

TOWN OF MARLBOROUGH, CONNECTICUT

FINANCIAL STATEMENTS

JUNE 30, 2017

TOWN OF MARLBOROUGH, CONNECTICUT
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Independent Auditors' Report

To the Board of Finance
Town of Marlborough, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Marlborough, Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Marlborough, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Marlborough, Connecticut, as of June 30, 2017 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the budgetary comparison information on pages 39 through 42 and the pension schedule on page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Town of Marlborough, Connecticut, as of and for the year ended June 30, 2016 (not presented herein), and have issued our report thereon dated December 23, 2016, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2016 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2016 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2016 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 on our consideration of the Town of Marlborough, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the Town of Marlborough, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Marlborough, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 7, 2017

**TOWN OF MARLBOROUGH, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

This discussion and analysis of the Town of Marlborough, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to V.

Financial Highlights

- Net position of our governmental activities increased by \$2,872,987.
- During the year, the Town had expenses that were \$2,872,987 less than the \$27.4 million generated in tax and other revenues for governmental programs.
- The total cost of all of the Town's programs was \$24.5 million with no new programs added this year, compared to \$23.7 million last year.
- The General Fund reported a fund balance at June 30, 2017 of \$3.1 million, .6 million more than last year. An appropriation of fund balance of \$148,523 was included in the adopted budget for the year.
- Total revenues available for appropriation were \$170,697 more than budgeted revenues, not including the \$148,523 appropriation of fund balance which was not used. Expenditures were \$492,937 lower than budgeted.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

Fund Financial Statements

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

Governmental Funds (Exhibits III and IV)

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

Fiduciary Funds (Exhibit V)

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

Government-Wide Financial Analysis

The Town's net position increased by \$2,872,987 from June 30, 2016. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

**Table 1
NET POSITION**

	Governmental Activities	
	2017	2016
Current assets	\$ 10,218,688	\$ 9,404,737
Capital assets, net of accumulated depreciation	47,894,713	46,194,103
Total assets	<u>58,113,401</u>	<u>55,598,840</u>
Deferred outflows of resources	<u>103,495</u>	<u>123,208</u>
Long-term liabilities outstanding	13,399,644	14,894,819
Other liabilities	<u>2,723,964</u>	<u>1,606,928</u>
Total liabilities	<u>16,123,608</u>	<u>16,501,747</u>
Net Position:		
Net investment in capital assets	35,878,330	32,421,773
Unrestricted	<u>6,214,958</u>	<u>6,798,528</u>
Total Net Position	<u>\$ 42,093,288</u>	<u>\$ 39,220,301</u>

Net position of the Town's governmental activities increased by \$2,872,987 (\$42,093,288 compared to \$39,220,301). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased from \$6,798,528 at June 30, 2016 to \$6,214,958 at the end of this year.

Table 2
CHANGE IN NET POSITION

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 870,617	\$ 1,842,246
Operating grants and contributions	5,650,633	4,468,428
Capital grants and contributions	681,859	596,680
General revenues:		
Property taxes	19,909,664	19,144,230
Grants and contributions not restricted to specific purposes	179,346	54,048
Unrestricted investment earnings	22,274	17,704
Other general revenues	46,531	67,041
Total revenues	27,360,924	26,190,377
 Program expenses:		
General government	2,018,321	2,025,193
Public safety	563,406	736,423
Public works	2,187,636	2,011,930
Parks and recreation	226,235	177,011
Health and welfare	201,638	207,357
Sewer operations	246,670	152,678
Library	332,092	328,031
Education	18,411,040	17,688,377
Interest on long-term debt	300,899	347,463
Total program expenses	24,487,937	23,674,463
 Increase in Net Position	\$ 2,872,987	\$ 2,515,914

The Town's total revenues (excluding special items) were \$27.4 million. The total cost of all programs and services was \$24.5 million. Our analysis below considers the operations of governmental activities.

Governmental Activities

Overall, net position increased \$2,872,987. This increase is attributable to an increase in operating and capital grants and contributions and property taxes. Overall, expenses increased by 3.4%. Property tax revenues increased by 4% for 2017 compared to an increase of 5% for 2016 partially due to an increase in the allocation of the regional school district levy.

