Related Financing Activity: | | |
| Capital contributions from other funds | <u>\$ 95,069</u> | <u>\$ -</u> |

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020

| | Pension and Other Employee Benefit Trust Funds | Agency Funds |
|---------------------------------|---|-------------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 13,075 | \$ 695,017 |
| Investments: | | |
| Certificates of deposit | | 280,050 |
| Mutual funds | <u>6,648,634</u> | |
| Total assets | <u>6,661,709</u> | <u>\$ 975,067</u> |
| Liabilities: | | |
| Accounts and other payables | 11,931 | |
| Deposits held for others | <u> </u> | <u>\$ 975,067</u> |
| Total liabilities | <u>11,931</u> | <u>\$ 975,067</u> |
| Net Position: | | |
| Restricted for OPEB Benefits | 6,109,331 | |
| Restricted for Pension Benefits | <u>540,447</u> | |
| Total Net Position | <u>\$ 6,649,778</u> | |

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Pension and Other Employee Benefit Trust Funds</u> |
|---|--|
| Additions: | |
| Contributions: | |
| Employer | \$ 1,704,523 |
| Investment income: | |
| Net appreciation in fair value of investments | <u>333,388</u> |
| Total additions | <u>2,037,911</u> |
| Deductions: | |
| Benefit payments | 967,186 |
| Administration | <u>13,200</u> |
| Total deductions | <u>980,386</u> |
| Change in Net Position | 1,057,525 |
| Net Position at Beginning of Year | <u>5,592,253</u> |
| Net Position at End of Year | <u><u>\$ 6,649,778</u></u> |

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town was settled in 1646 and incorporated in 1801. The Town operates under a charter and a Board of Selectmen, Board of Finance and Representative Town Meeting (RTM) form of government.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable, and other organizations that by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

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. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The 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 expenses 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, proprietary 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus.

**TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 after the end of the current fiscal period.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to capital leases, compensated absences and claims and judgments, are recorded only when payment is due.

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 activities required to be accounted for in another fund.

The *Capital and Nonrecurring Expenditures Fund* accounts for revenues and expenditures to be used for various short-term construction projects funded by the General Fund.

The *Waterford High School Building Project* accounts for revenues and expenditures and other financing sources for the construction of the High School.

Additionally, the Town reports the following major proprietary fund:

The *Utility Commission Fund* accounts for the operation and maintenance of the sewer collection system, which is owned by the Town and is primarily supported through charges to customers

Additionally, the Town reports the following fund types:

The *Internal Service Fund* is used to account for the Town's insurance program for health insurance coverage of the Town and Board of Education employees.

The *Pension and Other Employee Benefit Trust Funds* account for the assets that have been set aside in a trust for the employee retirement plan for certain Town employees and assets that have been set aside in a trust for other post-employment benefits for certain employees.

The *Agency Funds* account for monies held on behalf of students and for scholarships and performance bonds.

**TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other function of the government. 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 revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to users for services. Operating expenses for internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government'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.

C. Cash and Cash Equivalents

The Town classifies money market funds, STIF investments, treasury bills and certificates of deposit having original maturities of three months or less when purchased as cash equivalents. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The pool is reported at amortized cost.

D. Investments

Investments are stated at fair value.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of United States Department of Agriculture donated commodities are stated at fair market value. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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."

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

In the government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund 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 of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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 lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|------------------------------|--------------|
| Infrastructure: | |
| Public domain infrastructure | 10-65 |
| System infrastructure | 30 |
| Land and Buildings: | |
| Land | - |
| Land improvements | 20 |
| Buildings | 25-40 |
| Building improvements | 25-40 |
| Equipment: | |
| Vehicles | 8 |
| Office equipment | 5-20 |
| Computer equipment | 5 |
| Machinery and equipment | 5-30 |
| Software | 15 |

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 pension and OPEB in the government-wide statement of net position. A deferred charge on refunding results from the

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and 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 and OPEB 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 deferred inflows related to pensions and OPEB in the government-wide statement of net position. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and 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 and OPEB plan (active employees and inactive employees). 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 four sources: grants receivable, special assessments, property taxes and interest on property taxes. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available.

I. Net Pension Liability and Net OPEB Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

The net OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total OPEB liability), net of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

J. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type 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 the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses in the period incurred.

**TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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. Compensated Absences

Town and Board of Education employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future period are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for amounts that have become due. The general fund is typically used to liquidate the liability.

L. 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

Restricted net position contains assets subject to restrictions that are 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.

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

Restricted Fund Balance

This component 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 component represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of Waterford Representative Town Meeting) in the form of an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

**TOWN OF WATERFORD, CONNECTICUT
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Assigned Fund Balance

This balance represents amounts constrained for the intent to be used for a specific purpose by a governing body or board or official that has been delegated authority to assign amounts by the Town Charter. The Finance Director has been delegated authority to assign amounts.

Unassigned Fund Balance

This component 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.

M. Property Taxes

The Town's property tax is levied each June on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town and are computed at 70% of market value. Although taxes are levied in June, the legal right to attach property does not exist until July 1. Taxes are due and payable in two installments on the following July 1 and January 1. Interest of 1 ½ percent per month is charged on delinquent taxes. The Town files liens against property if taxes that are due July 1 remain unpaid on the following June 30. Liens are effective on the attachment date and are continued by filing prior to the following levy date.

Additional supplemental property taxes are assessed for motor vehicles registered subsequent to the Grand List date through July 31 and are payable in one installment due January 1.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Town defines the current period to mean within 60 days after year end. Property taxes receivable not expected to be collected during the available period are reflected in unavailable revenue in the fund financial statements. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30 that are applicable to the subsequent years' assessment are reflected as advance tax collections in both the fund financial statements and the government-wide financial statements.

N. 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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through November 17, 2020, the date that the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Formal legally adopted annual budgets are employed as a management control device in the General Fund. Project-length budgets are employed in the Capital Projects Funds. All unencumbered appropriations lapse at year end.

The Town uses the following procedures in establishing the budgetary data included in the financial statements. Those boards seeking appropriations, with the exception of the Board of Education, make their budgetary requests to the Board of Selectmen by a date designated by the Board. During the months of January and February, the Board of Selectmen conducts budget hearings with the requesting agencies. The Board of Selectmen will take action on these requests no later than the second week in February and forward the budgets and its recommendation for funding to the Board of Finance. During the month of March, the Board of Finance conducts budget hearings with the requesting departments, Boards, Commissions and Agencies including the Board of Education. The Board of Finance then conducts a public hearing to determine the budget it will recommend to the RTM. This recommendation cannot exceed the recommended level of appropriation by the Board of Selectmen unless a departmental appeal is made to them based upon the action of the Board of Selectmen in a timeframe approved by Ordinance. The RTM holds its annual budget meeting the first Monday in May and acts upon the recommended budget as submitted by the Board of Finance inclusive of the Board of Education. The RTM cannot increase the level of appropriation recommended by the Board of Finance unless a departmental appeal is made to them from the action of the Board of Finance in a timeframe approved by Ordinance. The annual budget meeting legally appropriates this budget to departmental line items for expenditures and transfers. The Board of Finance then sets a tax mill rate for the ensuing fiscal year based upon this level of budget.

Town management may transfer amounts within the series level within a department with Commission or Board approval, but only the Board of Finance is authorized to transfer the legally budgeted amounts between series within or between departmental accounts. In this function, series within the various departments serve as the level of management control.

The Superintendent of Schools is authorized to make limited line item transfers under emergency circumstances where the urgent need for the transfer prevents the Board of Education from meeting in a timely fashion to consider the transfer. Any such transfer shall be announced at the next regularly scheduled meeting of the Board.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than GAAP. The major difference between the budgetary and GAAP basis is that encumbrances are recognized as a charge against a budget appropriation in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year end are recorded in budgetary reports as expenditures of the current year, whereas, on a GAAP basis, encumbrances are recorded as assigned fund balance.

Summarizations of the amended budget approved by the RTM for the "budgetary" General Fund is presented. During the year, supplemental budgetary appropriations of \$1,000,000 were made.

As explained above, the Town's budgetary fund structure accounts for certain transactions differently from that utilized in reporting in conformity with generally accepted accounting principles.

**TOWN OF WATERFORD, CONNECTICUT
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The differences between the budgetary and GAAP basis of accounting are as follows:

- Encumbrances are recognized as valid and proper charges against budget appropriations in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year but are shown as an assigned fund balance on a GAAP basis.
- State of Connecticut Teachers' Retirement System pension and OPEB contributions made on-behalf of the Town of Waterford for teachers' pension and OPEB benefits are reported for GAAP purposes only.
- Excess Cost - Student based grant is credited against the Board of Education's operating budget.
- Bond Refundings - Proceeds from principal and premium received through bond refundings, as well as the cost of bond issuance costs and payments made to bond escrow agents during the bond refunding are recorded for GAAP purposes only.
- GASB 54 Funds - Certain funds are consolidated with the general fund following the guidance of GASB 54, *Fund Balance Reporting and Government Fund Type Definitions*. These funds do not have legally adopted budgets but are recorded with the general fund for GAAP purposes.

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

B. Deficit Fund Equity

The following funds had deficit fund balances at year end:

| <u>Fund</u> | <u>Amount</u> |
|---|---------------|
| Waterford High School Building Project | \$ 2,941,628 |
| Historic Preservation Enhancement Grant | 5,000 |

These deficits will be eliminated in future years by grants and when permanent financing is obtained.

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 Town and the Pension and OPEB Trust Funds have a policy for investments which is governed by State Statutes. 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

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agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The 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 deposits 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. 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.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$7,671,969 of the Town's bank balance of \$9,684,539 was exposed to custodial credit risk as follows:

| | |
|--|---------------------|
| Uninsured and uncollateralized | \$ 6,829,771 |
| Uninsured and collateral held by the pledging bank's trust department, not in the Town's name | <u>842,198</u> |
| Total Amount Subject to Custodial Credit Risk | <u>\$ 7,671,969</u> |

Cash Equivalents

At June 30, 2020, the Town's cash equivalents amounted to \$36,075,057. 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.

| | <u>Standard & Poor's</u> | <u>Fitch Ratings</u> |
|---|----------------------------------|--------------------------|
| State Short-Term Investment Fund (STIF) | AAAm | |
| Money Market Funds | Not Rated | |

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Investments

As of June 30, 2020, the Town had the following investments:

| | <u>Fair Value</u> | <u>Investment Maturities (Years)</u> | | |
|-------------------------------|----------------------|--------------------------------------|---------------|---------------------|
| | | <u>Less Than 1</u> | <u>1 - 10</u> | <u>More Than 10</u> |
| Interest-bearing investments: | | | | |
| Certificates of deposit* | \$ 1,258,750 | \$ 1,258,750 | | \$ |
| U.S. Government securities | 3,101,627 | 3,101,627 | | |
| Other investments: | | | | |
| Mutual funds | <u>7,053,615</u> | | | |
| Total Investments | <u>\$ 11,413,992</u> | | | |

* Subject to coverage by Federal Depository Insurance and Collateralization.

Presented below is the rating of investments for each debt investment type:

| <u>Average Rating</u> | <u>U.S. Government Securities</u> | <u>Certificates of Deposit</u> |
|-----------------------|-----------------------------------|--------------------------------|
| Aaa | \$ 3,101,627 | \$ |
| Not Rated | | <u>1,258,750</u> |
| | <u>\$ 3,101,627</u> | <u>\$ 1,258,750</u> |

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2020:

| | <u>Fair Value</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|----------------------------------|-------------------|----------------|----------------|----------------|
| Investments by fair value level: | | | | |
| Mutual funds | \$ 7,053,615 | \$ 7,053,615 | | \$ |
| U.S. Government securities | 3,101,627 | 3,101,627 | | |

Mutual funds and U.S. Government Securities are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities.

Interest Rate Risk

The Town, Pension and OPEB plans have a policy that limits investing in short-term securities, money market funds or similar investment pools, and limiting the average maturity in the portfolio in accordance with this policy will minimize interest rate risk.

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Credit Risk - Investments

The Town does not have an investment policy that would limit its investment choices due to credit risk, other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Concentration of Credit Risk

The Town and pension plan do have a policy that limits that amounts invested in any one issuer to no more than 15% from a specific issuer or business sector (except U.S. Treasuries or Connecticut Short Term Investment Funds), which is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2020, the Town did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent, that were not in the Town's name.

4. RECEIVABLES

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

| | <u>General Fund</u> | <u>Utility Commission</u> | <u>Nonmajor and Other Funds</u> | <u>Total</u> |
|-----------------------------------|-------------------------|-------------------------------|---|---------------------|
| Receivables: | | | | |
| Property taxes | \$ 1,207,391 | \$ | \$ | \$ 1,207,391 |
| Interest | 506,120 | | | 506,120 |
| Accounts | 178,375 | 1,664,839 | 51,491 | 1,894,705 |
| Intergovernmental | 176,093 | | 81,121 | 257,214 |
| Assessment charges | 31,662 | | | 31,662 |
| Gross receivables | <u>2,099,641</u> | <u>1,664,839</u> | <u>132,612</u> | <u>3,897,092</u> |
| Less allowance for uncollectibles | <u>(121,136)</u> | | <u>(3,193)</u> | <u>(124,329)</u> |
| Net Total Receivables | <u>\$ 1,978,505</u> | <u>\$ 1,664,839</u> | <u>\$ 129,419</u> | <u>\$ 3,772,763</u> |

TOWN OF WATERFORD, CONNECTICUT
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5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|-----------------------|-----------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 8,956,560 | \$ 690 | \$ | \$ 8,957,250 |
| Permanent easements | 5,000 | | | 5,000 |
| Construction in progress | 2,523,794 | 7,501,572 | (719,415) | 9,305,951 |
| Total capital assets not being depreciated | <u>11,485,354</u> | <u>7,502,262</u> | <u>(719,415)</u> | <u>18,268,201</u> |
| Capital assets being depreciated: | | | | |
| Land improvements | 2,435,839 | 1,085,415 | (8,500) | 3,512,754 |
| Buildings and improvements | 240,855,710 | | (1,094,104) | 239,761,606 |
| Vehicles | 17,147,952 | 444,776 | (897,371) | 16,695,357 |
| Machinery and equipment | 15,587,002 | 65,872 | (285,769) | 15,367,105 |
| Infrastructure | 103,540,680 | 1,460,022 | (735,095) | 104,265,607 |
| Software | 554,969 | | | 554,969 |
| Total capital assets being depreciated | <u>380,122,152</u> | <u>3,056,085</u> | <u>(3,020,839)</u> | <u>380,157,398</u> |
| Less accumulated depreciation for: | | | | |
| Land improvements | (1,908,123) | (66,805) | 5,029 | (1,969,899) |
| Buildings and improvements | (74,744,167) | (5,630,371) | 893,566 | (79,480,972) |
| Vehicles | (10,729,289) | (986,599) | 844,135 | (10,871,753) |
| Machinery and equipment | (11,721,767) | (961,515) | 285,769 | (12,397,513) |
| Infrastructure | (48,002,846) | (1,707,823) | 356,875 | (49,353,794) |
| Software | (447,536) | (13,532) | | (461,068) |
| Total accumulated depreciation | <u>(147,553,728)</u> | <u>(9,366,645)</u> | <u>2,385,374</u> | <u>(154,534,999)</u> |
| Total capital assets being depreciated, net | <u>232,568,424</u> | <u>(6,310,560)</u> | <u>(635,465)</u> | <u>225,622,399</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 244,053,778</u> | <u>\$ 1,191,702</u> | <u>\$ (1,354,880)</u> | <u>\$ 243,890,600</u> |
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 127,970 | \$ | \$ | \$ 127,970 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,383,627 | | | 1,383,627 |
| Vehicles | 756,090 | 58,085 | | 814,175 |
| Machinery and equipment | 1,068,936 | 36,984 | | 1,105,920 |
| Infrastructure | 96,017,268 | | | 96,017,268 |
| Software | 19,000 | | | 19,000 |
| Total capital assets being depreciated | <u>99,244,921</u> | <u>95,069</u> | <u>-</u> | <u>99,339,990</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (370,409) | (34,591) | | (405,000) |
| Vehicles | (550,752) | (36,543) | | (587,295) |
| Machinery and equipment | (361,443) | (76,534) | | (437,977) |
| Infrastructure | (48,867,925) | (1,740,603) | | (50,608,528) |
| Software | (10,187) | (1,267) | | (11,454) |
| Total accumulated depreciation | <u>(50,160,716)</u> | <u>(1,889,538)</u> | <u>-</u> | <u>(52,050,254)</u> |
| Total capital assets being depreciated, net | <u>49,084,205</u> | <u>(1,794,469)</u> | <u>-</u> | <u>47,289,736</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 49,212,175</u> | <u>\$ (1,794,469)</u> | <u>\$ -</u> | <u>\$ 47,417,706</u> |

TOWN OF WATERFORD, CONNECTICUT
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Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--|---------------------|
| Governmental activities: | |
| General government | \$ 188,509 |
| Public safety | 1,121,062 |
| Public works | 2,192,720 |
| Recreation | 336,034 |
| Library | 21,650 |
| Social services | 115,719 |
| Education | <u>5,390,951</u> |
| Total Depreciation Expense - Governmental Activities | \$ <u>9,366,645</u> |
| Business-type activities: | |
| Utility Commission | \$ <u>1,889,538</u> |

Construction Commitments

The Town has active construction projects as of June 30, 2020. At year end, the Town's commitments are as follows:

| <u>Project</u> | <u>Spent-to-Date</u> | <u>Remaining Commitment</u> |
|-------------------------------------|----------------------|---------------------------------|
| General government projects | \$ 1,511,981 | \$ 94,036 |
| Public safety projects | 186,833 | 128,121 |
| Recreation projects | 66,926 | 21,202 |
| Education projects | 1,005,034 | 276 |
| Department of Public Works projects | <u>10,539,500</u> | <u>6,445,829</u> |
| Total | \$ <u>13,310,274</u> | \$ <u>6,689,464</u> |

The commitments are being financed with General Fund and Capital Projects Fund appropriations and state and federal grants and bonding.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2020 is as follows:

| <u>Receivable Entity</u> | <u>Payable Entity</u> | <u>Amount</u> |
|-----------------------------|--|---------------------|
| General Fund | Capital and Nonrecurring Expenditures Fund | \$ 1,891,367 |
| General Fund | Waterford High School Building Project | 2,942,807 |
| General Fund | Nonmajor Governmental Funds | 999,897 |
| General Fund | Utility Commission | 1,170,604 |
| Nonmajor Governmental Funds | General Fund | 1,636,890 |
| Internal Service Fund | General Fund | <u>466,398</u> |
| | | \$ <u>9,107,963</u> |

TOWN OF WATERFORD, CONNECTICUT
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Interfund receivables and payables generally represent temporary balances arising from reimbursement-type transactions.

Interfund transfers for the year ended June 30, 2020 are as follows:

| | Transfers In | | | |
|-----------------------------|-------------------------|---|--|------------------------------------|
| | General Fund | Capital and Nonrecurring Expenditures Fund | Nonmajor Governmental Funds | Total Transfers Out |
| Transfers: | | | | |
| General Fund | \$ | \$ 3,073,309 | \$ 2,542,510 | \$ 5,615,819 |
| Nonmajor Governmental Funds | <u>358,913</u> | | | <u>358,913</u> |
| Total Transfers In | <u>\$ 358,913</u> | <u>\$ 3,073,309</u> | <u>\$ 2,542,510</u> | <u>\$ 5,974,732</u> |

Capital asset contributions totaling \$95,069 were made from governmental funds to business-type funds during the year ended June 30, 2020. This activity is included in transfers in the government-wide activity in Exhibit II of the accompanying financial statements.

Interfund transfers arose from appropriating General Fund amounts to the Nonrecurring Capital Projects Fund and various nonmajor governmental funds. There were also transfer out of the Capital Improvement Fund of \$358,913 into the General Fund for unused appropriations.