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

**Table 3
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
General government	\$ 2,018,321	\$ 2,025,193	\$ 1,067,973	\$ 1,745,071
Public safety	563,406	736,423	556,067	725,066
Public works	2,187,636	2,011,930	1,907,393	1,379,794
Parks and recreation	226,235	177,011	126,253	53,591
Health and welfare	201,638	207,357	179,655	147,976
Sewer operations	246,670	152,678	(490,061)	(1,096,290)
Education	18,411,040	17,688,377	13,304,557	13,136,407
All others	632,991	675,494	632,991	675,494
Total	\$ 24,487,937	\$ 23,674,463	\$ 17,284,828	\$ 16,767,109

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 \$3.1 million, the same as June 30, 2016.

General Fund Budgetary Highlights

On a budgetary basis (see Schedules RSI-1 and RSI-2) total revenue was more than the approved Town budget by \$170,697. The appropriation from fund balance of \$148,523 was not used. Most revenue categories were favorable versus budget including property taxes which exceeded the budget by \$351,975. Investment income was \$16,064 above budget due to an investment account with a favorable guaranteed interest rate. Transfers from other funds were more than budgeted by \$32,244 due to transfers from the Sewer Benefit Assessment Fund. Local revenues, including fees and non-property taxes, also exceeded the budget by \$68,683. State revenues were less than budgeted by \$149,746.

Overall, expenditures were less than budget by \$492,937. Expenditures for most departments and functional areas were less than budget with the largest favorable variances as follows: general government including contingency (\$269,074), public safety (\$130,029) and public works (\$80,757).

Capital Asset and Debt Administration

Capital Assets

At June 30, 2017, the Town had \$47.9 million invested in a broad range of capital assets, including land, buildings, municipal sewer system, municipal water system, park facilities, vehicles and equipment, roads and storm drains (see Table 4). The most significant changes were road improvements, municipal water system and phase III of the sewer project. Approximately \$3.5 million was expended during 2017 on building improvements, vehicles and equipment, and infrastructure projects.

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

	Governmental Activities	
	2017	2016
Land	\$ 2,936	\$ 2,936
Buildings and improvements	10,418	11,036
Equipment	2,305	2,418
Infrastructure	28,518	28,377
Construction in progress	3,718	1,427
Total	\$ 47,895	\$ 46,194

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

Long-Term Debt

At June 30, 2017, the Town had \$11,663,328 in bonds outstanding versus \$13,226,879 at the end of the prior year, a decrease of \$1,563,551.

The Town has overlapping debt of \$4.5 million with the Regional School District #8, of which it is a member.

The Town's general obligation bonds currently have an AA2 rating, that was assigned by a national rating agency in 2011. The State limits the amount of general obligation debt that cities can issue based on a formula determined under State statutes based on the type of debt and tax base. The Town's outstanding general obligation debt is significantly below this \$134.1 million state imposed limit.

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

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year budget tax rates. For fiscal year ended June 30, 2017, the mill rate was set at 34.15. For fiscal year ending June 30, 2018, the rate was set at 35.46, representing a 3.85% increase. Between July 2016 and June 2017, the State of Connecticut's unemployment rate decreased from 5.1% to 5.0%. Hartford County (which includes Marlborough) also decreased from 6.0% to 5.3%. These decreases are in line with the national average of 4.4%, which was .5% lower than last year. The U.S. Consumer Price Index (CPI) for the 12-month period ended June 30, 2017 was 1.6%, compared to 1% for the same period last year.

These indicators were taken into account when adopting the General Fund budget for 2016-2017. Amounts available for appropriation in the General Fund budget are \$23,737,067, representing an increase of 2.93% over the 2015-2016 budget of \$23,061,985. Property taxes and State ECS funding are expected to fund most of this increase while interest income on investments is expected to remain low due to the interest rate environment.

Given the level revenue outlook and declining employment trends, budgeted expenses were purposely constrained in the FY17 budget. No new programs or major initiatives were added to the FY17 budget.

The Town appropriated \$862,326 for capital projects and equipment purchases which is included in the FY17 budget. The unassigned balance totaled \$2,671,444 at June 30, 2017, which represents 11.25% of the FY17 operating budget of \$23,737,067.

Contacting the Town's Financial Management

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

**TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 5,735,726
Receivables, net	4,479,058
Inventory	3,904
Deferred charges	
Capital assets - nondepreciable:	
Land	2,936,589
Construction in progress	3,718,296
Capital assets - depreciable, net of accumulated depreciation:	
Building	10,418,017
Furniture and equipment	2,304,712
Infrastructure	28,517,099
Total assets	<u>58,113,401</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	<u>103,495</u>
Liabilities:	
Accounts and other payables	510,292
Unearned revenue	46,643
Notes payable	2,167,029
Noncurrent liabilities:	
Due within one year	1,799,498
Due in more than one year	11,600,146
Total liabilities	<u>16,123,608</u>
Net Position:	
Net investment in capital assets	35,878,330
Unrestricted	<u>6,214,958</u>
Total Net Position	\$ <u>42,093,288</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
				Governmental Activities
Governmental activities:				
General government	\$ 2,018,321	\$ 254,141	\$ 696,207	\$ (1,067,973)
Public safety	563,406	4,342	2,997	(556,067)
Public works	2,187,636	30,812		(1,907,393)
Parks and recreation	226,235	99,982		(126,253)
Health and welfare	201,638		21,983	(179,655)
Sewer operations	246,670	304,303		490,061
Library	332,092			(332,092)
Education	18,411,040	177,037	4,929,446	(13,304,557)
Interest on long-term debt	300,899			(300,899)
Total	\$ 24,487,937	\$ 870,617	\$ 5,650,633	\$ 681,859
General revenues:				
Property taxes				19,909,664
Grants and contributions not restricted to specific programs				179,346
Unrestricted investment earnings				22,274
Miscellaneous				46,531
Total general revenues				<u>20,157,815</u>
Change in net position				2,872,987
Net Position at Beginning of Year				<u>39,220,301</u>
Net Position at End of Year				<u>\$ 42,093,288</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

	<u>General</u>	<u>CNR</u>	<u>MWPCA Benefit Assessment</u>	<u>Sewer</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 2,958,013	\$ 1,234,653	\$ 591,859	\$ 2,619	\$ 948,582	\$ 5,735,726
Receivables, net	244,246		3,735,450	7,236	492,126	4,479,058
Due from other funds	345,062				39,050	384,112
Inventory					3,904	3,904
Total Assets	<u>\$ 3,547,321</u>	<u>\$ 1,234,653</u>	<u>\$ 4,327,309</u>	<u>\$ 9,855</u>	<u>\$ 1,483,662</u>	<u>\$ 10,602,800</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 186,259	\$ 65,768		\$ 182,649	\$ 49,787	\$ 484,463
Due to other funds	16,500		297,249	22,561	47,802	384,112
Unearned revenue					46,643	46,643
Notes payable				2,167,029		2,167,029
Total liabilities	<u>202,759</u>	<u>65,768</u>	<u>297,249</u>	<u>2,372,239</u>	<u>144,232</u>	<u>3,082,247</u>
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	216,397					216,397
Unavailable revenue - special assessments			3,735,450		15,056	3,750,506
Unavailable revenue - CDBG loans receivable					415,364	415,364
Total deferred inflows of resources	<u>216,397</u>	<u>-</u>	<u>3,735,450</u>	<u>-</u>	<u>430,420</u>	<u>4,382,267</u>
Fund balances:						
Nonspendable					3,904	3,904
Restricted		286,193	294,610		405,989	986,792
Committed		882,692			499,117	1,381,809
Assigned	456,721					456,721
Unassigned	2,671,444			(2,362,384)		309,060
Total fund balances	<u>3,128,165</u>	<u>1,168,885</u>	<u>294,610</u>	<u>(2,362,384)</u>	<u>909,010</u>	<u>3,138,286</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,547,321</u>	<u>\$ 1,234,653</u>	<u>\$ 4,327,309</u>	<u>\$ 9,855</u>	<u>\$ 1,483,662</u>	<u>\$ 10,602,800</u>

(Continued on next page)

TOWN OF MARLBOROUGH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017

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

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

Fund balances - total governmental funds (Exhibit III)	\$ 3,138,286
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 77,301,117	
Less accumulated depreciation	<u>29,406,404</u>	
Net capital assets		47,894,713