TOWN OF WATERFORD, CONNECTICUT
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7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2020 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|------------------------------------|------------------------------|----------------------|----------------------|---------------------------|--------------------------------|
| Bonds payable: | | | | | |
| General obligation bonds | \$ 69,465,000 | \$ 9,085,000 | \$ 15,520,000 | \$ 63,030,000 | \$ 5,060,000 |
| Premium on bonds | 3,580,235 | 1,515,924 | 467,560 | 4,628,599 | |
| Total bonds payable | <u>73,045,235</u> | <u>10,600,924</u> | <u>15,987,560</u> | <u>67,658,599</u> | <u>5,060,000</u> |
| Bond anticipation notes* | | | | | |
| Bond anticipation note principal | - | 10,000,000 | | 10,000,000 | |
| Premium on bond anticipation notes | - | 93,500 | | 93,500 | |
| Total bond anticipation notes | <u>-</u> | <u>10,093,500</u> | <u>-</u> | <u>10,093,500</u> | <u>-</u> |
| Other liabilities: | | | | | |
| Net OPEB liability | 18,501,569 | | 1,209,994 | 17,291,575 | |
| Landfill post-closure monitoring | 295,000 | | 24,000 | 271,000 | 21,000 |
| Compensated absences | 7,258,446 | 932,478 | 951,422 | 7,239,502 | 1,022,984 |
| Net pension liability | 29,879,877 | 1,694,684 | | 31,574,561 | |
| Prior service cost (MERS) | 1,252,629 | | 417,364 | 835,265 | 417,364 |
| Total Governmental Activities | | | | | |
| Long-Term Liabilities | <u>\$ 130,232,756</u> | <u>\$ 23,321,586</u> | <u>\$ 18,590,340</u> | <u>\$ 134,964,002</u> | <u>\$ 6,521,348</u> |
| Business-type activities: | | | | | |
| Compensated absences | <u>\$ 406,178</u> | <u>\$ 17,906</u> | <u>\$ 78,689</u> | <u>\$ 345,395</u> | <u>\$ 26,463</u> |

* Bond anticipation notes above consists of notes for which long-term debt was issued to replace subsequent to June 30, 2020.

Compensated absences, net pension liability and net OPEB liability are generally liquidated by the General Fund.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the Town. The Town is liable for all outstanding bonds. General obligation bonds currently outstanding are as follows:

| <u>Description</u> | <u>Maturity Ranges</u> | <u>Original Amount</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Interest Rate</u> | <u>Balance June 30, 2020</u> |
|--------------------------|----------------------------|----------------------------|--------------------------|-----------------------------|--------------------------|----------------------------------|
| Governmental activities: | | | | | | |
| Schools: | | | | | | |
| Clark Lane School | \$800,000 - \$850,000 | \$ 9,440,000 | 12/29/2014 | 8/15/2026 | 3.0% - 5.0% | \$ 5,850,000 |
| Oswegatchie School | \$735,000 - \$740,000 | 14,000,000 | 8/1/2011 | 8/1/2020 | 2.0% - 4.0% | 735,000 |
| Great Neck Elementary | \$655,000 - \$960,000 | 9,085,000 | 12/18/2019 | 8/1/2030 | 4.0% - 5.0% | 9,085,000 |
| Waterford High School | \$1,355,000 - \$2,000,000 | 33,750,000 | 3/15/2013 | 8/15/2032 | 2.0% - 4.0% | 21,095,000 |
| School Issue of 2014 | \$640,000 - \$940,000 | 15,930,000 | 3/17/2014 | 3/15/2034 | 3.0% - 4.0% | 12,525,000 |
| School Issue of 2017 | \$185,000 - \$2,830,000 | 14,585,000 | 6/21/2017 | 6/30/2031 | 2.0% - 5.0% | 13,740,000 |
| | | | | | | <u>\$ 63,030,000</u> |

TOWN OF WATERFORD, CONNECTICUT
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General Obligation Bonds - Advance Refundings

On December 18, 2019, the Town issued \$9,085,000 in general obligation bonds, with an average interest rate of 4.13% to refund outstanding bonds with an average rate of 4.49%. The bonds refunded were \$10,375,000 of outstanding 2012 general obligation bonds. The net proceeds of \$10,490,393 (after payment of issuance costs of \$110) were deposited with an escrow agent in an irrevocable trust fund. The proceeds were used to buy a portfolio of direct obligations of, or obligations guaranteed by, the United States of America to provide all future debt service payments on the refunded bonds. The refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net assets. The transaction generated a cash flow savings of \$819,293 and a present value savings of \$726,818.

In addition to the above, in prior years the Town defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase government obligations that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. The balance in escrow was \$11,659,498 as of June 30, 2020. The balance of the defeased bonds was \$11,350,000 at June 30, 2020.

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Governmental Activities</u> | |
|------------------------------------|--------------------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 5,060,000 | \$ 2,344,371 |
| 2022 | 5,155,000 | 2,114,114 |
| 2023 | 5,200,000 | 1,925,351 |
| 2024 | 5,400,000 | 1,738,470 |
| 2025 | 5,605,000 | 1,534,608 |
| 2026-2030 | 25,305,000 | 4,408,606 |
| 2031-2035 | 11,305,000 | 684,036 |
| Total | <u>\$ 63,030,000</u> | <u>\$ 14,749,556</u> |

Bond Anticipation Notes

On July 8, 2020, bond anticipation notes totaling \$10,000,000 were replaced through the issuance of general obligation bonds. In meeting the criterion established by GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the bond anticipation notes are included within long-term debt above as of June 30, 2020. See subsequent event disclosure at Note 15 for further information on the general obligation bonds issued.

Landfill Post-Closure Care Costs

Effective January 1, 2002, the Town's Miner Lane landfill was closed. The cost of the ongoing maintenance of the cap and the Department of Energy and Environmental Protection requirement for water quality testing over a 30-year period is estimated to be approximately \$21,000 a year. Accordingly, the Town has recorded a liability in the government-wide financial statements of \$271,000.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Authorized But Unissued

The total of authorized but unissued bonds at June 30, 2020 is \$23,376,000. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

Debt Limitation

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

| <u>Category</u> | <u>Debt Limit</u> | <u>Indebtedness</u> | <u>Balance</u> |
|-----------------|-----------------------|---------------------|----------------|
| General purpose | \$ 205,268 | \$ 15,000 | \$ 190,268 |
| Schools | 410,535 | 71,406 | 339,129 |
| Sewers | 342,113 | | 342,113 |
| Urban renewal | 296,498 | | 296,498 |
| Pension deficit | 273,690 | | 273,690 |

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, or \$638,609,762. At June 30, 2020, authorized and unissued debt amounted to \$23,376,000.

**TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

8. FUND BALANCE

The components of fund balance for the governmental funds as of June 30, 2020 are as follows:

| | <u>General Fund</u> | <u>Capital and Nonrecurring Expenditures Fund</u> | <u>Waterford High School Building Project</u> | <u>Nonmajor Governmental Funds</u> | <u>Total</u> |
|------------------------|-------------------------|---|---|--|----------------------|
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Inventory | \$ | \$ | \$ | \$ 3,946 | \$ 3,946 |
| Prepaid expenditures | 215,384 | | | | 215,384 |
| Non-spendable trust | | | | 127,134 | 127,134 |
| Restricted for: | | | | | |
| General government | | | | 32,660 | 32,660 |
| Public safety | | | | 79,679 | 79,679 |
| Public works | | | | 458,650 | 458,650 |
| Recreation | | | | 39,777 | 39,777 |
| Social services | | | | 216,707 | 216,707 |
| Education | | | | 82,988 | 82,988 |
| Committed to: | | | | | |
| Public works | | | | 622,193 | 622,193 |
| Other capital projects | | 8,062,934 | | 2,749,123 | 10,812,057 |
| Assigned to: | | | | | |
| General government | 64,571 | | | | 64,571 |
| Public works | 50,025 | | | | 50,025 |
| Recreation | 11,605 | | | | 11,605 |
| Library | 10,354 | | | | 10,354 |
| Capital projects | | | | 1,605,630 | 1,605,630 |
| Education | 798,076 | | | | 798,076 |
| Unassigned | <u>18,963,147</u> | | <u>(2,941,628)</u> | <u>(5,000)</u> | <u>16,016,519</u> |
| Total Fund Balances | \$ <u>20,113,162</u> | \$ <u>8,062,934</u> | \$ <u>(2,941,628)</u> | \$ <u>6,013,487</u> | \$ <u>31,247,955</u> |

As discussed in Note 2.A., budgetary information, under budgetary basis of accounting encumbrance accounting, is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. As of June 30, 2020, the amount of General Fund encumbrances expected to be honored upon performance by the vendor in the next year totaled \$522,097.

**TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

9. TAX ABATEMENTS

As of June 30, 2020, the Town provides tax abatements through multiple programs:

- AHEPA 250-II Inc.
- Twin Haven, Inc.

The AHEPA 250-II Inc. (AHEPA) tax abatement agreement provides a real property tax abatement on certain property within the Town for the purpose of providing housing to the low or moderate-income elderly and handicapped, as allowed under Chapter 133 of the Connecticut General Statutes Section 8-215 and 8-216. Eligibility for the abatement is predicated on AHEPA limiting occupancy in the premises to those meeting the criteria for low or moderate-income elderly and handicapped individuals in addition to maintaining a contracted standard of housing for the property. The agreement allows for an abatement over a five-year period to end on June 27, 2019, if not extended, and is determined by the percentage of the annual Town levy that is expended for education. For the year ended June 30, 2020, taxes abated through this agreement totaled \$28,265. There are no provisions to recapture abated taxes under this program. No other commitments have been made by the Town to the abatement recipient under this agreement.

The Twin Haven, Inc. (Twin Haven) tax abatement agreement provides a real property tax abatement on certain property within the Town for the purpose of providing housing to the low or moderate-income elderly, as allowed under Chapter 133 of the Connecticut General Statutes Section 8-215. Eligibility for the abatement is predicated on Twin Haven limiting occupancy in the premises to those meeting the criteria for low or moderate-income elderly individuals in addition to maintaining a contracted standard of housing for the property. The abatement term is over a five-year period to end on June 30, 2021, if not extended, and is determined by the percentage of the annual Town levy that is expended for education. For the year ended June 30, 2020, taxes abated through this agreement totaled \$25,526. There are no provisions to recapture abated taxes under this program. No other commitments have been made by the Town to the abatement recipient under this agreement.

10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Pension Trust Fund

Plan Description

The Town maintains a single-employer defined benefit pension plan (the Plan). The Plan was established and is administered by the Town. The Plan covers employees who retired or terminated in a vested status prior to State of Connecticut Municipal Employees' Retirement System (MERS) participation. There are no contributions required from the members. The Town is required to contribute the amounts necessary to finance the benefits for the participants in this Plan. The Plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund. The Plan does not issue a separate stand-alone financial report.

The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. The Plan is closed to new members. All eligible full-time employees have the option of enrolling in the MERS plan.

**TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Benefit Provisions

Members who retired at normal retirement date (age 62 and 15 years of service) receive benefits equal to 1.5% of final average earnings (the average of the highest 5 years within the last 10 years) per year of service, limited to 30 years. Members who retired at service retirement date (age 50 and 25 years of service) receive benefits equal to 2% of final average earnings per year of service, limited to 30 years, until age 62. Members who retired at early retirement date (age 57 and 15 years of service) could elect to receive benefits accrued to that date, reduced by .4167% for each month prior to normal retirement date, or to defer benefits until normal retirement date with no reduction. Benefit provisions are established and can be amended by the Representative Town Meeting.

Plan Administration

The general administration and management of the pension plan and the responsibility for carrying out the provision of the plan shall be placed with the Retirement Commission. The Retirement Commission is made up as follows:

- A member of the Board of Police Commissioners to be appointed by the Board of Police Commissioners, annually;
- A member of the Board of Selectmen to be appointed by the Board of Selectmen, annually;
- A member of the Board of Education to be appointed by the Board of Education, annually;
- A member of the Board of Finance to be appointed by the Board of Finance, biennially, for a two-year term, subsequent to December 1st but no later than December 31st of each odd-numbered year;
- Two members of the Representative Town Meeting to be appointed by the Representative Town Meeting biennially, for a two-year term at the regularly scheduled December meeting of each odd-numbered year, and;
- A member of the fire service to be appointed by the Director of Fire Services, annually.

Plan membership consisted of the following at July 1, 2019, the date of the latest actuarial valuation:

| | |
|---|----|
| Retirees, disabled employees and beneficiaries currently receiving benefits | 10 |
|---|----|

Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized as revenues when due in accordance with the terms of the Plan. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs are paid from pension fund resources.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

Funding Policy

There are no active employees of the Plan. Contributions required for the year ended June 30, 2020 were \$81,131, with contributions of \$89,953 made by the Town. Excess assets in the Plan may be used to fund past service costs for employees who transferred to MERS.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Investments

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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. Best estimates of the real rates of return for each major asset class are included in the pension plan's target asset allocation as of June 30, 2020, and are summarized in the following table.

The following was the Retirement Commission's adopted asset allocation policy and the long-term expected real rate of return as of June 30, 2020:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------|------------------------------|---|
| Large cap domestic equity | 17.5% | 5.00% |
| Small cap domestic equity | 7.5% | 5.55% |
| Developed international equity | 20.0% | 5.35% |
| Emerging international equity | 5.0% | 6.30% |
| Fixed income | 50.0% | 1.60% |
| Total | <u>100.0%</u> | |

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.97%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2020 were as follows:

| | |
|--|-------------------|
| Total pension liability | \$ 969,081 |
| Plan fiduciary net position | <u>540,447</u> |
| Net Pension Liability | <u>\$ 428,634</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 55.77% |

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|----------------------------|
| Cost-of-living adjustments | 2.60% |
| Actuarial cost method | Entry age normal |
| Investment rate of return | 6.25%, compounded annually |

Plan mortality rates were based on the Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees, Public Safety and Teachers), projected to the valuation date with Scale MP-2019.

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. 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 Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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.

Changes in the Net Pension Liability

| | Increase (Decrease) | | |
|--|--------------------------------|------------------------------------|----------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
| Balances as of July 1, 2019 | \$ 1,013,766 | \$ 535,281 | \$ 478,485 |
| Changes for the year: | | | |
| Interest on total pension liability | 59,937 | | 59,937 |
| Differences between expected and actual experience | 6,607 | | 6,607 |
| Employer contributions | | 89,953 | (89,953) |
| Net investment income | | 32,400 | (32,400) |
| Benefit payments, including refund to employee contributions | (111,229) | (111,229) | - |
| Administrative expenses | | (5,958) | 5,958 |
| Net changes | (44,685) | 5,166 | (49,851) |
| Balances as of June 30, 2020 | \$ 969,081 | \$ 540,447 | \$ 428,634 |

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

The following presents the net pension liability of the Town, calculated using the current discount rate, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | <u>1% Decrease (5.25%)</u> | <u>Current Discount Rate (6.25%)</u> | <u>1% Increase (7.25%)</u> |
|-----------------------|--------------------------------|--|--------------------------------|
| Net Pension Liability | \$ 503,844 | \$ 428,634 | \$ 362,854 |

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the Town recognized pension expense of \$45,859. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | <u>Deferred Outflows of Resources</u> |
|--|---|
| Net difference between projected and actual earning on pension plan investments | \$ 2,049 |

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

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> |
|----------------------------|------------------------------------|
| 2021 | \$ (1,148) |
| 2022 | 2,374 |
| 2023 | 778 |
| 2024 | <u>45</u> |
| Total | \$ <u>2,049</u> |

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Schedule of Plan Net Position - June 30, 2020

| | <u>Pension Trust Fund</u> |
|---------------------------------|--------------------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 7,042 |
| Investments: | |
| Mutual funds | <u>534,848</u> |
| Total assets | 541,890 |
| Liabilities: | |
| Accounts and other payables | <u>1,443</u> |
| Net Position: | |
| Restricted for Pension Benefits | <u>\$ 540,447</u> |

Schedule of Changes in Plan Net Position for the Year Ended June 30, 2020

| | <u>Pension Trust Fund</u> |
|---|--------------------------------------|
| Additions: | |
| Contributions: | |
| Employer | \$ 89,953 |
| Investment income: | |
| Net appreciation in fair value of investments | <u>32,400</u> |
| Total additions | <u>122,353</u> |
| Deductions: | |
| Benefit payments | 111,229 |
| Administration | <u>5,958</u> |
| Total deductions | <u>117,187</u> |
| Change in Net Position | 5,166 |
| Net Position at Beginning of Year | <u>535,281</u> |
| Net Position at End of Year | <u>\$ 540,447</u> |

**TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

B. Municipal Employees' Retirement System

Plan Description

Certain employees of the Town of Waterford, Connecticut and Waterford Public Schools participate in the Municipal Employees' Retirement System (MERS). MERS is a cost-sharing multiple-employer public employee retirement system established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits to employees of participating municipalities. Chapters 7-425 to 7-451 of the State of Connecticut General Statutes, which can be amended by legislative action, establishes MERS benefits, member contribution rates and other plan provisions. MERS is considered to be part of the State of Connecticut's financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports can be obtained at www.ct.gov.

Benefit Provisions

The plan provides retirement, disability and death benefits and annual cost-of-living adjustments to plan members and their beneficiaries. Employees are eligible to retire at age 55 with 5 years of continuous active service, or 15 year of active noncontinuous aggregate service. In addition, compulsory retirement is at age 65 for police and fire members. Employees under the age of 55 are eligible to retire with 25 years of service.

Normal Retirement

For members not covered by social security, retirement benefits are calculated as 2% of the average of the three highest paid years of service times the years of service. For members covered by social security, retirement benefits are calculated as 1 1/2% of the average of the three highest paid years of service not in excess of the year's breakpoint plus 2% of average of the three highest paid years of service in excess of the year's breakpoint, times years of service. The year's breakpoint is defined as \$10,700 increased by 6.0% each year after 1982, rounded to the nearest multiple of \$100. Maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually.

If any member covered by social security retires before age 62, the member's benefit until the member reaches age 62, or a social security disability award is received, is computed as if the member is not under social security.

Early Retirement

Members must have 5 years of continuous or 15 years of active aggregate service. Benefits are calculated as a service retirement allowance on the basis of the average of the three highest paid years of service to the date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement - Service Connected

This applies to employees who are totally and permanently disabled and such disability has arisen out of and in the course of employment with the municipality. Disability due to heart and hypertension in the case of fire and police, who began employment prior to July 1, 1996, is presumed to have been suffered in the line of duty. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including worker's compensation benefits) of 50% of compensation at the time of disability.

Disability Retirement - Nonservice Connected

Employees who have 10 years of service and are totally and permanently disabled. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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Pre-Retirement Death Benefit

The plan offers a lump-sum return of contributions with interest or if vested and married, the surviving spouse will receive a lifetime benefit.

Contributions

Member - Contributions for members not covered by social security are 5% of compensation; for members covered by social security, 2¼% of compensation up to the social security taxable wage base plus 5%, if any, in excess of such base.

Employer - Participating employers make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment, which covers the liabilities of MERS not met by member contributions. In addition, there is also an annual administrative fee per active and retired member.

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

At June 30, 2020, the Town reports a total liability of \$31,145,927 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The actuarial assumptions used in the June 30, 2019 valuation were based on results of an actuarial experience study for the period July 1, 2012 through June 30, 2017. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2020, the Town's proportion was 3.02%. The decrease in proportion from the prior year is 0.05%.

For the year ended June 30, 2020, the Town recognized pension expense of \$9,233,462. At June 30, 2020, the Town reported deferred inflow of resources and deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Governmental Activities | |
|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 2,456,470 | \$ 2,722,384 |
| Changes of assumptions | 8,343,793 | |
| Net difference between projected and actual earning on pension plan investments | 1,320,474 | |
| Change in employer proportional share | 1,258,626 | 452,739 |
| Contributions after the measurement date | 3,273,290 | |
| Total | \$ <u>16,652,653</u> | \$ <u>3,175,123</u> |

Amounts reported as deferred outflows of resources related to Town contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Amounts reported as deferred outflows and inflows of resources related to pension, excluding Town contributions after the measurement date, will be recognized in pension expense as follows:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> |
|----------------------------|------------------------------------|
| 2021 | \$ 3,986,022 |
| 2022 | 2,890,400 |
| 2023 | 3,409,116 |
| 2024 | <u>(81,298)</u> |
| Total | <u>\$ 10,204,240</u> |

Payable to MERS

The Town has recorded \$835,265 as a long-term liability to MERS at June 30, 2020. This amount represents prior services cost calculated when the Town entered the Plan. This amount will be paid in annual installments. The current year amount paid was \$417,364.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement period:

| | |
|---------------------------|--|
| Inflation | 2.50% |
| Salary increase | 3.50-10.00%, including inflation |
| Investment rate of return | 7.00%, net of pension plan investment expense, including inflation |

Mortality rates were based on:

RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees.

RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire.

For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used.

Future cost-of-living adjustments for members who retire on or after January 1, 2002 are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%; the maximum is 6%.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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The long-term expected rate of return on pension plan investments was determined using a statistical 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. Best estimates of arithmetic real rates of return for each major class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------------------|--------------------------|---|
| Domestic equity | 20.00% | 5.30% |
| Developed market international | 11.00% | 5.10% |
| Emerging market international | 9.00% | 7.40% |
| Core fixed income | 16.00% | 1.60% |
| Inflation linked bond fund | 5.00% | 1.30% |
| Emerging market debt | 5.00% | 2.90% |
| High yield bonds | 6.00% | 3.40% |
| Real estate | 10.00% | 4.70% |
| Private equity | 10.00% | 7.30% |
| Alternative investments | 7.00% | 3.20% |
| Liquidity fund | 1.00% | 0.90% |
| Total | 100.00% | |

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 employer 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.

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

The following presents the Town's proportionate share of the net pension liability, calculated using the current discount rate, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|--------------------------------|--|--------------------------------|
| Town's proportionate share of the net pension liability | \$ 45,266,395 | \$ 31,145,927 | \$ 19,325,623 |

**TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

C. Connecticut State Teachers' Retirement System - Pension

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.

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.

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.

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.

For the year ended June 30, 2020, the amount of "on-behalf" contributions made by the State was \$7,342,992 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

**TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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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.

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

At June 30, 2020, 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>97,008,042</u> |
| Total | <u>\$ 97,008,042</u> |

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2020, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2020, the Town recognized pension expense and revenue of \$11,914,241 in Exhibit II.

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 | 2.50% |
| Salary increase | 3.25-6.50%, including inflation |
| Investment rate of return | 6.90%, 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.

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.

TOWN OF WATERFORD, CONNECTICUT
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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%.

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 current capital market assumptions and the target asset allocation as provided by the State of Connecticut Treasurer's Office are summarized in the following table:

| <u>Asset Class</u> | <u>Expected Return</u> | | <u>Target Allocation</u> | | <u>Standard Deviation</u> | |
|--|----------------------------|---|------------------------------|---|-------------------------------|---|
| Public Equity - US Equity | 8.10 | % | 20.00 | % | 17.00 | % |
| Public Equity - International Developed Equity | 8.50 | | 11.00 | | 19.00 | |
| Public Equity - Emerging Markets Equity | 10.40 | | 9.00 | | 24.00 | |
| Fixed Income - Core Fixed Income | 4.60 | | 16.00 | | 7.00 | |
| Fixed Income - Inflation Linked Bonds | 3.60 | | 5.00 | | 7.00 | |
| Fixed Income - High Yield | 6.50 | | 6.00 | | 11.00 | |
| Fixed Income - Emerging Market Debt | 5.20 | | 5.00 | | 11.00 | |
| Private Equity | 9.80 | | 10.00 | | 23.00 | |
| Real Estate | 7.00 | | 10.00 | | 15.00 | |
| Alternative Investments - Real Assets | 8.20 | | 4.00 | | 17.00 | |
| Alternative Investments - Hedge Funds | 5.40 | | 3.00 | | 7.00 | |
| Liquidity Fund | 2.90 | | 1.00 | | 1.00 | |
| Total | | | 100.00 | % | | |

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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.

**TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

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.

D. Aggregated Pension Information

The Town recognized the following amounts related to pension plans as of and for the year ended June 30, 2020:

| | <u>Town Pension</u> | <u>MERS</u> | <u>State Teachers</u> | <u>Total</u> |
|--|-------------------------|---------------|---------------------------|---------------|
| Deferred outflows of resources related to pensions | \$ 2,049 | \$ 16,652,653 | \$ | \$ 16,654,702 |
| Net pension liability | 428,634 | 31,145,927 | | 31,574,561 |
| Deferred inflows of resources related to pensions | | 3,175,123 | | 3,175,123 |
| Pension expense | 45,859 | 9,233,462 | 11,914,241 | 21,193,562 |

11. OTHER POST EMPLOYMENT BENEFITS

A. Town Post-Retirement Healthcare Plan

Plan Description

The Town administers one single-employer, post-retirement healthcare plan (OPEB Plan) for the Town, Police, Fire and Board of Education employee. The OPEB plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial report as the OPEB Trust fund. The Town does not issue a separate stand-alone financial statement for this program.

The Town plan provides for medical, dental and life insurance benefits for all eligible Town, Police, Fire and Board of Education retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from investment earnings.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town. The Town currently funds on the "pay-as-you-go" basis. The Town's contributions are actuarially determined on an annual basis using the projected unit cost method. The Town's total plan contribution was \$1,614,570. There are no employee contributions.

TOWN OF WATERFORD, CONNECTICUT
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At July 1, 2018, plan membership consisted of the following:

| | |
|-------------------|-------------------|
| Active employees | 406 |
| Retired employees | <u>108</u> |
| Total | <u><u>514</u></u> |

Investments

Investment Policy

The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB Plan.

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 5.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability of the Town

The components of the net OPEB liability of the Town at June 30, 2020 were as follows:

| | | |
|---|----|--------------------------|
| Total OPEB liability | \$ | 23,400,906 |
| Plan fiduciary net position | | <u>6,109,331</u> |
| Net OPEB Liability | \$ | <u><u>17,291,575</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | | 26.11% |

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--|
| Inflation | 2.60% |
| Salary increases | 2.60%, average, including inflation |
| Investment rate of return | 6.75%, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rates | 7.25% decreasing 0.5% per year to an ultimate rate of 4.60% for 2024 and later years |

Mortality rates were based on the Pub - 2010 Public Retirement Plans Mortality Tables with separate tables for General employees, Public Safety employees and Teachers and for nonannuitants and annuitants, projected to the valuation date with Scale MP-2018.

The actuarial assumptions used in the July 1, 2018 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. A full actuarial experience study has not been completed.

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The long-term expected rate of return on OPEB plan investments was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Best estimates of the real rates of returns for each major asset class are include in the OPEB Plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset as of June 30, 2020 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|--------------------------|---|
| Large cap | 22.75% | 5.50% |
| Mid/small cap | 9.75% | 6.00% |
| International developed | 26.00% | 5.55% |
| International emerging | 6.50% | 6.50% |
| Fixed income | 35.00% | 1.65% |
| | <u>100.00%</u> | |

Discount Rate

The discount rate used to measure the total OPEB liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

| | 1% Decrease (5.75%) | Current Discount Rate (6.75%) | 1% Increase (7.75%) |
|--------------------|--------------------------------|--|--------------------------------|
| Net OPEB Liability | \$ 19,820,012 | \$ 17,291,575 | \$ 15,149,818 |

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease (6.25% decreasing to 3.60%) | Current Healthcare Trend Rate (7.25% decreasing to 4.60%) | 1% Increase (8.25% decreasing to 5.60%) |
|--------------------|--|--|--|
| Net OPEB Liability | \$ 15,068,926 | \$ 17,291,575 | \$ 19,962,251 |

**TOWN OF WATERFORD, CONNECTICUT
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Changes in the Net OPEB Liability

| | Increase (Decrease) | | |
|--|---|--|---|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
| Balances as of July 1, 2019 | \$ 23,558,541 | \$ 5,056,972 | \$ 18,501,569 |
| Changes for the year: | | | |
| Service cost | 265,479 | | 265,479 |
| Interest on total OPEB liability | 1,579,705 | | 1,579,705 |
| Differences between expected and actual experience | (1,146,862) | | (1,146,862) |
| Employer contributions | | 1,614,570 | (1,614,570) |
| Net investment income | | 300,988 | (300,988) |
| Benefit payments, including refund to employee contributions | (855,957) | (855,957) | - |
| Administrative expenses | | (7,242) | 7,242 |
| Net changes | <u>(157,635)</u> | <u>1,052,359</u> | <u>(1,209,994)</u> |
| Balances as of June 30, 2020 | \$ <u>23,400,906</u> | \$ <u>6,109,331</u> | \$ <u>17,291,575</u> |

OPEB Expense and Deferred Outflow/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Town recognized OPEB expense of \$1,018,898. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ | \$ 2,374,994 |
| Changes of assumptions | | 746,210 |
| Net difference between projected and actual earning on OPEB plan investments | <u>99,797</u> | <u></u> |
| Total | \$ <u>99,797</u> | \$ <u>3,121,204</u> |

TOWN OF WATERFORD, CONNECTICUT
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending June 30</u> | <u>Governmental Activities</u> |
|----------------------------|------------------------------------|
| 2021 | \$ (409,150) |
| 2022 | (409,152) |
| 2023 | (396,531) |
| 2024 | (287,369) |
| 2025 | (300,428) |
| Thereafter | <u>(1,218,777)</u> |
| Total | \$ <u><u>(3,021,407)</u></u> |

Schedule of Plan Net Position - June 30, 2020

| | <u>OPEB Trust Fund</u> |
|------------------------------|----------------------------|
| Assets: | |
| Cash and cash equivalents | \$ 6,033 |
| Investments: | |
| Mutual funds | <u>6,113,786</u> |
| Total assets | 6,119,819 |
| Liabilities: | |
| Accounts and other payables | <u>10,488</u> |
| Net Position: | |
| Restricted for OPEB Benefits | \$ <u><u>6,109,331</u></u> |

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
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Schedule of Changes in Plan Net Position for the Year Ended June 30, 2020

| | <u>OPEB Trust Fund</u> |
|---|----------------------------|
| Additions: | |
| Contributions: | |
| Employer | \$ 1,614,570 |
| Investment income: | |
| Net appreciation in fair value of investments | <u>300,988</u> |
| Total additions | <u>1,915,558</u> |
| Deductions: | |
| Benefit payments | 855,957 |
| Administration | <u>7,242</u> |
| Total deductions | <u>863,199</u> |
| Change in Net Position | 1,052,359 |
| Net Position at Beginning of Year | <u>5,056,972</u> |
| Net Position at End of Year | <u>\$ 6,109,331</u> |

B. Other Post-Employment Benefits - Connecticut State Teachers' Retirement Plan

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.

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

**TOWN OF WATERFORD, CONNECTICUT
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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.

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.

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.

TOWN OF WATERFORD, CONNECTICUT
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Termination of Employment

Ten or more years of Credited Service.

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 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.

For the year ended June 30, 2020, the amount of "on-behalf" contributions made by the State was \$200,690 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

Employees/Retirees

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one-third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one-third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

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

At June 30, 2020, 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>15,128,952</u> |
| Total | \$ | <u><u>15,128,952</u></u> |

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. At June 30, 2020, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2020, the Town recognized OPEB expense and revenue of (\$1,107,085) in Exhibit II.

**TOWN OF WATERFORD, CONNECTICUT
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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 | 2.50% |
| 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.

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 (0.41%).

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. 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.

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.

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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.

12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks did not exceed commercial insurance coverage during the three years ended June 30, 2020.

Workers Compensation

The Town currently is a member in Connecticut Interlocal Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et seq., of Connecticut General Statutes, for workers' compensation first dollar coverage.

The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an insured loss retrospective rating plan and losses incurred in the coverage period will be evaluated at 18, 30 and 42 months after the effective date of coverage. The premium is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence. The Town has not incurred any retrospective charges and is not aware of potential obligations related to its membership in CIRMA as of June 30, 2020.

Medical Self Insurance

The Town's self-insurance program is used to account for health insurance coverage for Town and Board of Education employees on a cost-reimbursement basis. Under the program, the Town is obligated for claim payments. A stop loss insurance contract executed with an insurance captive covers claims in excess of \$175,000 on a per member basis with an aggregate stop loss coverage limit of \$10,966,226, per year.

The Fund establishes claims liabilities based on estimates of claims that have been incurred but not reported; accordingly, the Fund recorded an additional liability at June 30, 2020 of \$639,399.

Premium payments are reported as interfund services provided and used for the General Fund, and, accordingly, they are treated as operating revenues of the Self-Insurance Fund and operating expenditures of the General Fund.

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A schedule of changes in the claims liability for the years ended June 30, 2020 and 2019 is presented below:

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|--------------------|---------------------|
| Unpaid claims, July 1 | \$ 976,696 | \$ 872,476 |
| Incurred claims (including IBNR) | 7,935,880 | 10,483,908 |
| Claim payments | <u>(8,273,177)</u> | <u>(10,379,688)</u> |
| Unpaid Claims, June 30 | <u>\$ 639,399</u> | <u>\$ 976,696</u> |

13. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

Litigation and Unasserted Claims

There are various lawsuits pending against the Town. The outcome and eventual liability of the Town, if any, in these cases is not known at this time. Based upon consultation with legal counsel, the Town's management estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not have a materially adverse effect on the financial position of the Town.

Federal and State Assistance Programs - Compliance Audits

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

14. MAJOR TAXPAYER

For the fiscal year ended June 30, 2020, 34.1% of the Town's property tax revenues were derived from its largest taxpayer, Dominion Nuclear Connecticut, Inc., an electrical power facility.

15. SUBSEQUENT EVENT

On July 8, 2020, the Town issued \$13,655,000 in general obligation bonds. The bonds bear interest ranging from 2.0% - 5.0% with annual maturities beginning September 15, 2021 through September 15, 2040. Annual principal payments range from \$680,000 to \$685,000.

16. SIGNIFICANT EVENT

Coronavirus (COVID-19)

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency. On March 10, 2020, the Governor of the State of Connecticut declared a public health emergency and a civil preparedness emergency due to COVID-19.

The Town derives a significant portion of its revenues from property taxes. While the Town has not experienced any significant increase in the amount of delinquency from its taxpayers, the situation creates uncertainty about the impact of future revenues that might be generated. In addition, at this time, it is uncertain what the effects of the pandemic will be on the Town's health care costs, changes in interest rates, investment valuation and the future federal or state fiscal relief.

Required Supplementary Information

**TOWN OF WATERFORD, CONNECTICUT
GENERAL FUND SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual Budgetary Basis | Variance Over (Under) |
|---|-------------------|-------------------|------------------------------|-----------------------------|
| | Original | Final | | |
| Property taxes: | | | | |
| Revenues from current year | \$ 91,530,936 | \$ 91,530,936 | \$ 91,732,698 | \$ 201,762 |
| Prior year taxes | 350,000 | 350,000 | 25,578 | (324,422) |
| Interest and lien fees | 325,000 | 325,000 | 301,889 | (23,111) |
| Total property taxes | <u>92,205,936</u> | <u>92,205,936</u> | <u>92,060,165</u> | <u>(145,771)</u> |
| Intergovernmental: | | | | |
| State of Connecticut: | | | | |
| Equalized cost sharing | | | 344,097 | 344,097 |
| Health and welfare | 5,771 | 5,771 | 6,147 | 376 |
| General Government: | | | | |
| Tax relief: | | | | |
| Tax relief - state-owned property | 112,039 | 112,039 | 143,075 | 31,036 |
| Disabled | 2,161 | 2,161 | 1,873 | (288) |
| Private tax-exempt property | 36,055 | 36,055 | 109,838 | 73,783 |
| Veterans | 10,439 | 10,439 | 8,148 | (2,291) |
| Court fines | 9,000 | 9,000 | 9,490 | 490 |
| Civil preparedness | 73,690 | 73,690 | 2,500 | (71,190) |
| Telecommunication | 57,844 | 57,844 | 53,807 | (4,037) |
| Town aid road | 318,883 | 318,883 | 317,588 | (1,295) |
| SDE state grant | 14,000 | 14,000 | 14,000 | - |
| Enhancement 911 | 22,981 | 22,981 | 22,333 | (648) |
| Grants for Municipal Projects | 34,255 | 34,255 | 34,255 | - |
| Total intergovernmental | <u>697,118</u> | <u>697,118</u> | <u>1,067,151</u> | <u>370,033</u> |
| Assessments and connections: | | | | |
| Water main assessments | | | 781 | 781 |
| Sewer assessments | | | 13,507 | 13,507 |
| Total assessments and connections | <u>-</u> | <u>-</u> | <u>14,288</u> | <u>14,288</u> |
| Licenses and permits: | | | | |
| Recreation and parks commission | 203,000 | 203,000 | 180,265 | (22,735) |
| Building inspector | 325,000 | 325,000 | 336,118 | 11,118 |
| License, fees, permits and fines | 21,797 | 21,797 | 19,147 | (2,650) |
| Conveyance tax | 200,000 | 200,000 | 291,184 | 91,184 |
| Planning and zoning | 44,000 | 44,000 | 33,094 | (10,906) |
| Liens - Utility Commission | 10,000 | 10,000 | 10,360 | 360 |
| Town Clerk fees | 175,000 | 175,000 | 188,548 | 13,548 |
| Total licenses and permits | <u>978,797</u> | <u>978,797</u> | <u>1,058,716</u> | <u>79,919</u> |
| Fines, penalties and charges for services: | | | | |
| Tuition | | | 61,620 | 61,620 |
| Library | 17,882 | 17,882 | 10,304 | (7,578) |
| False alarm fines | 1,000 | 1,000 | 100 | (900) |
| Bulky waste fees | 100,000 | 100,000 | 95,063 | (4,937) |
| Recycling | 54,500 | 54,500 | 45,020 | (9,480) |
| Miscellaneous | 50,000 | 50,000 | 54,478 | 4,478 |
| EMS - Reg. Comm Ctr fees | 6,000 | 6,000 | 6,000 | - |
| Tipping fees | 300,000 | 300,000 | 267,846 | (32,154) |
| Senior services | 30,880 | 30,880 | 26,781 | (4,099) |
| Total fines, penalties and charges for services | <u>560,262</u> | <u>560,262</u> | <u>567,212</u> | <u>6,950</u> |

(Continued on next page)

**TOWN OF WATERFORD, CONNECTICUT
GENERAL FUND SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual Budgetary Basis | Variance Over (Under) |
|---|-------------------------|----------------------|---------------------------------------|--------------------------------------|
| | Original | Final | | |
| Other sources: | | | | |
| Rent and miscellaneous | \$ 5,261 | \$ 5,261 | \$ 4,260 | \$ (1,001) |
| Rental of buildings | 150,940 | 150,940 | 199,307 | 48,367 |
| Sale of Equipment | | | 9,236 | 9,236 |
| NL Radio Comm. Network Use Fee | 114,000 | 114,000 | 114,000 | - |
| SCRRRA Rebate | | | 2,252 | 2,252 |
| C-Pace Stipend | | | 500 | 500 |
| Eugene O'Neill Lease | 19,984 | 19,984 | 23,648 | 3,664 |
| Ambulance operating subsidy | 214,896 | 214,896 | 214,896 | - |
| CIRMA members equity distribution | | | 90,164 | 90,164 |
| YSB BOE clerical stipend | 5,000 | 5,000 | 5,000 | - |
| BOE human resources offset | 15,209 | 15,209 | 15,665 | 456 |
| Total other sources | <u>525,290</u> | <u>525,290</u> | <u>678,928</u> | <u>153,638</u> |
| Interest and dividends: | | | | |
| Interest on investments | <u>300,000</u> | <u>300,000</u> | <u>872,628</u> | <u>572,628</u> |
| Total revenues | <u>95,267,403</u> | <u>95,267,403</u> | <u>96,319,088</u> | <u>1,051,685</u> |
| Other financing sources: | | | | |
| Transfers in | | | 358,913 | 358,913 |
| Cancellation of prior year encumbrances | 100 | 100 | 39,365 | 39,265 |
| Total other financing sources | <u>100</u> | <u>100</u> | <u>398,278</u> | <u>398,178</u> |
| Total Revenues and Other Financing Sources | <u>\$ 95,267,503</u> | <u>\$ 95,267,503</u> | 96,717,366 | <u>\$ 1,449,863</u> |
| Budgetary revenues are different than GAAP revenues because: | | | | |
| State of Connecticut State Teachers' Retirement System on-behalf pension contributions for Town teachers is not budgeted. | | | 7,342,992 | |
| State of Connecticut State Teachers' Retirement System on-behalf OPEB contributions for Town teachers is not budgeted. | | | 200,690 | |
| Encumbrances for purchases and commitments which were subsequently cancelled in the next fiscal year | | | (39,365) | |
| Proceeds from bond refunding are not budgeted | | | 9,085,000 | |
| Premium recognized on bond refunding is not budgeted | | | 1,515,924 | |
| Excess cost - student based grant | | | 564,386 | |
| GASB 54 activity of certain special revenue funds now consolidated into the General Fund | | | <u>25,617</u> | |
| Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | | | <u>\$ 115,412,610</u> | |

**TOWN OF WATERFORD, CONNECTICUT
GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual Budgetary Basis | Variance (Over) Under |
|--------------------------------------|------------------|------------|------------------------------|-----------------------------|
| | Original | Final | | |
| General Government: | | | | |
| Selectman | | | | |
| Personnel costs | \$ 192,636 | \$ 193,387 | \$ 193,365 | \$ 22 |
| Services | 7,537 | 5,923 | 5,847 | 76 |
| Materials and supplies | 1,150 | 193,695 | 193,679 | 16 |
| Total selectman | 201,323 | 393,005 | 392,891 | 114 |
| Registrar of Voters: | | | | |
| Personnel costs | 60,918 | 60,918 | 58,971 | 1,947 |
| Services | 5,484 | 5,484 | 5,195 | 289 |
| Materials and supplies | 5,679 | 5,679 | 5,636 | 43 |
| Equipment | 1 | 1 | | 1 |
| Total registrar of voters | 72,082 | 72,082 | 69,802 | 2,280 |
| Board of Finance: | | | | |
| Personnel costs | 3,807 | 3,807 | 1,359 | 2,448 |
| Services | 60,475 | 60,475 | 60,050 | 425 |
| Materials and supplies | 30 | 30 | 9 | 21 |
| Total board of finance | 64,312 | 64,312 | 61,418 | 2,894 |
| Assessor: | | | | |
| Personnel costs | 278,064 | 285,841 | 284,704 | 1,137 |
| Services | 4,899 | 4,989 | 4,977 | 12 |
| Materials and supplies | 650 | 560 | 527 | 33 |
| Total assessor | 283,613 | 291,390 | 290,208 | 1,182 |
| Board of Assessment Appeals: | | | | |
| Personnel costs | 1,218 | 1,218 | 1,128 | 90 |
| Services | 950 | 950 | 318 | 632 |
| Total board of assessment appeals | 2,168 | 2,168 | 1,446 | 722 |
| Tax Collector: | | | | |
| Personnel costs | 174,655 | 174,155 | 169,176 | 4,979 |
| Services | 29,432 | 29,432 | 28,757 | 675 |
| Materials and supplies | 30 | 30 | | 30 |
| Equipment | 100 | 600 | 575 | 25 |
| Total tax collector | 204,217 | 204,217 | 198,508 | 5,709 |
| Finance: | | | | |
| Personnel costs | 554,392 | 554,392 | 535,897 | 18,495 |
| Services | 117,908 | 117,908 | 98,647 | 19,261 |
| Materials and supplies | 30,000 | 30,000 | 20,623 | 9,377 |
| Total finance | 702,300 | 702,300 | 655,167 | 47,133 |
| Legal Department: | | | | |
| Services | 298,000 | 310,462 | 307,356 | 3,106 |
| Town Clerk: | | | | |
| Personnel costs | 230,832 | 231,491 | 231,300 | 191 |
| Services | 32,004 | 32,005 | 31,780 | 225 |
| Materials and supplies | 2,853 | 2,193 | 2,112 | 81 |
| Equipment | 1 | 1 | | 1 |
| Total town clerk | 265,690 | 265,690 | 265,192 | 498 |
| Planning and Zoning Commission: | | | | |
| Personnel costs | 587,893 | 587,881 | 514,408 | 73,473 |
| Services | 46,580 | 46,580 | 32,201 | 14,379 |
| Materials and supplies | 3,550 | 3,550 | 3,178 | 372 |
| Equipment | 730 | 742 | 741 | 1 |
| Total planning and zoning commission | 638,753 | 638,753 | 550,528 | 88,225 |

(Continued on next page)

**TOWN OF WATERFORD, CONNECTICUT
GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual Budgetary Basis | Variance (Over) Under |
|---------------------------------------|------------------|------------------|------------------------------|-----------------------------|
| | Original | Final | | |
| General Government (Continued): | | | | |
| Building Maintenance: | | | | |
| Personnel costs | \$ 76,068 | \$ 66,618 | \$ 57,156 | \$ 9,462 |
| Services | 123,897 | 123,897 | 117,336 | 6,561 |
| Materials and supplies | 10,000 | 19,450 | 18,643 | 807 |
| Capital Improvements | 27,000 | 37,000 | 31,955 | 5,045 |
| Total building maintenance | <u>236,965</u> | <u>246,965</u> | <u>225,090</u> | <u>21,875</u> |
| Insurance: | | | | |
| Services | <u>4,630,704</u> | <u>4,686,890</u> | <u>4,649,884</u> | <u>37,006</u> |
| Economic Development Commission: | | | | |
| Services | <u>9,298</u> | <u>9,298</u> | <u>6,831</u> | <u>2,467</u> |
| Conservation Commission: | | | | |
| Services | 17,750 | 17,750 | 16,961 | 789 |
| Materials and supplies | 500 | 500 | 8 | 492 |
| Total conservation commission | <u>18,250</u> | <u>18,250</u> | <u>16,969</u> | <u>1,281</u> |
| Zoning Board of Appeals: | | | | |
| Services | 4,260 | 4,260 | 2,459 | 1,801 |
| Materials and supplies | 50 | 50 | | 50 |
| Total zoning board of appeals | <u>4,310</u> | <u>4,310</u> | <u>2,459</u> | <u>1,851</u> |
| Retirement Commission: | | | | |
| Personnel costs | <u>5,481,235</u> | <u>5,481,235</u> | <u>5,098,103</u> | <u>383,132</u> |
| Representative Town Meeting: | | | | |
| Personnel costs | 1 | 1 | | 1 |
| Services | 18,452 | 18,452 | 18,019 | 433 |
| Total representative town meeting | <u>18,453</u> | <u>18,453</u> | <u>18,019</u> | <u>434</u> |
| Building Department: | | | | |
| Personnel costs | 276,285 | 276,285 | 238,926 | 37,359 |
| Services | 10,746 | 10,746 | 4,235 | 6,511 |
| Materials and supplies | 1,794 | 1,794 | 1,292 | 502 |
| Equipment | 400 | 400 | | 400 |
| Total building department | <u>289,225</u> | <u>289,225</u> | <u>244,453</u> | <u>44,772</u> |
| Social Service Grants: | | | | |
| Services | 67,191 | 67,191 | 66,675 | 516 |
| Contracts out to agencies | 13,000 | 13,000 | 13,000 | - |
| Total social service grants | <u>80,191</u> | <u>80,191</u> | <u>79,675</u> | <u>516</u> |
| Contingency: | | | | |
| Miscellaneous | <u>250,000</u> | <u>48,318</u> | | <u>48,318</u> |
| Flood and Erosion Control Board: | | | | |
| Personnel costs | 818 | 818 | 335 | 483 |
| Services | 1,295 | 1,295 | | 1,295 |
| Materials and supplies | 25 | 25 | | 25 |
| Total flood and erosion control board | <u>2,138</u> | <u>2,138</u> | <u>335</u> | <u>1,803</u> |
| Ethics Commission: | | | | |
| Personnel costs | 323 | 1,005 | 1,003 | 2 |
| Services | 375 | 262 | | 262 |
| Materials and supplies | 25 | 25 | 8 | 17 |
| Total ethics commission | <u>723</u> | <u>1,292</u> | <u>1,011</u> | <u>281</u> |

(Continued on next page)

**TOWN OF WATERFORD, CONNECTICUT
GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual Budgetary Basis | Variance (Over) Under |
|--|------------------|------------|------------------------------|-----------------------------|
| | Original | Final | | |
| General Government (Continued): | | | | |
| Human Resources: | | | | |
| Personnel costs | \$ 193,717 | \$ 193,717 | \$ 179,012 | \$ 14,705 |
| Services | 71,426 | 71,426 | 64,299 | 7,127 |
| Materials and supplies | 1,090 | 1,090 | 689 | 401 |
| Total human resources | 266,233 | 266,233 | 244,000 | 22,233 |
| Information Technology: | | | | |
| Services | 752,198 | 752,198 | 718,914 | 33,284 |
| Equipment | 54,445 | 54,445 | 34,460 | 19,985 |
| Total information technology | 806,643 | 806,643 | 753,374 | 53,269 |
| Total general government | 14,826,826 | 14,903,820 | 14,132,719 | 771,101 |
| Public Safety: | | | | |
| Emergency Management: | | | | |
| Personnel costs | 979,215 | 1,010,827 | 1,003,676 | 7,151 |
| Services | 147,060 | 117,848 | 117,772 | 76 |
| Materials and supplies | 3,750 | 1,350 | 1,144 | 206 |
| Equipment | 3 | 3 | | 3 |
| Total emergency management | 1,130,028 | 1,130,028 | 1,122,592 | 7,436 |
| Fire Services: | | | | |
| Personnel costs | 1,834,889 | 1,907,889 | 1,906,519 | 1,370 |
| Services | 955,298 | 920,298 | 909,544 | 10,754 |
| Materials and supplies | 241,070 | 213,070 | 202,552 | 10,518 |
| Equipment | 71,000 | 61,000 | 50,848 | 10,152 |
| Total fire services | 3,102,257 | 3,102,257 | 3,069,463 | 32,794 |
| Police Department: | | | | |
| Personnel costs | 5,710,961 | 5,721,721 | 5,719,379 | 2,342 |
| Services | 318,830 | 316,826 | 304,413 | 12,413 |
| Materials and supplies | 242,244 | 233,488 | 207,941 | 25,547 |
| Equipment | 15,220 | 15,220 | 15,201 | 19 |
| Total police department | 6,287,255 | 6,287,255 | 6,246,934 | 40,321 |
| Total public safety | 10,519,540 | 10,519,540 | 10,438,989 | 80,551 |
| Public Works: | | | | |
| Personnel costs | 2,365,301 | 2,365,301 | 2,303,899 | 61,402 |
| Services | 1,260,853 | 1,276,853 | 1,238,399 | 38,454 |
| Materials and supplies | 717,400 | 699,716 | 622,747 | 76,969 |
| Equipment | 24,846 | 26,530 | 23,963 | 2,567 |
| Capital improvements | 320,698 | 320,698 | 168,808 | 151,890 |
| Total public works | 4,689,098 | 4,689,098 | 4,357,816 | 331,282 |
| Social Services: | | | | |
| Youth Service Bureau: | | | | |
| Personnel costs | 197,743 | 202,343 | 202,207 | 136 |
| Services | 47,471 | 42,871 | 40,703 | 2,168 |
| Total social services | 245,214 | 245,214 | 242,910 | 2,304 |
| Conservation of Health: | | | | |
| Services | 140,082 | 140,082 | 140,082 | - |
| Waterford Public Health Nursing Service: | | | | |
| Contracts out to agencies | 27,640 | 27,640 | 25,830 | 1,810 |

(Continued on next page)

**TOWN OF WATERFORD, CONNECTICUT
GENERAL FUND SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

| | Budgeted Amounts | | Actual Budgetary Basis | Variance (Over) Under |
|---|------------------|---------------|------------------------------|-----------------------------|
| | Original | Final | | |
| Senior Citizen Commission: | | | | |
| Personnel costs | \$ 393,635 | \$ 393,635 | \$ 359,738 | \$ 33,897 |
| Services | 124,784 | 124,784 | 109,078 | 15,706 |
| Materials and supplies | 15,975 | 15,975 | 7,601 | 8,374 |
| Equipment | 1,017 | 1,017 | 866 | 151 |
| Total senior citizen commission | 535,411 | 535,411 | 477,283 | 58,128 |
| Total social services | 948,347 | 948,347 | 886,105 | 62,242 |
| Library: | | | | |
| Personnel costs | 956,018 | 936,018 | 886,037 | 49,981 |
| Services | 63,592 | 83,592 | 78,105 | 5,487 |
| Materials and supplies | 8,000 | 8,000 | 7,952 | 48 |
| Equipment | 45,000 | 45,000 | 45,000 | - |
| Total library | 1,072,610 | 1,072,610 | 1,017,094 | 55,516 |
| Recreation and Parks: | | | | |
| Personnel costs | 1,126,376 | 1,126,376 | 1,059,512 | 66,864 |
| Services | 307,301 | 297,801 | 291,884 | 5,917 |
| Materials and supplies | 71,206 | 80,706 | 72,522 | 8,184 |
| Equipment | 9,975 | 9,975 | 9,975 | - |
| Total recreation and parks | 1,514,858 | 1,514,858 | 1,433,893 | 80,965 |
| Community Use of Schools | 172,252 | 172,252 | 172,252 | - |
| Debt Service: | | | | |
| Principal | 5,145,000 | 5,145,000 | 5,145,000 | - |
| Interest | 2,387,839 | 2,310,845 | 2,244,902 | 65,943 |
| Total debt service | 7,532,839 | 7,455,845 | 7,389,902 | 65,943 |
| Board of Education | 49,337,064 | 49,337,064 | 49,004,638 | 332,426 |
| Total expenditures | 90,613,434 | 90,613,434 | 88,833,408 | 1,780,026 |
| Other Financing Uses: | | | | |
| Transfers out | 4,654,069 | 5,654,069 | 5,654,069 | - |
| Total Expenditures and Other Financing Uses | \$ 95,267,503 | \$ 96,267,503 | 94,487,477 | \$ 1,780,026 |

Budgetary expenditures are different than GAAP expenditures because:

| | |
|--|------------|
| State of Connecticut State Teachers' Retirement System on-behalf pension contributions for Town teachers is not budgeted. | 7,342,992 |
| State of Connecticut State Teachers' Retirement System on-behalf OPEB contributions for Town teachers is not budgeted. | 200,690 |
| 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 the order is received for financial reporting purposes. | (374,668) |
| Excess cost - student based grant | 564,386 |
| Bond issuance costs on refunding are not budgeted | 110,531 |
| Payments to escrow agents during the bond refunding are not budgeted | 10,490,393 |
| GASB 54 Activity of Certain Special Revenue Funds now consolidated into the General Fund | 69,498 |
| Transfers to Certain Special Revenue Funds consolidated with the General Fund are eliminated for GAAP reporting purposes upon consolidation. | (332,427) |

Total Expenditures and Other Financing Sources as Reported in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

\$ 112,558,872

**TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
PENSION TRUST FUND
LAST EIGHT FISCAL YEARS***

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| Total pension liability: | | | | | | | | |
| Interest | \$ 59,937 | \$ 63,102 | \$ 61,919 | \$ 66,103 | \$ 82,588 | \$ 87,820 | \$ 93,351 | \$ 98,557 |
| Differences between expected and actual experience | 6,607 | | (23,064) | | (83,403) | | | |
| Changes of assumptions | | | 101,230 | | 65,285 | | | |
| Benefit payments, including refunds of member contributions | (111,229) | (116,167) | (126,029) | (139,838) | (151,557) | (168,133) | (171,078) | (169,686) |
| Net change in total pension liability | (44,685) | (53,065) | 14,056 | (73,735) | (87,087) | (80,313) | (77,727) | (71,129) |
| Total pension liability - beginning | 1,013,766 | 1,066,831 | 1,052,775 | 1,126,510 | 1,213,597 | 1,293,910 | 1,371,637 | 1,442,766 |
| Total pension liability - ending | 969,081 | 1,013,766 | 1,066,831 | 1,052,775 | 1,126,510 | 1,213,597 | 1,293,910 | 1,371,637 |
| Plan fiduciary net position: | | | | | | | | |
| Contributions - employer | 89,953 | 82,000 | 81,493 | 84,000 | 83,367 | 83,367 | 78,744 | 78,744 |
| Net investment income | 32,400 | 29,150 | 28,406 | 54,202 | 11,137 | 19,200 | 84,249 | 55,520 |
| Benefit payments, including refunds of member contributions | (111,229) | (116,167) | (126,029) | (139,838) | (151,557) | (168,133) | (171,078) | (169,686) |
| Administrative expense | (5,958) | (3,271) | (4,821) | (9,314) | (6,948) | (8,511) | (6,522) | (5,693) |
| Net change in plan fiduciary net position | 5,166 | (8,288) | (20,951) | (10,950) | (64,001) | (74,077) | (14,607) | (41,115) |
| Plan fiduciary net position - beginning | 535,281 | 543,569 | 564,520 | 575,470 | 639,471 | 713,548 | 728,155 | 769,270 |
| Plan fiduciary net position - ending | 540,447 | 535,281 | 543,569 | 564,520 | 575,470 | 639,471 | 713,548 | 728,155 |
| Net Pension Liability - Ending | \$ 428,634 | \$ 478,485 | \$ 523,262 | \$ 488,255 | \$ 551,040 | \$ 574,126 | \$ 580,362 | \$ 643,482 |
| Plan fiduciary net position as a percentage of the total pension liability | 55.77% | 52.80% | 50.95% | 53.62% | 51.08% | 52.69% | 55.15% | 53.09% |
| Covered payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Net pension liability as a percentage of covered payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule

* - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.
N/A - Not applicable. Plan members are retired.

**TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION TRUST FUND
LAST TEN FISCAL YEARS**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|-------------------|-----------------|-------------|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially determined contribution | \$ 81,131 | \$ 81,131 | \$ 81,493 | \$ 81,493 | \$ 83,367 | \$ 83,367 | \$ 78,744 | \$ 78,744 | \$ 82,855 | \$ 82,855 |
| Contributions in relation to the actuarially determined contribution | 89,953 | 82,000 | 81,493 | 84,000 | 83,367 | 83,367 | 78,744 | 78,744 | 82,855 | 82,855 |
| Contribution Deficiency (Excess) | <u>\$ (8,822)</u> | <u>\$ (869)</u> | <u>\$ -</u> | <u>\$ (2,507)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Contributions as a percentage of covered payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule

Valuation date:

July 1, 2019

Measurement date:

June 30, 2020

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Entry age normal

Amortization method

Level percentage of salary, closed

Remaining amortization period

As of the July 1, 2019 valuation 11 years remain.

Asset valuation method

The actuarial value of assets used in the development of plan contributions phases in the recognition of differences between the market value and expected actuarial value by recognizing 20% of the difference each year.

Inflation

2.60%

Cost of living increases

2.60% per year

Investment rate of return

6.25%, net of pension plan investment expense, including inflation

Mortality

Pub-2010 Public Retirement Plans Amount - Weighted Mortality Tables (with separate tables for General Employees, Public Safety and Teachers), projected to the valuation date with Scale MP-2019.

N/A - Not applicable. Plan members are retired.

**TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
PENSION TRUST FUND
LAST SEVEN FISCAL YEARS***

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------|-------|-------|-------|-------|-------|--------|
| Annual money-weighted rate of return, net of investment expense | 5.97% | 5.55% | 5.12% | 9.89% | 1.75% | 2.57% | 11.89% |

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
LAST SIX FISCAL YEARS***

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Town's proportion of the net pension liability | 3.02% | 3.07% | 5.54% | 6.09% | 4.88% | 5.21% |
| Town's proportionate share of the net pension liability | \$ 31,145,927 | \$ 29,401,392 | \$ 13,738,876 | \$ 16,236,237 | \$ 12,496,017 | \$ 12,413,899 |
| Town's covered payroll | \$ 21,269,052 | \$ 20,394,151 | \$ 18,584,885 | \$ 17,944,522 | \$ 17,944,522 | \$ 18,274,228 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 146.44% | 144.17% | 73.92% | 90.48% | 69.64% | 67.93% |
| Plan fiduciary net position as a percentage of the total pension liability | 72.69% | 73.60% | 91.68% | 88.29% | 92.72% | 90.48% |

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ 3,273,290 | \$ 2,819,839 | \$ 2,694,077 | \$ 2,603,848 | \$ 2,423,860 | \$ 2,515,782 | \$ 2,425,327 | \$ 2,358,637 | \$ 2,277,760 | \$ 1,895,090 |
| Contributions in relation to the actuarially determined contribution | 3,273,290 | 2,819,839 | 2,694,077 | 2,603,848 | 2,423,860 | 2,515,782 | 2,425,327 | 2,358,637 | 2,277,760 | 1,895,090 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 21,046,486 | \$ 21,269,052 | \$ 20,394,151 | \$ 18,584,885 | \$ 17,944,522 | \$ 17,944,522 | \$ 18,274,228 | \$ 18,065,219 | \$ 17,793,604 | \$ 17,998,323 |
| Contributions as a percentage of covered payroll | 15.55% | 13.26% | 13.21% | 14.01% | 13.51% | 14.02% | 13.27% | 13.06% | 12.80% | 10.53% |

Notes to Schedule

Valuation date:

June 30, 2019

Measurement date:

June 30, 2019

Actuarially determined contribution rates are calculated as of June 30, each biennium for the fiscal years ending two and three years after the valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Entry Age

Amortization method

Level dollar, closed

Single equivalent amortization period

21 years

Asset valuation method

5-years smoothed market (20% write up)

Inflation

3.25%

Salary increases

4.25% - 11.00%, including inflation

Investment rate of return

8.00%, net of investment-related expense

Change in assumptions:

In 2019, the latest experience study for the System updated most of the actuarial assumptions utilized in the June 30, 2019 valuation to include: rates of inflation, real investment return mortality, withdrawal, disability, retirement and 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, 2017.

**TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM
LAST SIX FISCAL YEARS***

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Town's proportion of the net pension liability | 0.00% | 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 | 97,008,042 | 74,798,836 | 75,284,376 | 79,425,593 | 60,790,928 | 56,189,042 |
| Total | \$ 97,008,042 | \$ 74,798,836 | \$ 75,284,376 | \$ 79,425,593 | \$ 60,790,928 | \$ 56,189,042 |
| Town's covered payroll | \$ 23,917,559 | \$ 23,425,482 | \$ 23,142,985 | \$ 21,020,000 | \$ 20,407,000 | \$ 21,623,000 |
| 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% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 52.00% | 57.69% | 55.93% | 52.26% | 59.50% | 61.56% |

Notes to Schedule

Changes in benefit terms

HB 7424 made the following provision changes:

- Beginning July 1, 2019, annual interest credited on mandatory contributions set at 4.0%.
- For members retiring on or after July 1, 2019 with a partial refund option election (Plan N), if 50% of the benefits paid prior to death do not exceed the member's mandatory contributions plus interest frozen at the date of benefit commencement, the difference is paid to the member's beneficiary.

Changes of assumptions

HB 7424 made the following assumption changes:

- Reduce the inflation assumption from 2.75% to 2.50%.
- Reduce the real rate of return assumption from 5.25% to 4.40% which, when combined with the inflation assumption change, results in a decrease in the investment rate of return assumption from 8.00% to 6.90%.
- Increase the annual rate of wage increase assumption from 0.50% to 0.75%.
- Phase in to a level dollar amortization method for the June 30, 2024 valuation.

Actuarial cost method

Entry age

Amortization method

Level percent of pay, closed

Single equivalent amortization period

17.6 years

Asset valuation method

4-year smoothed market

Inflation

2.75%

Salary increase

3.25%-6.50%, including inflation

Investment rate of return

8.00%, net of investment-related expense

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

TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
OPEB TRUST FUND
LAST FOUR FISCAL YEARS*

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|---------------|---------------|---------------|---------------|
| Total OPEB liability: | | | | |
| Service cost | \$ 265,479 | \$ 281,505 | \$ 264,365 | \$ 257,290 |
| Interest | 1,579,705 | 1,700,177 | 1,672,521 | 1,622,163 |
| Differences between expected and actual experience | (1,146,862) | (1,149,976) | (829,167) | (76,479) |
| Changes of assumptions | (855,957) | (712,252) | (746,707) | (1,497,102) |
| Benefit payments, including refunds of member contributions | (157,635) | (798,298) | 361,012 | 305,872 |
| Net change in total OPEB liability | 23,558,541 | 24,356,839 | 23,995,827 | 23,689,955 |
| Total OPEB liability - beginning | 23,400,906 | 23,558,541 | 24,356,839 | 23,995,827 |
| Plan fiduciary net position: | | | | |
| Contributions - employer | 1,614,570 | 1,871,345 | 1,906,707 | 3,811,946 |
| Net investment income | 300,988 | 268,186 | 133,054 | 40,292 |
| Benefit payments, including refunds of member contributions | (855,957) | (712,252) | (746,707) | (1,497,102) |
| Administrative expense | (7,242) | (6,729) | (11,768) | |
| Net change in plan fiduciary net position | 1,052,359 | 1,420,550 | 1,281,286 | 2,355,136 |
| Plan fiduciary net position - beginning | 5,056,972 | 3,636,422 | 2,355,136 | |
| Plan fiduciary net position - ending | 6,109,331 | 5,056,972 | 3,636,422 | 2,355,136 |
| Net OPEB Liability - Ending | \$ 17,291,575 | \$ 18,501,569 | \$ 20,720,417 | \$ 21,640,691 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 26.11% | 21.47% | 14.93% | 9.81% |
| Covered payroll | \$ 31,077,578 | \$ 30,290,037 | \$ 30,429,413 | \$ 29,615,001 |
| Net OPEB liability as a percentage of covered payroll | 55.64% | 61.08% | 68.09% | 73.07% |

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OPEB TRUST FUND
LAST TEN FISCAL YEARS**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ 2,127,089 | \$ 2,482,200 | \$ 2,474,700 | \$ 2,607,000 | \$ 2,755,300 | \$ 2,720,300 | \$ 2,747,000 | \$ 2,718,100 | \$ 2,690,600 | \$ 3,644,900 |
| Contributions in relation to the actuarially determined contribution | 1,614,570 | 1,871,345 | 1,906,707 | 3,811,946 | 798,000 | 584,100 | 608,000 | 1,266,500 | 1,409,100 | 1,575,600 |
| Contribution Deficiency (Excess) | \$ 512,519 | \$ 610,855 | \$ 567,993 | \$ (1,204,946) | \$ 1,957,300 | \$ 2,136,200 | \$ 2,139,000 | \$ 1,451,600 | \$ 1,281,500 | \$ 2,069,300 |
| Covered payroll | \$ 31,077,578 | \$ 30,290,037 | \$ 30,429,413 | \$ 29,615,001 | \$ 29,073,500 | \$ 29,073,500 | \$ 31,032,400 | \$ 31,032,400 | \$ 28,277,100 | \$ 28,277,100 |
| Contributions as a percentage of covered payroll | 5.20% | 6.18% | 6.27% | 12.87% | 2.74% | 2.01% | 1.96% | 4.08% | 4.98% | 5.57% |

Notes to Schedule

Valuation date: July 1, 2018

Measurement date: June 30, 2020

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry age normal

Amortization method Level percentage of salary

Amortization period Amortized over 30 years on a closed basis. The amortization began on July 1, 2018 valuation, 18 years remain.

Asset valuation method Market value

Inflation 2.60% (prior: 2.75%)

Healthcare cost trend rates 7.25% decreasing to 4.60% (prior: 7.75% decreasing to 4.6%)

Rate of compensation increase 2.60% (prior: 2.75%)

Investment rate of return 6.75% (prior: 7.00%)

Retirement age Medical and dental benefits pre-65

Mortality Medical benefits post-65

Pub - 2010 Public Retirement Plans Mortality Tables (with separate tables for General employees, Public Safety employees and Teacher) and for nonannuitants and annuitants, projected to the valuation date with Scale MP-2018.

Prior: RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for nonannuitants and annuitants, projected to the valuation date with Scale BB.

**TOWN OF WATERFORD, CONNECTICUT
 SCHEDULE OF INVESTMENT RETURNS
 OPEB TRUST FUND
 LAST FOUR FISCAL YEARS***

| | 2020 | 2019 | 2018 | 2017 |
|---|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 5.44% | 6.44% | 4.13% | 2.09% |

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM
LAST THREE FISCAL YEARS***

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|----------------------|
| Town's proportion of the net OPEB liability | 0.00% | 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>15,128,952</u> | <u>14,952,787</u> | <u>19,377,337</u> |
| Total | <u>\$ 15,128,952</u> | <u>\$ 14,952,787</u> | <u>\$ 19,377,337</u> |
| Town's covered payroll | \$ 23,917,559 | \$ 23,425,482 | \$ 23,142,985 |
| Town's proportionate share of the net OPEB liability as a percentage of its covered payroll | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 2.08% | 1.49% | 1.79% |

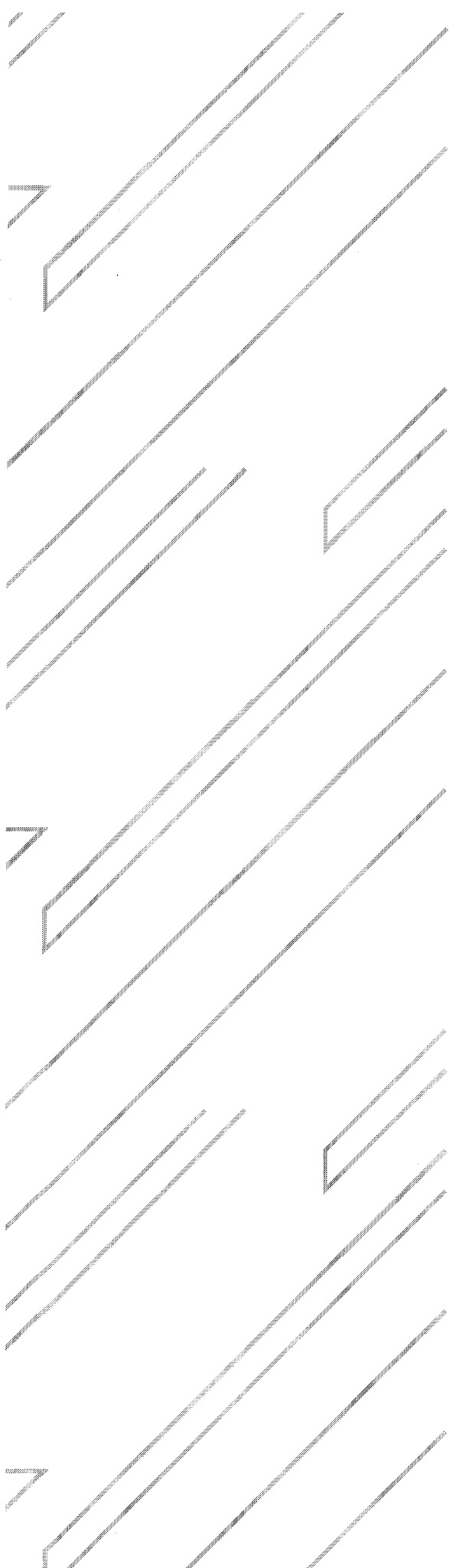
Notes to Schedule

| | |
|-------------------------------|--|
| Changes in benefit terms | The Plan was amended by the Board, effective January 1, 2019, during the September 12, 2018 meeting. The Board elected a new prescription drug plan, which is expected to reduce overall costs and allow for the Board to receive a government subsidy for members whose claims reach a catastrophic level. These changes were communicated to retired members during the months leading up to the open enrollment period that preceded the January 1, 2019 implementation date. |
| Changes of assumptions | Based on the procedure described in GASB 74, the discount rate used to measure plan obligations for financial accounting purposes as of June 30, 2019 was updated to equal the Municipal Bond Index Rate of 3.50% as of June 30, 2019. 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, 2019. The expected rate of inflation was decreased, and the real wage growth assumption was increased. |
| Actuarial cost method | Entry age |
| Amortization method | Level percent of payroll over an open period |
| Remaining amortization period | 30 years |
| Asset valuation method | Market value of assets |
| Investment rate of return | 3.00%, net of investment-related expense including price inflation |
| Price inflation | 2.75% |

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



Combining and Individual Fund Statements and Schedules



General Fund

GENERAL FUND

The General Fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, health, social services, recreation, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units.

TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH APPROPRIATIONS
GENERAL FUND - BOARD OF EDUCATION
FOR THE YEAR ENDED JUNE 30, 2020

| | Final Appropriation | Expenditures and Encumbrances | Unexpended Balance |
|---|--------------------------------|--|-------------------------------|
| Salaries - certified | \$ 23,443,138 | \$ 23,370,027 | \$ 73,111 |
| Salaries - support | 6,137,467 | 5,987,593 | 149,874 |
| Salaries - other | 25,000 | 9,314 | 15,686 |
| Temporary pay - certified | 822,932 | 758,684 | 64,248 |
| Temporary pay - support | 149,057 | 137,140 | 11,917 |
| Overtime - support | 110,508 | 91,940 | 18,568 |
| Health and dental insurance | 6,007,466 | 5,993,211 | 14,255 |
| Life and major medical insurance | 75,491 | 74,741 | 750 |
| Long term disability | 2,820 | 3,060 | (240) |
| Social security contribution | 945,322 | 866,152 | 79,170 |
| Reimbursements | 89,100 | 96,395 | (7,295) |
| Unemployment compensation | 20,000 | 88,747 | (68,747) |
| Workers' compensation | 378,498 | 377,005 | 1,493 |
| Sick pay | 78,832 | 153,747 | (74,915) |
| Retirement Incentive | 12,000 | 18,000 | (6,000) |
| Instructional services | 162,902 | 141,962 | 20,940 |
| Staff and curriculum development | 91,050 | 154,905 | (63,855) |
| Other professional and technical services | 1,289,290 | 1,115,616 | 173,674 |
| Legal services | 101,069 | 116,798 | (15,729) |
| Public utilities | 80,943 | 79,888 | 1,055 |
| Maintenance and repairs | 372,651 | 450,994 | (78,343) |
| Rentals | 1,600 | 639 | 961 |
| Pupil transportation | 2,195,375 | 2,227,352 | (31,977) |
| Insurance - property | 110,324 | 86,043 | 24,281 |
| Insurance - liability | 105,466 | 106,041 | (575) |
| Other insurance | 26,900 | 24,273 | 2,627 |
| Communications | 72,110 | 76,916 | (4,806) |
| Postage | 19,500 | 19,097 | 403 |
| Advertising | 2,000 | 2,493 | (493) |
| Tuition | 2,693,853 | 2,455,658 | 238,195 |
| Travel and conference | 168,613 | 97,427 | 71,186 |
| Other purchased services | 74,054 | 134,778 | (60,724) |
| Instructional supplies | 412,190 | 360,177 | 52,013 |
| Software | 449,067 | 449,947 | (880) |
| Maintenance and custodial | 324,925 | 493,599 | (168,674) |
| Heat and energy | 1,258,985 | 1,150,971 | 108,014 |
| Transportation supplies | 190,421 | 109,229 | 81,192 |
| Textbooks | 173,600 | 84,045 | 89,555 |
| Library and professional books | 29,549 | 26,377 | 3,172 |
| Other supplies | 173,551 | 182,198 | (8,647) |
| Equipment | 431,029 | 472,613 | (41,584) |
| Membership dues and fees | 28,416 | 26,419 | 1,997 |
| Contribution to BOE nonlapsing fund | | 332,427 | (332,427) |
| Total | \$ 49,337,064 | \$ 49,004,638 | \$ 332,426 |

**TOWN OF WATERFORD, CONNECTICUT
REPORT OF TAX COLLECTOR
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| Grand List | Uncollected Taxes July 1, 2019 | Current Levy | Lawful Corrections | | Transfers To Suspense | Adjusted Taxes Collectible | Refunds | Collections | | | Uncollected Taxes June 30, 2020 | |
|---|-----------------------------------|---------------|--------------------|------------|--------------------------|-------------------------------|------------|---------------|------------|-----------|------------------------------------|--------------|
| | | | Additions | Deductions | | | | Taxes | Interest | Lien Fees | | |
| 2018 | \$ | \$ 92,713,889 | \$ 45,865 | \$ 582,095 | \$ 7,711 | \$ 92,169,948 | \$ | \$ 91,644,348 | \$ 120,358 | \$ 874 | \$ 91,765,580 | \$ 525,600 |
| 2017 | 527,459 | | 3,712 | 394,000 | 12,149 | 125,022 | 380,776 | 278,088 | 52,752 | 1,680 | 332,520 | 227,710 |
| 2016 | 216,723 | | 1,022 | 275 | 15,804 | 201,666 | 1,249 | 73,536 | 29,070 | 384 | 102,990 | 129,379 |
| 2015 | 134,437 | | | 60 | 1,106 | 133,271 | 55 | 36,361 | 26,985 | 192 | 63,538 | 96,965 |
| 2014 | 92,138 | | 24 | | | 92,162 | | 31,624 | 23,138 | 168 | 54,930 | 60,538 |
| 2013 | 70,979 | | 15 | | | 70,994 | | 22,328 | 19,778 | 72 | 42,178 | 48,666 |
| 2012 | 42,300 | | 6 | | | 42,306 | 55 | 8,088 | 9,689 | 48 | 17,825 | 34,273 |
| 2011 | 32,464 | | 9 | | | 32,473 | 76 | 3,502 | 4,338 | 24 | 7,864 | 29,047 |
| 2010 | 28,001 | | | | | 28,001 | | 3,363 | 5,123 | 24 | 8,510 | 24,638 |
| 2009 | 18,795 | | | | | 18,795 | 10 | 3,006 | 2,250 | | 5,256 | 15,799 |
| 2008 | 6,888 | | | | | 6,888 | | | 216 | | 216 | 6,888 |
| 2007 | 3,059 | | | | | 3,059 | | | 582 | | 582 | 3,059 |
| 2006 | 2,483 | | | | | 2,483 | | | 1,181 | | 1,181 | 2,483 |
| 2005 | 2,315 | | 9 | | | 2,324 | 22 | | 1,867 | | 1,867 | 2,346 |
| 2004 | 2,181 | | | 2,221 | | (40) | 40 | | 1,096 | | 1,096 | - |
| Total | \$ 1,180,222 | \$ 92,713,889 | \$ 50,662 | \$ 978,651 | \$ 36,770 | \$ 92,929,352 | \$ 382,283 | \$ 92,104,244 | \$ 298,423 | \$ 3,466 | \$ 92,406,133 | \$ 1,207,391 |
| Suspense collections | | | | | | | | | | | | |
| | | | | | | | | 19,553 | | | | 19,553 |
| Total collections | | | | | | | | \$ 92,123,797 | \$ 298,423 | \$ 3,466 | \$ 92,425,686 | |
| Property taxes receivable - considered available: | | | | | | | | | | | | |
| | | | | | | | | (101,685) | | | | |
| | | | | | | | | 118,447 | | | | |
| | | | | | | | | \$ 92,442,448 | | | | |

TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF WATER MAIN ASSESSMENTS RECEIVABLE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| Contract Number | Interest and Liens | | New Contracts | Interest and Liens Billed | | Principal Additions | | Lawful Corrections | | Interest and Lien Additions | | Interest and Lien Deductions | | Assessments | | Collections | | Transferred to Town Clerk | Total | Principal Balance Uncollected June 30, 2020 | Interest and Liens Uncollected June 30, 2020 | Balance Uncollected June 30, 2020 |
|--|------------------------------------|---|---------------|---------------------------|-----------------------------|----------------------|------------------------------|--------------------|------------------------|-----------------------------|--------|------------------------------|----------|-------------|----|-------------|----------|---------------------------|---------|---|--|-----------------------------------|
| | Principal Uncollected July 1, 2019 | Interest and Liens Uncollected July 1, 2019 | | Principal Deductions | Interest and Lien Additions | Principal Deductions | Interest and Lien Deductions | Assessments | Interest and Lien Fees | | | | | | | | | | | | | |
| 75 | \$ 620 | \$ 922 | \$ 2,222 | \$ 112 | \$ | \$ | \$ | \$ | \$ | \$ 413 | \$ 337 | \$ | \$ 750 | \$ | \$ | \$ 207 | \$ 697 | \$ 904 | | | | |
| 76 | 6,619 | 1,822 | 2,222 | 548 | | | 1,953 | | | 4,042 | 532 | | 4,574 | | | 2,846 | 1,838 | 4,684 | | | | |
| Total | \$ 7,239 | \$ 2,744 | \$ 2,222 | \$ 660 | | | \$ 1,953 | | | \$ 4,455 | \$ 869 | | \$ 5,324 | | | \$ 3,053 | \$ 2,535 | \$ 5,588 | | | | |
| Water main assessment receivable - considered available: | | | | | | | | | | | | | | | | | | | | | | |
| June 30, 2019 | | | | | | | | | | | | | | | | | | | | | | |
| June 30, 2020 | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | (4,543) | | | |
| | | | | | | | | | | | | | | | | | | | - | | | |
| | | | | | | | | | | | | | | | | | | | \$ 781 | | | |

Water main assessment receivable - considered available:

June 30, 2019

June 30, 2020

(4,543)

-

\$ 781

**TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

| Contract Number | Interest and Liens | | Lawful Corrections | | | | Collections | | | Principal Balance Uncollected June 30, 2020 | Interest and Liens Uncollected June 30, 2020 | Balance Uncollected June 30, 2020 | |
|---|------------------------------------|---|---------------------|----------------------|-----------------------------|------------------------------|-------------|------------------------|---------------------------|---|--|-----------------------------------|-----------|
| | Principal Uncollected July 1, 2019 | Interest and Liens Uncollected July 1, 2019 | Principal Additions | Principal Deductions | Interest and Lien Additions | Interest and Lien Deductions | Assessments | Interest and Lien Fees | Transferred to Town Clerk | | | | Total |
| 76 | \$ 36,513 | \$ 8,045 | \$ | \$ 112 | \$ 3,324 | \$ | \$ 20,849 | \$ 1,047 | \$ | \$ 21,696 | \$ 15,752 | \$ 10,322 | \$ 26,074 |
| Sewer assessment receivable - considered available: | | | | | | | | | | | | | |
| June 30, 2019 | | | | | | | | | | | | | |
| June 30, 2020 | | | | | | | | | | | | | |
| | | | | | | | | | | (9,056) | | | |
| | | | | | | | | | | 867 | | | |
| | | | | | | | | | | \$ 13,507 | | | |

**Nonmajor
Governmental Funds**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The nature and purpose of each Special Revenue Fund is as follows:

| Fund | Funding Source | Function |
|--|---|---|
| Special Education Grants | State and federal grants | School related programs |
| School Cafeteria | Sale of food and grants | School lunch program |
| Drug Enforcement | Federal and state forfeited property | Drug enforcement and education |
| Youth Services | Donations and admission fees | Youth programs |
| Water | Rentals from cell phone companies for antennas on water towers | Maintenance of water infrastructure |
| Contributed Gifts | Donations | Expenditures of donations according to the purpose of the various gifts |
| Senior Citizens | Donations and program fees | Services and programs for senior citizens |
| Youth Services Local Prevention Council Grant | Local prevention council grant | Youth services alcohol and drug abuse prevention program |
| Small Harbor Improvement Projects (SHIP) Grant | Connecticut Port Authority grant in aid | Mago Point Planning Study-Design |
| Fiscal Year 2016 Port Security Grant Program | U.S. Department of Homeland Security | Maintenance costs of Regional Boat |
| Youth Services Mini Grant | State grant passed through NECASA | Community Coalition to address the Opioid Crisis |
| Certified Local Government Historic Preservation Enhancement Grant | State of Connecticut Department of Economic and Community Development | National register nomination for Oil Mill District |
| 2019 JAG Local VCP Grant | Federal Department of Justice grant passed through the Connecticut Division of Criminal Justice Policy and Planning | Purchase of police equipment |
| Dock Removal Grant | Grant from private organization | Removal of derelict dock structures in the Thames River at 74 Scotch Cap Road |
| Nuclear Safety Emergency Preparedness Grant | State grant | Nuclear Safety Preparedness Program |
| Drug Recognition Expert (DRE) Support Grant | Federal Police Traffic Services funds passed through the State of Connecticut DOT | Coordination of DRE training activities |
| Comprehensive DUI Enforcement Program | State grant | Regional check points to enforce driving under the influence laws |
| Historic Properties | Donations | Donations to the Historic Properties Commission |
| Jordan Mill Pond Fishway | Grant from nonprofit organization | Construct a fishway to promote spawning |
| Harbor Management | Docking and mooring fees | Harbor management |
| Youth Services Enhancement Grant | State grant | To promote youth developmental activities |
| Waterford Education Foundation Grant | Grant from nonprofit organization | To support an intergenerational storytelling program |

| | | |
|---|--|---|
| Small Cities Grant II | State Community Development Block Grant (CDBG) funds and loan payments | Waterford Housing Rehabilitation Program |
| Historic Documents Preservation Grant | Connecticut State Library Targeted Grant | Preservation of historic documents |
| Reeve Foundation Grant | Christopher Reeve Foundation grant | Purchase of recreational equipment to make Waterford Beach accessible to individuals in wheelchairs |
| Senior Services Title IIIB Open Doors Grant | Federal funding under Title III and matching contributions | Senior Services open doors program for local senior citizens |
| Senior Services Wal Mart Grant | Grant from Wal Mart | Senior services program to conduct in-home fall assessment risks for local seniors. |
| Student Athletics Fund | Gate receipts | Site workers, ticket takers and tournament fees |

Capital Project Funds

The Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlay.

| Fund | Funding Source | Function |
|-----------------------------------|--|---|
| Fleet Management | Sales and rental of vehicles and equipment | Program for funding the replacement of equipment and vehicles over ten thousand dollars |
| Sewer Maintenance and Development | Sewer connection fees | Maintenance of existing sewer system assets |
| Animal Control Facility | Donations | Construction of an animal shelter |
| Capital Improvement | General Fund appropriation | Various short-term capital projects |
| Early Childhood Learning Center | State grants | Construction of a District Magnet School |

Permanent Funds

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting governments programs.

| Fund | Funding Source | Function |
|------------------------|---|-------------------------|
| Hammond Memorial Trust | Payments from trust and investment earnings | Maintenance of cemetery |

TOWN OF WATERFORD, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

EXHIBIT B-1

| Special Revenue Funds | | | | | | | | | |
|---|--------------------------------|---------------------|------------------------------|-------------------|-------------------|----------------------|--------------------|--|---|
| | Special Education Grants | School Cafeteria | Drug Enforcement Grant | Youth Services | Water | Contributed Gifts | Senior Services | Youth Services Local Prevention Council Grant | Small Harbor Improvement Projects Grant |
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ 278,631 | \$ 77,864 | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Investments | | 22,621 | | | | | | | |
| Receivables, net | 384 | 80,358 | | | | | | | |
| Interfund receivables | | | 38,683 | 103,550 | 623,238 | 66,541 | 67,227 | 1,600 | 35,000 |
| Inventories | | 3,946 | | | | | | | |
| Total Assets | \$ 279,015 | \$ 184,789 | \$ 38,683 | \$ 103,550 | \$ 623,238 | \$ 66,541 | \$ 67,227 | \$ 1,600 | \$ 35,000 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts and other payable | \$ 53,621 | \$ 23,574 | \$ 3,661 | \$ 6,235 | \$ 1,045 | \$ 9,453 | \$ 24 | \$ 16 | \$ |
| Accrued liabilities | 27,434 | | | 89 | | | | | |
| Interfund payables | 44,186 | 115,151 | | | | | | | |
| Unearned revenue | 148,332 | | | | | | 3,603 | | 35,000 |
| Total liabilities | 273,573 | 138,725 | 3,661 | 6,324 | 1,045 | 9,453 | 3,627 | 16 | 35,000 |
| Deferred Inflows of Resources: | | | | | | | | | |
| Unavailable revenue - sewer connection fees | | | | | | | | | |
| Total deferred inflows of resources | - | - | - | - | - | - | - | - | - |
| Fund Balances: | | | | | | | | | |
| Nonspendable | | 3,946 | | | | | | | |
| Restricted | 5,442 | 42,118 | 35,022 | 97,226 | 622,193 | 57,088 | 63,600 | 1,584 | |
| Committed | | | | | | | | | |
| Assigned | | | | | | | | | |
| Unassigned | | | | | | | | | |
| Total fund balances | 5,442 | 46,064 | 35,022 | 97,226 | 622,193 | 57,088 | 63,600 | 1,584 | - |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 279,015 | \$ 184,789 | \$ 38,683 | \$ 103,550 | \$ 623,238 | \$ 66,541 | \$ 67,227 | \$ 1,600 | \$ 35,000 |

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

EXHIBIT B-1

| | Special Revenue Funds | | | | | | | | | |
|---|---|---------------------------------|--|--------------------------------|--------------------------|--|-------------------------|---|------------------------|--------------------------------|
| | 2016 Port Security Grant Program | Youth Services Mini Grant | Historic Preservation Enhancement Grant | 2019 JAG Local VCP Grant | Dock Removal Grant | Nuclear Safety Emergency Preparedness | DRE Support Grant | Comprehensive DUI Enforcement Program | Historic Properties | Jordan Mill Pond Fishway |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Investments | | | | | | | | | | |
| Receivables, net | | 3,667 | | | 80,000 | | 379 | | 3,308 | 777 |
| Interfund receivables | | | | | | | | | | |
| Inventories | | | | | | | | | | |
| Total Assets | \$ - | \$ 3,667 | \$ - | \$ - | \$ 80,000 | \$ - | \$ 379 | \$ - | \$ 3,308 | \$ 777 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Accounts and other payable | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Accrued liabilities | | | | | | | 94 | | | |
| Interfund payables | | | 5,000 | | | | 285 | | | |
| Unearned revenue | | | | | 80,000 | | | | | |
| Total liabilities | - | - | 5,000 | - | 80,000 | - | 379 | - | - | - |
| Deferred Inflows of Resources: | | | | | | | | | | |
| Unavailable revenue - sewer connection fees | | | | | | | | | | |
| Total deferred inflows of resources | - | - | - | - | - | - | - | - | - | - |
| Fund Balances: | | | | | | | | | | |
| Nonspendable | | 3,667 | | | | | | | 3,308 | 777 |
| Restricted | | | | | | | | | | |
| Committed | | | | | | | | | | |
| Assigned | | | | | | | | | | |
| Unassigned | | | (5,000) | | | | | | | |
| Total fund balances | - | 3,667 | (5,000) | - | - | - | - | - | 3,308 | 777 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ - | \$ 3,667 | \$ - | \$ - | \$ 80,000 | \$ - | \$ 379 | \$ - | \$ 3,308 | \$ 777 |

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

EXHIBIT B-1

| Special Revenue Funds | | | | | | | | | | |
|---|-------------------|----------------------------------|--------------------------------------|-----------------------|---------------------------------------|------------------------|---|--------------------------------|-------------------|--------|
| | Harbor Management | Youth Services Enhancement Grant | Waterford Education Foundation Grant | Small Cities Grant II | Historic Documents Preservation Grant | Reeve Foundation Grant | Senior Services Title III B Open Doors Grants | Senior Services Wal Mart Grant | Student Athletics | |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ | \$ | \$ | \$ 45,939 | \$ | \$ | \$ | \$ | \$ | 35,427 |
| Investments | | | | | | | | | | |
| Receivables, net | 28,688 | 644 | | 192 | 2,000 | 1,530 | 3,995 | 500 | | |
| Interfund receivables | | | | | | | | | | |
| Inventories | | | | | | | | | | |
| Total Assets | \$ 28,688 | \$ 644 | \$ - | \$ 46,131 | \$ 2,000 | \$ 1,530 | \$ 3,995 | \$ 500 | \$ 35,427 | |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Accounts and other payable | \$ 150 | \$ 638 | | | \$ 2,000 | | | | \$ | |
| Accrued liabilities | 114 | | | | | | | | | |
| Interfund payables | | | | | | | | | | |
| Unearned revenue | 264 | 638 | - | - | 2,000 | - | - | - | - | - |
| Total liabilities | | | | | | | | | | |
| Deferred Inflows of Resources: | | | | | | | | | | |
| Unavailable revenue - sewer connection fees | | | | | | | | | | |
| Total deferred inflows of resources | | | | | | | | | | |
| Fund Balances: | | | | | | | | | | |
| Nonspendable | | | | | | | | | | |
| Restricted | 28,424 | 6 | | 46,131 | | 1,530 | 3,995 | 500 | 35,427 | |
| Committed | | | | | | | | | | |
| Assigned | | | | | | | | | | |
| Unassigned | 28,424 | 6 | - | 46,131 | - | 1,530 | 3,995 | 500 | 35,427 | |
| Total fund balances | | | | | | | | | | |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 28,688 | \$ 644 | \$ - | \$ 46,131 | \$ 2,000 | \$ 1,530 | \$ 3,995 | \$ 500 | \$ 35,427 | |

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

EXHIBIT B-1

| | Capital Projects Funds | | | | | Permanent Fund | Total Nonmajor Governmental Funds |
|---|------------------------|---------------------------------|-------------------------|---------------------|---------------------------------|------------------------|-----------------------------------|
| | Fleet Management | Sewer Maintenance & Development | Animal Control Facility | Capital Improvement | Early Childhood Learning Center | Hammond Memorial Trust | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 2,382,235 | \$ 478,022 | \$ | \$ 2,215,720 | \$ | \$ 53 | \$ 5,513,891 |
| Investments | | | | | | 127,081 | 149,702 |
| Receivables, net | 32,888 | 3,097 | | | 549,784 | | 117,106 |
| Interfund receivables | | | 25,966 | | | | 1,636,890 |
| Inventories | | | | | | | 3,946 |
| Total Assets | \$ 2,415,123 | \$ 481,119 | \$ 25,966 | \$ 2,215,720 | \$ 549,784 | \$ 127,134 | \$ 7,421,535 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts and other payable | \$ | \$ 9,971 | \$ | \$ | \$ | \$ | \$ 108,705 |
| Accrued liabilities | | | | | | | 29,414 |
| Interfund payables | 215,784 | 9,401 | | 610,090 | | | 999,897 |
| Unearned revenue | | | | | | | 266,935 |
| Total liabilities | 215,784 | 19,372 | - | 610,090 | - | - | 1,404,951 |
| Deferred Inflows of Resources: | | | | | | | |
| Unavailable revenue - sewer connection fees | | 3,097 | | | | | 3,097 |
| Total deferred inflows of resources | - | 3,097 | - | - | - | - | 3,097 |
| Fund Balances: | | | | | | | |
| Nonspendable | | | | | | | |
| Restricted | | 458,650 | 25,966 | | | 127,134 | 131,080 |
| Committed | 2,199,339 | | | 1,605,630 | 549,784 | | 910,461 |
| Assigned | | | | | | | 3,371,316 |
| Unassigned | | | | | | | 1,605,630 |
| Total fund balances | 2,199,339 | 458,650 | 25,966 | 1,605,630 | 549,784 | 127,134 | (5,000) |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 2,415,123 | \$ 481,119 | \$ 25,966 | \$ 2,215,720 | \$ 549,784 | \$ 127,134 | \$ 7,421,535 |

**TOWN OF WATERFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

| | Special Revenue Funds | | | | | | | | |
|--|--------------------------------|---------------------|------------------------------|-------------------|---------------|----------------------|--------------------|--|---|
| | Special Education Grants | School Cafeteria | Drug Enforcement Grant | Youth Services | Water | Contributed Gifts | Senior Services | Youth Services Local Prevention Council Grant | Small Harbor Improvement Projects Grant |
| Revenues: | | | | | | | | | |
| Intergovernmental | \$ 1,160,274 | \$ 446,721 | \$ 18,816 | \$ 38,848 | \$ 73,384 | \$ 22,200 | \$ 28,062 | \$ 4,152 | \$ - |
| Fines, penalties and charges for services | | 363,605 | | 125,517 | | | | | |
| Investment earnings (loss) | | 20 | | | | | | | |
| Other | 6,910 | | | 35,987 | | 19,975 | 15,866 | | |
| Total revenues | <u>1,167,184</u> | <u>810,346</u> | <u>18,816</u> | <u>200,352</u> | <u>73,384</u> | <u>42,175</u> | <u>43,928</u> | <u>4,152</u> | <u>-</u> |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | | | 7,899 | | | 14,885 | | | |
| Public safety | | | | | 67,751 | | | | |
| Public works | | | | | | 26,449 | | | |
| Recreation | | | | 169,469 | | | 38,483 | 3,440 | |
| Social services | 1,167,178 | 802,660 | | | | | | | |
| Education | | | | | | | | | |
| Capital outlay | <u>1,167,178</u> | <u>802,660</u> | <u>7,899</u> | <u>169,469</u> | <u>67,751</u> | <u>41,334</u> | <u>38,483</u> | <u>3,440</u> | <u>-</u> |
| Total expenditures | | | | | | | | | |
| Excess (Deficiency) of Revenues over Expenditures | 6 | 7,686 | 10,917 | 30,883 | 5,633 | 841 | 5,445 | 712 | - |
| Other Financing Sources (Uses): | | | | | | | | | |
| Transfers in | | | | | | | | | |
| Transfers out | | | | | | | | | |
| Total other financing sources (uses) | | | | | | | | | |
| Net Change in Fund Balances | 6 | 7,686 | 10,917 | 30,883 | 5,633 | 841 | 5,445 | 712 | - |
| Fund Balances at Beginning of Year | 5,436 | 38,378 | 24,105 | 66,343 | 616,560 | 56,247 | 58,155 | 872 | - |
| Fund Balances at End of Year | \$ 5,442 | \$ 46,064 | \$ 35,022 | \$ 97,226 | \$ 622,193 | \$ 57,088 | \$ 63,600 | \$ 1,584 | \$ - |

(Continued on next page)

**TOWN OF WATERFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

| | Special Revenue Funds | | | | | | | | | |
|--|---|---------------------------------|--|--------------------------------|--------------------------|--|-------------------------|---|------------------------|--------------------------------|
| | 2016 Port Security Grant Program | Youth Services Mini Grant | Historic Preservation Enhancement Grant | 2019 JAG Local VCP Grant | Dock Removal Grant | Nuclear Safety Emergency Preparedness | DRE Support Grant | Comprehensive DUI Enforcement Program | Historic Properties | Jordan Mill Pond Fishway |
| Revenues: | | | | | | | | | | |
| Intergovernmental | \$ 24,000 | \$ 5,000 | \$ | \$ 49,289 | \$ | \$ | \$ 16,275 | \$ 4,326 | \$ | \$ |
| Fines, penalties and charges for services | | | | | | | | | | |
| Investment earnings (loss) | | | | | | | | | 100 | |
| Other | 24,000 | 5,000 | - | 49,289 | - | - | 16,275 | 4,326 | 100 | - |
| Total revenues | | | | | | | | | | |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 24,000 | | 5,000 | 49,289 | | | 16,275 | 4,326 | 1,314 | |
| Public safety | | | | | | | | | | |
| Public works | | | | | | | | | | |
| Recreation | | | | | | | | | | |
| Social services | | 1,463 | | | | | | | | |
| Education | | | | | | | | | | |
| Capital outlay | | | | | | | | | | |
| Total expenditures | 24,000 | 1,463 | 5,000 | 49,289 | - | - | 16,275 | 4,326 | 1,314 | - |
| Excess (Deficiency) of Revenues over Expenditures | - | 3,537 | (5,000) | - | - | - | - | - | (1,214) | - |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Transfers in | | | | | | | | | | |
| Transfers out | | | | | | | | | | |
| Total other financing sources (uses) | | | | | | | | | | |
| Net Change in Fund Balances | - | 3,537 | (5,000) | - | - | - | - | - | (1,214) | - |
| Fund Balances at Beginning of Year | - | 130 | - | - | - | - | - | - | 4,522 | 777 |
| Fund Balances at End of Year | \$ - | \$ 3,667 | \$ (5,000) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,308 | \$ 777 |

(Continued on next page)

TOWN OF WATERFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Special Revenue Funds | | | | | | | | | |
|---|-----------------------|----------------------------------|--------------------------------------|-----------------------|---------------------------------------|------------------------|---|--------------------------------|-------------------|--|
| | Harbor Management | Youth Services Enhancement Grant | Waterford Education Foundation Grant | Small Cities Grant II | Historic Documents Preservation Grant | Reeve Foundation Grant | Senior Services Title III B Open Doors Grants | Senior Services Wal Mart Grant | Student Athletics | |
| Revenues: | | | | | | | | | | |
| Intergovernmental | \$ 8,800 | \$ 10,819 | \$ - | \$ - | \$ 5,500 | \$ - | \$ 3,298 | \$ - | \$ 87,011 | |
| Fines, penalties and charges for services | | | | | | | | | | |
| Investment earnings (loss) | | | | 45,939 | | | 105 | | | |
| Other | 8,800 | 10,819 | - | 45,939 | 5,500 | - | 3,403 | - | 87,011 | |
| Total revenues | | | | | | | | | | |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 5,694 | | | | 5,500 | | | | | |
| Public safety | | | | | | | | | | |
| Public works | | | | | | | | | | |
| Recreation | | 10,816 | 975 | | | | 2,238 | | 69,139 | |
| Social services | | | | | | | | | | |
| Education | | | | | | | | | | |
| Capital outlay | | | | | | | | | | |
| Total expenditures | 5,694 | 10,816 | 975 | - | 5,500 | - | 2,238 | - | 69,139 | |
| Excess (Deficiency) of Revenues over Expenditures | 3,106 | 3 | (975) | 45,939 | - | - | 1,165 | - | 17,872 | |
| Other Financing Sources (Uses): | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | |
| Transfers out | | | | | | | | | | |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - | - | |
| Net Change in Fund Balances | 3,106 | 3 | (975) | 45,939 | - | - | 1,165 | - | 17,872 | |
| Fund Balances at Beginning of Year | 25,318 | 3 | 975 | 192 | - | 1,530 | 2,830 | 500 | 17,555 | |
| Fund Balances at End of Year | \$ 28,424 | \$ 6 | \$ - | \$ 46,131 | \$ - | \$ 1,530 | \$ 3,995 | \$ 500 | \$ 35,427 | |

(Continued on next page)

EXHIBIT B-2

95

Fiduciary Funds

TRUST FUNDS

Pension Trust Fund - To account for assets that have been set aside in trust for the employee retirement plan for certain Town employees.

OPEB Trust Fund - To account for assets that have been set aside in trust for other post-employment benefits for certain Town employees.

AGENCY FUNDS

Student Activities Fund - To account for monies from various self-funding school activity programs.

Student Scholarship Fund - To account for financial assistance provided to local residents.

Performance Bonds Fund - To account for cash bonds posted by contractors, developers and others.

TOWN OF WATERFORD, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
JUNE 30, 2020

| | <u>Pension Trust Fund</u> | <u>OPEB Trust Fund</u> | <u>Total</u> |
|---------------------------------|-------------------------------|----------------------------|----------------------------|
| Assets: | | | |
| Cash and cash equivalents | \$ 7,042 | \$ 6,033 | \$ 13,075 |
| Investments: | | | |
| Mutual funds | <u>534,848</u> | <u>6,113,786</u> | <u>6,648,634</u> |
| Total assets | <u>541,890</u> | <u>6,119,819</u> | <u>6,661,709</u> |
| Liabilities: | | | |
| Accounts and other payables | <u>1,443</u> | <u>10,488</u> | <u>11,931</u> |
| Net Position: | | | |
| Restricted for OPEB Benefits | | 6,109,331 | 6,109,331 |
| Restricted for Pension Benefits | <u>540,447</u> | | <u>540,447</u> |
| Total Net Position | \$ <u><u>540,447</u></u> | \$ <u><u>6,109,331</u></u> | \$ <u><u>6,649,778</u></u> |

TOWN OF WATERFORD, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | <u>Pension Trust Fund</u> | <u>OPEB Trust Fund</u> | <u>Total</u> |
|---|-------------------------------|----------------------------|---------------------|
| Additions: | | | |
| Contributions: | | | |
| Employer | \$ 89,953 | \$ 1,614,570 | \$ 1,704,523 |
| Investment income: | | | |
| Net appreciation in fair value of investments | <u>32,400</u> | <u>300,988</u> | <u>333,388</u> |
| Total additions | <u>122,353</u> | <u>1,915,558</u> | <u>2,037,911</u> |
| Deductions: | | | |
| Benefit payments | 111,229 | 855,957 | 967,186 |
| Administration | <u>5,958</u> | <u>7,242</u> | <u>13,200</u> |
| Total deductions | <u>117,187</u> | <u>863,199</u> | <u>980,386</u> |
| Change in Net Position | 5,166 | 1,052,359 | 1,057,525 |
| Net Position at Beginning of Year | <u>535,281</u> | <u>5,056,972</u> | <u>5,592,253</u> |
| Net Position at End of Year | <u>\$ 540,447</u> | <u>\$ 6,109,331</u> | <u>\$ 6,649,778</u> |

**TOWN OF WATERFORD, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

| | <u>Balance July 1, 2019</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2020</u> |
|---------------------------------|---------------------------------|-------------------|-------------------|----------------------------------|
| School Activity Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 246,959 | \$ 281,009 | \$ 315,371 | \$ 212,597 |
| Investments | <u>24,584</u> | <u>187</u> | | <u>24,771</u> |
| Total Assets | <u>\$ 271,543</u> | <u>\$ 281,196</u> | <u>\$ 315,371</u> | <u>\$ 237,368</u> |
| Liabilities: | | | | |
| Deposits held for others | <u>\$ 271,543</u> | <u>\$ 281,196</u> | <u>\$ 315,371</u> | <u>\$ 237,368</u> |
| Student Scholarship Fund | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 73,270 | \$ 82,135 | \$ 116,600 | \$ 38,805 |
| Investments | <u>253,274</u> | <u>2,005</u> | | <u>255,279</u> |
| Total Assets | <u>\$ 326,544</u> | <u>\$ 84,140</u> | <u>\$ 116,600</u> | <u>\$ 294,084</u> |
| Liabilities: | | | | |
| Deposits held for others | <u>\$ 326,544</u> | <u>\$ 84,140</u> | <u>\$ 116,600</u> | <u>\$ 294,084</u> |
| Performance Bonds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | <u>\$ 385,675</u> | <u>\$ 129,096</u> | <u>\$ 71,156</u> | <u>\$ 443,615</u> |
| Liabilities: | | | | |
| Deposits held for others | <u>\$ 385,675</u> | <u>\$ 129,096</u> | <u>\$ 71,156</u> | <u>\$ 443,615</u> |
| Total Agency Funds | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 705,904 | \$ 492,240 | \$ 503,127 | \$ 695,017 |
| Investments | <u>277,858</u> | <u>2,192</u> | | <u>280,050</u> |
| Total Assets | <u>\$ 983,762</u> | <u>\$ 494,432</u> | <u>\$ 503,127</u> | <u>\$ 975,067</u> |
| Liabilities: | | | | |
| Deposits held for others | <u>\$ 983,762</u> | <u>\$ 494,432</u> | <u>\$ 503,127</u> | <u>\$ 975,067</u> |



Statistical Section

Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- *Financial trends information* is intended to assist users in understanding and assessing how financial position has changed over time.
- *Revenue capacity information* is intended to assist users in understanding and assessing the factors affecting the ability to generate *own-source revenues* (property taxes, charges for services, etc.).
- *Debt capacity information* is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- *Demographic and economic information* is intended 1) to assist users in understanding the socioeconomic environment and 2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- *Operating information* is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Sources: Unless otherwise noted, the information in the tables is derived from the comprehensive annual financial reports for the relevant year.

TOWN OF WATERFORD, CONNECTICUT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(In Thousands)

| | FISCAL YEAR | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 177,425 | \$ 172,217 | \$ 172,063 | \$ 172,024 | \$ 174,397 | \$ 174,913 | \$ 173,491 | \$ 178,578 | \$ 176,727 | \$ 172,218 |
| Restricted | 127 | 135 | 137 | 145 | 130 | 216 | 178 | 169 | 139 | 532 |
| Unrestricted | (19,134) | (13,040) | (11,532) | (5,839) | (10,913) | (5,725) | 5,299 | 3,661 | 5,367 | 9,293 |
| Total governmental activities net position | <u>158,418</u> | <u>159,312</u> | <u>160,668</u> | <u>166,330</u> | <u>163,614</u> | <u>169,404</u> | <u>178,968</u> | <u>182,408</u> | <u>182,233</u> | <u>182,043</u> |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | 47,418 | 49,212 | 50,975 | 52,848 | 54,164 | 54,835 | 55,840 | 57,974 | 56,785 | 57,533 |
| Restricted | | | | | | | | | 346 | |
| Unrestricted | 4,609 | 4,361 | 3,842 | 3,822 | 3,299 | 2,765 | 2,194 | 1,379 | 794 | 1,260 |
| Total business-type activities net position | <u>52,026</u> | <u>53,573</u> | <u>54,817</u> | <u>56,670</u> | <u>57,463</u> | <u>57,600</u> | <u>58,034</u> | <u>59,353</u> | <u>57,925</u> | <u>58,793</u> |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | 224,842 | 221,430 | 223,038 | 224,872 | 228,561 | 229,748 | 229,331 | 236,552 | 233,512 | 229,751 |
| Restricted | 127 | 135 | 137 | 145 | 130 | 216 | 178 | 169 | 485 | 532 |
| Unrestricted | (14,525) | (8,679) | (7,690) | (2,017) | (7,614) | (2,960) | 7,493 | 5,040 | 6,161 | 10,553 |
| Total Primary Government Net Position | <u>\$ 210,444</u> | <u>\$ 212,885</u> | <u>\$ 215,485</u> | <u>\$ 223,000</u> | <u>\$ 221,077</u> | <u>\$ 227,004</u> | <u>\$ 237,002</u> | <u>\$ 241,761</u> | <u>\$ 240,158</u> | <u>\$ 240,836</u> |

Notes:

(1) Schedule prepared on the accrual basis of accounting.

TABLE 2

TOWN OF WATERFORD, CONNECTICUT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(In Thousands)

| | FISCAL YEAR | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 15,856 | \$ 15,429 | \$ 14,892 | \$ 13,745 | \$ 14,176 | \$ 13,676 | \$ 12,699 | \$ 12,041 | \$ 12,304 | \$ 11,283 |
| Public safety | 13,150 | 13,198 | 12,098 | 11,508 | 13,356 | 10,640 | 10,167 | 10,337 | 10,155 | 10,131 |
| Public works | 8,086 | 8,432 | 7,180 | 8,558 | 8,569 | 7,384 | 7,292 | 9,094 | 8,681 | 10,284 |
| Recreation | 1,941 | 1,773 | 1,020 | 1,763 | 1,897 | 1,822 | 1,741 | 1,706 | 1,646 | 1,992 |
| Library | 1,159 | 1,154 | 1,065 | 917 | 1,598 | 1,383 | 1,470 | 1,032 | 1,052 | 1,126 |
| Social services | 1,427 | 1,370 | 1,299 | 1,321 | 3,238 | 3,254 | 3,282 | 1,297 | 1,243 | 1,312 |
| Education | 68,539 | 60,142 | 64,680 | 61,805 | 56,442 | 55,882 | 56,593 | 57,492 | 53,735 | 56,266 |
| Interest on long-term debt | 2,057 | 2,285 | 2,400 | 2,604 | 2,795 | 3,096 | 2,809 | 2,521 | 886 | 1,124 |
| Total governmental activities expenses | 112,215 | 103,783 | 104,634 | 102,221 | 102,071 | 97,137 | 96,053 | 95,520 | 89,702 | 93,518 |
| Business-type activities: | | | | | | | | | | |
| Utilities Commission | 5,399 | 5,217 | 5,740 | 4,945 | 5,172 | 5,178 | 5,666 | 4,531 | 6,004 | 7,109 |
| Total primary government expenses | 117,614 | 109,000 | 110,374 | 107,166 | 107,243 | 102,315 | 101,719 | 100,051 | 95,706 | 100,627 |
| Program Revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | 1,068 | 1,119 | 1,032 | 1,289 | 1,135 | 1,168 | 1,181 | 1,533 | 1,191 | 1,120 |
| Public safety | 502 | 561 | 500 | 265 | 254 | 201 | 258 | 162 | 119 | 117 |
| Public works | 612 | 735 | 635 | 846 | 829 | 528 | 967 | 786 | 847 | 862 |
| Recreation | 180 | 232 | 228 | 217 | 218 | 213 | 184 | 173 | 166 | 150 |
| Library | 10 | 16 | 17 | 18 | 19 | 19 | 19 | 18 | 18 | 20 |
| Social services | 185 | 294 | 236 | 261 | 243 | 189 | 187 | 130 | 109 | 112 |
| Education | 533 | 657 | 611 | 582 | 592 | 721 | 728 | 701 | 767 | 799 |
| Operating grants and contributions | 13,901 | 6,171 | 12,205 | 11,261 | 9,056 | 8,874 | 9,940 | 8,859 | 8,878 | 8,504 |
| Capital grants and contributions | 658 | 839 | 2,450 | 3,106 | 1,004 | 6,163 | 1,584 | 6,596 | 5,706 | 2,372 |
| Total governmental activities program revenues | 17,650 | 10,624 | 17,914 | 17,845 | 13,350 | 18,076 | 15,048 | 18,958 | 17,801 | 14,056 |
| Business-type activities: | | | | | | | | | | |
| Charges for services | 3,710 | 3,765 | 3,654 | 3,727 | 3,728 | 3,797 | 3,914 | 3,621 | 3,752 | 3,781 |
| Operating grants and contributions | | | | 417 | 1,307 | 945 | 8 | | | |
| Capital grants and contributions | 3,710 | 3,765 | 3,654 | 4,144 | 5,035 | 4,744 | 4,345 | 2,685 | 1,383 | 740 |
| Total business-type activities program revenues | | | | | | | | 6,306 | 5,135 | 4,521 |
| Total primary government program revenues | 21,360 | 14,389 | 21,568 | 21,989 | 18,385 | 22,820 | 19,393 | 25,264 | 22,936 | 18,577 |
| Net (expense) revenue: | | | | | | | | | | |
| Governmental activities | (94,565) | (93,159) | (86,720) | (84,376) | (88,721) | (79,061) | (81,005) | (76,562) | (71,901) | (79,462) |
| Business-type activities | (1,689) | (1,452) | (2,086) | (801) | (137) | (434) | (1,321) | 1,775 | (869) | (2,588) |
| Total Primary Government Net Expense | \$ (96,254) | \$ (94,611) | \$ (88,806) | \$ (85,177) | \$ (88,858) | \$ (79,495) | \$ (82,326) | \$ (74,787) | \$ (72,770) | \$ (82,050) |

(Continued on next page)

TABLE 2

TOWN OF WATERFORD, CONNECTICUT
CHANGES IN NET POSITION (CONTINUED)
LAST TEN FISCAL YEARS
(In Thousands)

| | FISCAL YEAR | | | | | | | | | |
|--|-------------|------------|-----------|-----------|------------|-----------|------------|-----------|-----------|-------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| General revenues and other changes in net position: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | \$ 92,136 | \$ 90,251 | \$ 87,927 | \$ 85,884 | \$ 81,996 | \$ 79,071 | \$ 76,529 | \$ 73,583 | \$ 69,204 | \$ 65,994 |
| Grants and contributions not restricted to specific programs | 351 | 353 | 294 | 771 | 695 | 830 | 779 | 953 | 975 | 1,920 |
| Unrestricted investment earnings | 1,082 | 1,297 | 686 | 315 | 185 | 158 | 137 | 168 | 222 | 222 |
| Miscellaneous | 197 | 39 | 145 | 123 | 54 | 7 | 120 | 1,687 | 1,689 | 434 |
| Transfers | (95) | (138) | (196) | | | | | 346 | | |
| Total governmental activities | 93,671 | 91,802 | 88,856 | 87,093 | 82,930 | 80,066 | 77,565 | 76,737 | 72,090 | 68,570 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 47 | 70 | 37 | 8 | | | | | | |
| Transfers | 95 | 138 | 196 | | | | | (346) | | |
| Total business-type activities | 142 | 208 | 233 | 8 | - | - | - | (346) | - | - |
| Total Primary Government | \$ 93,814 | \$ 92,010 | \$ 89,089 | \$ 87,101 | \$ 82,930 | \$ 80,066 | \$ 77,565 | \$ 76,391 | \$ 72,090 | \$ 68,570 |
| Changes in Net Position: | | | | | | | | | | |
| Governmental activities | \$ (894) | \$ (1,357) | \$ 2,136 | \$ 2,717 | \$ (5,791) | \$ 1,005 | \$ (3,440) | \$ 175 | \$ 189 | \$ (10,892) |
| Business-type activities | (1,547) | (1,244) | (1,853) | (793) | (137) | (434) | (1,321) | 1,429 | (869) | (2,588) |
| Total Primary Government | \$ (2,440) | \$ (2,601) | \$ 283 | \$ 1,924 | \$ (5,928) | \$ 571 | \$ (4,761) | \$ 1,604 | \$ (680) | \$ (13,480) |

Notes:

(1) Schedule prepared on the accrual basis of accounting.

TABLE 3

**TOWN OF WATERFORD, CONNECTICUT
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)**

| | FISCAL YEAR | | | | | | | | | |
|------------------------------------|-------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|-------------|-------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| General Fund: | | | | | | | | | | |
| Nonspendable | \$ 215 | \$ 191 | \$ 158 | \$ 45 | \$ 461 | \$ 67 | \$ 29 | \$ 43 | \$ 31 | \$ 400 |
| Committed | 935 | 287 | 651 | 366 | 513 | 369 | 10,437 | 8,991 | 9,455 | 9,664 |
| Assigned | 18,963 | 16,781 | 13,980 | 13,183 | 10,948 | 10,138 | 497 | 569 | 533 | 714 |
| Unassigned | | | | | | | 1,984 | 2,236 | 891 | 420 |
| Total General Fund | \$ 20,113 | \$ 17,259 | \$ 14,789 | \$ 13,594 | \$ 11,922 | \$ 10,574 | \$ 12,947 | \$ 11,839 | \$ 10,910 | \$ 11,198 |
| All other governmental funds: | | | | | | | | | | |
| Nonspendable | \$ 131 | \$ 140 | \$ 142 | \$ 145 | \$ 130 | \$ 150 | \$ 150 | \$ 126 | \$ 108 | \$ 132 |
| Restricted | 910 | 877 | 1,040 | 1,033 | 887 | 1,112 | 1,574 | 1,497 | 1,433 | 1,425 |
| Committed | 11,434 | 7,206 | 8,061 | 9,437 | 10,250 | 14,367 | 12,746 | 13,269 | 13,634 | 18,590 |
| Assigned | 1,606 | 1,189 | 900 | 620 | 364 | 186 | 149 | 183 | 248 | 456 |
| Unassigned | (2,947) | (2,942) | (2,980) | (3,699) | (5,924) | (6,021) | (5,844) | (18,255) | (41,121) | (31,233) |
| Total All Other Governmental Funds | \$ 11,135 | \$ 6,470 | \$ 7,163 | \$ 7,536 | \$ 5,707 | \$ 9,794 | \$ 8,775 | \$ (3,180) | \$ (25,698) | \$ (10,630) |

TABLE 4

TOWN OF WATERFORD, CONNECTICUT
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(In Thousands)

| | FISCAL YEAR | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|--------------------|-----------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Revenues: | | | | | | | | | | |
| Property taxes, interest and liens | \$ 92,060 | \$ 91,062 | \$ 87,828 | \$ 86,168 | \$ 81,756 | \$ 78,907 | \$ 76,356 | \$ 73,304 | \$ 68,990 | \$ 65,896 |
| System benefit charge | | | - | | | | | | | 1,088 |
| Intergovernmental | 11,397 | 12,198 | 10,197 | 15,149 | 11,367 | 12,055 | 13,140 | 16,929 | 13,903 | 11,951 |
| Assessments and connections | 123 | 53 | 70 | 33 | 95 | 1 | 145 | 50 | 7 | 66 |
| Licenses and permits | 1,641 | 1,737 | 1,624 | 1,175 | 1,021 | 1,040 | 1,028 | 1,387 | 1,043 | 880 |
| Fines, penalties and charges for services | 1,382 | 1,771 | 1,591 | 1,806 | 1,524 | 1,511 | 1,524 | 1,389 | 1,511 | 1,686 |
| Investment earnings | 1,020 | 1,254 | 659 | 304 | 181 | 156 | 135 | 166 | 220 | 220 |
| Other | 276 | 134 | 162 | 708 | 740 | 1,002 | 1,393 | 2,023 | 1,730 | 1,246 |
| Total revenues | <u>107,898</u> | <u>108,209</u> | <u>102,131</u> | <u>105,343</u> | <u>96,684</u> | <u>94,672</u> | <u>93,721</u> | <u>95,248</u> | <u>87,404</u> | <u>83,033</u> |
| Expenditures: | | | | | | | | | | |
| General government | 14,164 | 13,453 | 13,480 | 13,493 | 13,180 | 12,290 | 11,837 | 11,409 | 11,394 | 9,734 |
| Public safety | 10,615 | 10,737 | 10,248 | 10,053 | 10,022 | 9,690 | 9,269 | 9,055 | 8,636 | 8,424 |
| Public works | 4,385 | 4,822 | 4,341 | 4,763 | 4,435 | 4,401 | 4,863 | 5,503 | 4,804 | 5,137 |
| Recreation | 1,465 | 1,412 | 1,382 | 1,728 | 1,634 | 1,670 | 1,645 | 1,533 | 1,481 | 1,844 |
| Library | 1,007 | 1,022 | 1,003 | 1,037 | 1,546 | 1,438 | 1,465 | 1,032 | 1,024 | 993 |
| Social services | 1,113 | 1,199 | 1,242 | 1,244 | 2,990 | 3,187 | 3,104 | 1,165 | 1,119 | 1,127 |
| Education | 58,697 | 58,885 | 55,761 | 56,983 | 50,786 | 50,850 | 50,512 | 51,428 | 50,163 | 48,210 |
| Capital outlay | 11,637 | 7,314 | 6,424 | 5,156 | 7,414 | 5,438 | 9,025 | 21,885 | 37,732 | 17,838 |
| Debt service: | | | | | | | | | | |
| Principal | 5,145 | 5,020 | 4,980 | 4,585 | 4,430 | 4,005 | 2,670 | 2,015 | 1,265 | 1,250 |
| Interest | 2,355 | 2,565 | 2,449 | 2,937 | 2,985 | 3,057 | 2,601 | 2,481 | 781 | 1,252 |
| Total expenditures | <u>110,584</u> | <u>106,431</u> | <u>101,310</u> | <u>101,979</u> | <u>99,422</u> | <u>96,026</u> | <u>96,991</u> | <u>107,506</u> | <u>118,399</u> | <u>95,809</u> |
| Excess of revenues over (under) expenditures | <u>(2,686)</u> | <u>1,777</u> | <u>821</u> | <u>3,364</u> | <u>(2,738)</u> | <u>(1,354)</u> | <u>(3,270)</u> | <u>(12,258)</u> | <u>(30,995)</u> | <u>(12,776)</u> |
| Other financing sources (uses): | | | | | | | | | | |
| Transfers in | 5,975 | 4,978 | 4,834 | 5,274 | 3,509 | 6,646 | 3,776 | 4,079 | 7,399 | 3,263 |
| Transfers out | (5,975) | (4,978) | (4,834) | (5,274) | (3,509) | (6,646) | (3,776) | (3,733) | (7,399) | (3,263) |
| Bonds and notes issued | 19,085 | | | 14,585 | | | 15,930 | 33,750 | 15,640 | 14,000 |
| Bond and notes premium | 1,609 | | | 2,842 | | | 404 | 1,608 | | |
| Payment to refunding bond escrow agent | (10,490) | | | (17,289) | | | | | | |
| Total other financing sources (uses) | <u>10,204</u> | <u>-</u> | <u>-</u> | <u>138</u> | <u>-</u> | <u>-</u> | <u>16,334</u> | <u>35,704</u> | <u>15,640</u> | <u>14,000</u> |
| Net change in fund balances | 7,519 | 1,777 | 821 | 3,502 | (2,738) | (1,354) | 13,064 | 23,446 | (15,355) | 1,224 |
| Fund Balances at Beginning of Year | <u>23,729</u> | <u>21,952</u> | <u>21,131</u> | <u>17,629</u> | <u>20,367</u> | <u>21,721</u> | <u>8,657</u> | <u>(14,789)</u> | <u>566</u> | <u>(658)</u> |
| Fund Balances at End of Year | <u>\$ 31,248</u> | <u>\$ 23,729</u> | <u>\$ 21,952</u> | <u>\$ 21,131</u> | <u>\$ 17,629</u> | <u>\$ 20,367</u> | <u>\$ 21,721</u> | <u>\$ 8,657</u> | <u>\$ (14,789)</u> | <u>\$ 566</u> |
| Debt Service as a Percentage of Noncapital Expenditures | 8.20% | 8.29% | 8.49% | 8.42% | 8.77% | 8.45% | 6.37% | 5.54% | 2.60% | 3.32% |

TOWN OF WATERFORD, CONNECTICUT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(In Thousands)

TABLE 5

| Fiscal Year Ended June 30 | Grand List Year October 1 | Real Estate | | | | | Motor Vehicles | Less: Exemptions | Total Taxable Assessed Value | Total Direct Tax Rate (Mill Rate) | Estimated Actual Taxable Value |
|---------------------------|---------------------------|--------------|------------|------------|-------------------|------------|----------------|------------------|------------------------------|-----------------------------------|--------------------------------|
| | | Residential | Commercial | Industrial | Personal Property | | | | | | |
| 2020 | 2018 | \$ 1,490,621 | \$ 820,308 | \$ 333,682 | \$ 843,989 | \$ 156,473 | \$ 344,559 | \$ 3,300,514 | 27.98 | \$ | 4,715,019 |
| 2019 | 2017 | 1,487,852 | 818,493 | 333,099 | 834,617 | 155,805 | 339,574 | 3,290,292 | 27.42 | | 4,700,417 |
| 2018 | 2016 | 1,469,387 | 410,093 | 734,321 | 814,973 | 152,334 | 342,048 | 3,239,060 | 27.03 | | 4,627,229 |
| 2017 | 2015 | 1,463,583 | 399,505 | 734,321 | 791,659 | 150,220 | 345,424 | 3,193,864 | 26.78 | | 4,562,663 |
| 2016 | 2014 | 1,460,280 | 404,196 | 734,321 | 760,024 | 149,335 | 349,274 | 3,158,882 | 25.83 | | 4,512,689 |
| 2015 | 2013 | 1,447,859 | 402,598 | 738,064 | 803,517 | 149,082 | 343,699 | 3,197,421 | 24.80 | | 4,567,744 |
| 2014 | 2012 | 1,447,758 | 430,568 | 799,766 | 789,947 | 146,841 | 441,933 | 3,172,947 | 24.08 | | 4,532,781 |
| 2013 | 2011 | 1,894,137 | 433,114 | 781,274 | 799,238 | 148,736 | 343,864 | 3,712,635 | 19.77 | | 5,303,764 |
| 2012 | 2010 | 1,894,682 | 424,348 | 784,968 | 799,628 | 142,437 | 346,231 | 3,699,832 | 18.79 | | 5,285,474 |
| 2011 | 2009 | 1,889,773 | 427,550 | 777,795 | 782,269 | 137,739 | 346,740 | 3,668,386 | 18.04 | | 5,240,551 |

Source: Assessor's Office - Town of Waterford

Notes: (1) Revaluation October 1, 2012

**TOWN OF WATERFORD, CONNECTICUT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO**
(In Thousands)

TABLE 6

| Business Name | Nature of Business | 2018 GL | | | 2009 GL | | |
|------------------------------------|-----------------------|------------------------|------|--|---------------------------|------|--|
| | | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| | | | | | | | |
| Dominion Nuclear Connecticut | Nuclear Power | \$ 1,115,641 | 1 | 33.80% | \$ 1,056,996 | 1 | 28.81% |
| CL&P/Yankee Gas | Utility | 88,817 | 2 | 2.69% | | | 0.00% |
| Crystal Mall | Shopping Center | 30,690 | 3 | 0.93% | 72,795 | 2 | 1.98% |
| Centro GA | Shopping Center | 29,145 | 4 | 0.88% | 30,951 | 5 | 0.84% |
| Mass Municipal | Business Corp | 25,636 | 5 | 0.78% | 11,850 | 8 | 0.32% |
| Chase Crossroads & Waterford Plaza | Shopping Center | 13,977 | 6 | 0.42% | 27,062 | 6 | 0.74% |
| Charter Oak Federal Credit Union | Banking Headquarters | 13,436 | 7 | 0.41% | | | 0.00% |
| Walmart | Shopping Center | 12,284 | 8 | 0.37% | 17,067 | 7 | 0.47% |
| Sonalysts Inc. | Government Contractor | 12,184 | 9 | 0.37% | 11,458 | 10 | 0.31% |
| VTR Northeast Holdings LLC | Healthcare | 11,816 | 10 | 0.36% | | | 0.00% |
| Total | | \$ 1,353,624,793 | | 41.01% | \$ 1,228,179 | | 33.48% |

Source: Town of Waterford, Office of Tax Assessor

**TOWN OF WATERFORD, CONNECTICUT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(In Thousands)**

TABLE 7

| Fiscal Year Ended June 30 | Tax Rate in Mills | Taxes Levied for the Fiscal Year | Tax Levy Adjustment | Adjusted Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Total Collections to Date | | |
|------------------------------|----------------------|--|------------------------|--|---|------------|--|--------|------------|
| | | | | | Amount | Percentage | Collections in Subsequent Years | Amount | Percentage |
| | | | | | | | | | |
| 2020 | 27.98 | \$ 92,085 | \$ (573) | 91,512 | \$ 91,644 | 99.43% | \$ | 91,644 | 99.52% |
| 2019 | 27.42 | 90,489 | (188) | 90,301 | 89,774 | 99.21% | 477 | 90,251 | 99.74% |
| 2018 | 27.03 | 87,763 | (219) | 87,544 | 86,952 | 99.08% | 327 | 87,279 | 99.45% |
| 2017 | 26.78 | 85,757 | (185) | 85,572 | 85,025 | 99.15% | 474 | 85,499 | 99.70% |
| 2016 | 25.83 | 81,681 | (126) | 81,555 | 80,913 | 99.06% | 319 | 81,232 | 99.60% |
| 2015 | 24.80 | 79,312 | (367) | 78,945 | 78,331 | 98.76% | 293 | 78,624 | 99.59% |
| 2014 | 24.08 | 76,344 | (448) | 75,896 | 75,511 | 98.91% | 181 | 75,692 | 99.73% |
| 2013 | 19.77 | 73,354 | (150) | 73,204 | 72,501 | 98.84% | 562 | 73,063 | 99.81% |
| 2012 | 18.79 | 69,485 | (263) | 69,222 | 68,573 | 98.69% | 537 | 69,110 | 99.84% |
| 2011 | 18.04 | 66,093 | (335) | 65,758 | 65,359 | 98.89% | 341 | 65,700 | 99.91% |

Source: Tax Collector's Report; Comprehensive Annual Financial Report

TABLE 8

**TOWN OF WATERFORD, CONNECTICUT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(In Thousands)**

| Fiscal Year | General Obligation Bonds | | Capital Leases | | Utility Commission | | Total Primary Government | | Ratio of Debt to Per Capita Income | | Ratio of Debt to Taxable Assessed Value | | Debt per Capita |
|-------------|--------------------------------|--------|----------------|----|-----------------------|----|-----------------------------|--|--|--|--|----|--------------------|
| | | | | | | | | | | | | | |
| 2020 | \$ | 73,030 | \$ | \$ | | \$ | 73,030 | | 8.81% | | 2.21% | \$ | 3,742 |
| 2019 | | 69,465 | | | | | 69,465 | | 8.70% | | 2.10% | | 3,655 |
| 2018 | | 74,485 | | | | | 74,485 | | 9.32% | | 2.30% | | 3,919 |
| 2017 | | 79,465 | | | | | 79,465 | | 9.95% | | 2.49% | | 4,181 |
| 2016 | | 85,715 | | | | | 85,715 | | 10.68% | | 2.71% | | 4,487 |
| 2015 | | 90,145 | | | | | 90,145 | | 11.12% | | 2.82% | | 4,675 |
| 2014 | | 94,885 | | | | | 94,885 | | 11.62% | | 2.99% | | 4,884 |
| 2013 | | 91,625 | | | | | 91,625 | | 12.00% | | 2.47% | | 4,698 |
| 2012 | | 83,640 | | | | | 83,640 | | 10.94% | | 2.26% | | 4,282 |
| 2011 | | 64,465 | | | | | 64,465 | | 8.52% | | 1.76% | | 3,314 |

Notes:

- (1) Details regarding the Town's outstanding debt can be found in the notes to the financial statements.
 (2) General obligation bonds includes bond anticipation notes permanently financed following year end.

TABLE 9

TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2020
(In Thousands)

| | | | | | | | |
|---|------------------------|-------------------|-------------------|----------------------|------------------------|----|----------------------|
| Total Tax Collections for Fiscal Year Ended June 30, 2019, Including Interest and Lien Fees | | | | | | \$ | 90,967 |
| Reimbursement for revenue loss on: | | | | | | | |
| State owned and private tax exempt properties | | | | | | | 253 |
| Property tax relief | | | | | | | <u>10</u> |
| Base | | | | | | \$ | <u><u>91,230</u></u> |
| | General Purpose | Schools | Sewers | Urban Renewal | Pension Deficit | | Total |
| Debt Limitation: | | | | | | | |
| 2-1/4 times base | \$ 205,268 | \$ | \$ | \$ | \$ | \$ | |
| 4-1/2 times base | | 410,535 | | | | | |
| 3-3/4 times base | | | 342,113 | | | | |
| 3-1/4 times base | | | | 296,498 | | | |
| 3 times base | | | | | 273,690 | | |
| 7 times base | | | | | | | 638,610 |
| Total debt limitation | <u>205,268</u> | <u>410,535</u> | <u>342,113</u> | <u>296,498</u> | <u>273,690</u> | | <u>638,610</u> |
| Indebtedness: | | | | | | | |
| Bonds payable | | 63,030 | | | | | |
| Bond anticipation notes | 10,000 | | | | | | |
| Authorized and unissued | <u>5,000</u> | <u>8,376</u> | | | | | |
| Total indebtedness | <u>15,000</u> | <u>71,406</u> | <u>-</u> | <u>-</u> | <u>-</u> | | <u>-</u> |
| Debt Limitation in Excess of Outstanding and Authorized Debt | <u>\$ 190,268</u> | <u>\$ 339,129</u> | <u>\$ 342,113</u> | <u>\$ 296,498</u> | <u>\$ 273,690</u> | | <u>\$ 638,610</u> |

Note 1: In no event shall total debt exceed seven times annual receipts from taxation. The maximum amount permitted would be \$639 million.

Note 2: Bonds authorized and unissued represent bond authorizations for which bonds have been issued to partially finance the project or interim financing has been issued.

Note 3: Bond anticipation notes above consists of notes for which long-term debt was issued to replace subsequent to June 30, 2020.

**TOWN OF WATERFORD, CONNECTICUT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(In Thousands)**

TABLE 10

| | FISCAL YEAR | | | | | | | | | |
|------------------------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Debt limit | \$ 638,610 | \$ 614,811 | \$ 603,200 | \$ 603,192 | \$ 572,307 | \$ 552,363 | \$ 534,504 | \$ 513,141 | \$ 482,944 | \$ 461,286 |
| Total net debt applicable to limit | 73,030 | 69,465 | 74,485 | 87,841 | 134,033 | 138,463 | 137,207 | 139,957 | 144,615 | 147,294 |
| Legal Debt Margin | \$ 565,580 | \$ 545,346 | \$ 528,715 | \$ 515,351 | \$ 438,274 | \$ 413,900 | \$ 397,297 | \$ 373,184 | \$ 338,329 | \$ 313,992 |

Total net debt applicable to the limit as a percentage of debt limit

(1) In no event shall total debt exceed seven times annual receipts from taxation.

Source: Comprehensive Annual Financial Report - Statement of Debt Limitation

Note: See Schedule of Debt Limitation on prior page for calculation of current year debt limitation

**TOWN OF WATERFORD, CONNECTICUT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

TABLE 11

| Fiscal Year | Population (1, 6) | Per Capita | | Total Personal Income (5) | Median Age (2,6) | School Enrollment (3) | Unemployment Rate (4) |
|-------------|-------------------|--------------------------|------------|------------------------------|------------------|--------------------------|--------------------------|
| | | Personal Income (1,6) | Income (5) | | | | |
| 2020 | 18,746 | \$ | 43,125 | \$ | 46 | 2,469 | 10.6% |
| 2019 | 19,007 | | 42,028 | - | 49 | 2,518 | 3.7% |
| 2018 | 19,007 | | 42,028 | - | 48 | 2,653 | 2.8% |
| 2017 | 19,007 | | 42,028 | - | 48 | 2,776 | 3.7% |
| 2016 | 19,427 | | 39,498 | - | 47 | 2,749 | 4.8% |
| 2015 | 19,427 | | 39,498 | - | 46 | 2,764 | 5.4% |
| 2014 | 19,508 | | 39,042 | - | 47 | 2,799 | 6.0% |
| 2013 | 19,517 | | 38,245 | - | 46 | 2,895 | 7.6% |
| 2012 | 19,517 | | 37,690 | - | 45 | 2,967 | 8.0% |
| 2011 | 19,517 | | 36,626 | - | 45 | 3,021 | 8.2% |
| 2010 | 18,897 | | 26,807 | - | 45 | 3,010 | 8.0% |

**TOWN OF WATERFORD, CONNECTICUT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

TABLE 12

| Business Name | Nature of Business | 2020 | | | 2011 | | |
|------------------------------|-----------------------|-----------|------|---|-----------|------|---|
| | | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Dominion Nuclear Connecticut | Nuclear Power | 1,650 | 1 | 18.15% | 1,650 | 1 | 16.61% |
| Town of Waterford | Municipality | 692 | 2 | 7.61% | 645 | 2 | 6.29% |
| Wal Mart Stores, Inc | Retail | 497 | 3 | 5.47% | 497 | 4 | 5.00% |
| Sonalysts Inc. | Government Contractor | 275 | 4 | 3.02% | 275 | 5 | 2.77% |
| Home Depot | Hardware & Lumber | 200 | 5 | 2.20% | 186 | 7 | 1.87% |
| Lowe's Home Improvement | Hardware & Lumber | 160 | 6 | 1.76% | 182 | 8 | 1.83% |
| Bayview Healthcare Center | Healthcare Facility | 150 | 7 | 1.65% | 225 | 6 | 2.26% |
| BJ's Wholesale | Retail Store | 140 | 8 | 1.54% | | | |
| Coca Cola Bottling | Distributor | 106 | 9 | 1.17% | | | |
| Waterford Hotel Group | Hospitality | 30 | 10 | 0.33% | 531 | 3 | 5.35% |
| Total | | 3,900 | | 42.90% | 4,191 | | 41.98% |

Source: Employment Data - Official Statement July 2019

TOWN OF WATERFORD, CONNECTICUT
 FULL-TIME EQUIVALENT GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

TABLE 13

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|----------------------|------|------|------|------|------|------|------|------|------|------|
| General government | | | | | | | | | | |
| Police | 94 | 92 | 92 | 92 | 92 | 92 | 92 | 93 | 93 | 95 |
| Fire | 55 | 54 | 54 | 54 | 54 | 54 | 54 | 56 | 56 | 56 |
| Refuse collection | 15 | 15 | 15 | 15 | 15 | 20 | 15 | 15 | 15 | 15 |
| Other public works | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 | 5 |
| Recreation and parks | 27 | 24 | 24 | 24 | 24 | 24 | 28 | 28 | 28 | 32 |
| Library | 11 | 10 | 10 | 10 | 10 | 10 | 13 | 13 | 13 | 14 |
| Education | 21 | 24 | 24 | 24 | 24 | 24 | 23 | 23 | 23 | 24 |
| | 463 | 463 | 461 | 456 | 455 | 455 | 455 | 440 | 440 | 466 |
| Total | 692 | 688 | 686 | 681 | 680 | 685 | 685 | 673 | 673 | 707 |

Source: Town and Board of Education Human Resources Departments

TOWN OF WATERFORD, CONNECTICUT
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

TABLE 14

| Function/Program | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|---------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| General Government | | | | | | | | | | |
| Building permits issued | 30 | 28 | 31 | 24 | 15 | 15 | 19 | 22 | 17 | 13 |
| Building inspections conducted | 330 | 475 | 490 | 312 | 195 | 282 | 408 | 460 | 223 | 179 |
| Police | | | | | | | | | | |
| Physical arrests | 818 | 1,062 | 1,170 | 1,128 | 1,914 | 1,955 | 2,104 | 1,718 | 1,283 | 1,861 |
| Parking violations | 69 | 146 | 147 | 162 | 176 | 38 | 57 | 58 | 54 | 120 |
| Traffic violations | 4,102 | 6,344 | 5,162 | 3,509 | 4,066 | 3,691 | 4,937 | 5,046 | 4,431 | 4,371 |
| Fire | | | | | | | | | | |
| Emergency responses | 2,900 | 3,930 | 4,167 | 3,860 | 3,896 | 3,668 | 3,624 | 3,823 | 3,297 | 3,520 |
| Fires extinguished | 81 | 47 | 60 | 62 | 82 | 60 | 68 | 61 | 53 | 62 |
| Inspections | 185 | 272 | 323 | 311 | 425 | 488 | 539 | 558 | 648 | 593 |
| Refuse Collection | | | | | | | | | | |
| Refuse collected (tons per day) | 29 | 28 | 28 | 25 | 48 | 27 | 42 | 45 | 44 | 44 |
| Recycleables collected (tons per day) | 8 | 15 | 17 | 17 | 17 | 13 | 9 | 9 | 9 | 7 |
| Other Public Works | | | | | | | | | | |
| Street resurfacing (miles) | 2 | 3 | 2 | 2 | 3 | 4 | 3 | 5 | 8 | 4 |
| Potholes repaired | 267 | 453 | 534 | 372 | 510 | 989 | 747 | 422 | 400 | 425 |
| Recreation and Parks | | | | | | | | | | |
| Athletic field permits issued | 1,026 | 2,091 | 2,003 | 2,076 | 2,060 | 2,832 | 2,855 | 2,009 | 2,087 | 1,994 |
| Community center admissions (1) | 19,524 | 61,784 | 61,000 | 61,218 | 62,240 | 61,689 | 61,630 | 61,742 | 62,439 | 53,085 |
| Number of program registrations | 3,229 | 6,146 | 7,247 | 6,973 | 7,531 | 5,812 | 5,381 | 6,596 | 6,742 | 5,171 |
| Program fees | 63,933 | 212,071 | 203,612 | 201,084 | 201,885 | 190,780 | 190,485 | 205,803 | 159,623 | 139,427 |
| Senior Services | | | | | | | | | | |
| Number of program participants | 24,181 | 47,159 | 47,060 | 45,751 | 43,931 | 45,432 | 44,856 | 45,173 | 46,302 | 48,536 |
| Program revenue | 26,771 | 34,138 | 32,040 | 29,135 | 31,074 | 27,988 | 29,911 | 33,573 | 31,653 | 27,341 |
| Library | | | | | | | | | | |
| Volumes in collection | 78,250 | 81,782 | 84,904 | 80,254 | 83,023 | 81,283 | 83,076 | 82,460 | 86,105 | 85,430 |
| Total volumes borrowed | 151,739 | 193,542 | 200,769 | 209,508 | 218,010 | 232,796 | 242,724 | 236,607 | 231,572 | 234,774 |
| *closed 3/14-6/16/20 (COVID-19) | | | | | | | | | | |
| Water | | | | | | | | | | |
| New connections | 25 | 25 | 28 | 22 | 7 | 7 | 8 | 17 | 16 | 27 |
| Water main breaks | 11 | 11 | 13 | 7 | 6 | 7 | 9 | 4 | 8 | 10 |
| Average daily consumption (MGD) | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 | 2.6 | 2.7 |
| Peak daily consumption (MGD) | 4.7 | 4.7 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.5 | 4.6 |

Source: Directors at each department

TOWN OF WATERFORD, CONNECTICUT
CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

TABLE 15

| Function/Program | FISCAL YEAR | | | | | | | | | |
|-------------------------------------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| <i>Police</i> | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Zone offices | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 28 | 28 | 26 | 26 | 20 | 20 | 20 | 20 | 20 | 20 |
| <i>Fire</i> | | | | | | | | | | |
| Stations | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| <i>Refuse Collection</i> | | | | | | | | | | |
| Collection trucks | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| <i>Other Public Works</i> | | | | | | | | | | |
| Streets (miles) | 121 | 121 | 121 | 121 | 121 | 121 | 121 | 121 | 121 | 121 |
| Storm drain (miles) | 61 | 61 | 61 | 61 | 61 | 61 | 61 | 61 | 61 | 61 |
| <i>Recreation and Parks</i> | | | | | | | | | | |
| Acreage | 550 | 550 | 550 | 550 | 550 | 550 | 550 | 550 | 550 | 550 |
| Playgrounds | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 4 |
| Baseball/softball diamonds | 15 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Soccer/football fields | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Community centers | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| <i>Water</i> | | | | | | | | | | |
| Water main (miles)* | 111 | 111 | 111 | 111 | 111 | 110 | 110 | 109 | 109 | 109 |
| Fire hydrants | 1,134 | 1,134 | 1,134 | 1,134 | 1,134 | 1,133 | 1,133 | 1,128 | 1,128 | 1,128 |
| Storage capacity (000's of gallons) | 5,800 | 5,800 | 5,800 | 5,800 | 5,800 | 5,800 | 5,800 | 5,800 | 5,800 | 5,800 |
| <i>Wastewater</i> | | | | | | | | | | |
| Sanitary sewers (miles)** | 149.15 | 148.01 | 148.01 | 148.01 | 148.01 | 148.01 | 148.01 | 146.10 | 146.10 | 146.10 |
| Pump stations | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 27 | 27 | 27 |

Source: Directors at each department

* Does not include service connections

** Includes lateral sewer service connections