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

Property tax receivables greater than 60 days	153,203
Interest receivable on property taxes	63,194
Assessments receivable	3,735,450
Sewer operations receivable	15,056
Housing loans	415,364

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

Bonds and notes payable	(11,663,328)
Interest payable on bonds and notes	(25,829)
Capital lease	(211,611)
Compensated absences	(561,766)
Net OPEB obligation	(718,000)
Bond premiums	(244,939)
Deferred charge on refunding	<u>103,495</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 42,093,288</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>CNR</u>	<u>MWPCA Benefit Assessment</u>	<u>Sewer</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 19,932,875	\$	\$	\$ 432,428	\$ 1,139,566	\$ 19,932,875
Intergovernmental	4,934,044				586,395	6,506,038
Charges for services	223,337		340,299			1,150,031
Income on investments	22,264	3			7	22,274
Miscellaneous	25,532	51,024			26,036	102,592
Total revenues	<u>25,138,052</u>	<u>51,027</u>	<u>340,299</u>	<u>432,428</u>	<u>1,752,004</u>	<u>27,713,810</u>
Expenditures:						
Current:						
General government	1,898,603				69,614	1,968,217
Public safety	433,252					433,252
Public works	1,421,946				93,570	1,515,516
Health and welfare	178,279				20,889	199,168
Parks and recreation	105,594				98,831	204,425
Sewer operations					246,670	246,670
Education	17,378,574				282,342	17,660,916
Library	332,092					332,092
Debt service	2,005,320					2,005,320
Capital outlay	173,089	491,394		1,903,361	706,593	3,274,437
Total expenditures	<u>23,926,749</u>	<u>491,394</u>	<u>-</u>	<u>1,903,361</u>	<u>1,518,509</u>	<u>27,840,013</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,211,303</u>	<u>(440,367)</u>	<u>340,299</u>	<u>(1,470,933)</u>	<u>233,495</u>	<u>(126,203)</u>
Other Financing Sources (Uses):						
Transfers in	343,142	1,092,326			23,715	1,459,183
Transfers out	(1,116,041)		(297,244)		(45,898)	(1,459,183)
Capital lease issuance	173,089					173,089
Total other financing sources (uses)	<u>(599,810)</u>	<u>1,092,326</u>	<u>(297,244)</u>	<u>-</u>	<u>(22,183)</u>	<u>173,089</u>
Net Change in Fund Balances	611,493	651,959	43,055	(1,470,933)	211,312	46,886
Fund Balances at Beginning of Year	<u>2,516,672</u>	<u>516,926</u>	<u>251,555</u>	<u>(891,451)</u>	<u>697,698</u>	<u>3,091,400</u>
Fund Balances at End of Year	<u>\$ 3,128,165</u>	<u>\$ 1,168,885</u>	<u>\$ 294,610</u>	<u>\$ (2,362,384)</u>	<u>\$ 909,010</u>	<u>\$ 3,138,286</u>

(Continued on next page)

**TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

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)	\$ 46,886
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay - including amounts classified in other expenditure categories	3,499,197
Depreciation expense	(1,740,881)

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely governmental funds do not report any gain or loss on a trade-in of capital assets.	(57,706)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Small Cities loan receivable - accrual basis change	(2,470)
Property tax receivable - accrual basis change	(18,153)
Property tax interest and lien revenue - accrual basis change	(5,058)
Sewer assessment and sewer receivable - accrual basis change	(329,675)

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

Bond and note principal payments	1,563,551
Capital lease payments	108,107
Capital lease issuance	(173,089)

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	(17,485)
Accrued interest	5,385
Net OPEB expense	(33,000)
Amortization of deferred charge on refunding	(19,713)
Amortization of bond premiums	47,091

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 2,872,987</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>97,467</u>
Liabilities:	
Deposits held for others	\$ <u>97,467</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

The legislative powers of the Town are vested in the combination of the Town Meeting and the Board of Selectmen.

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. As a general rule, the effect of interfund activity has been eliminated from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

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

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

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

The Sewer Fund accounts for all of the financial resources required for sewer maintenance within the town. The major source of revenue for this fund is clean water funding from the State of Connecticut.

Additionally, the Town reports the following fund type:

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

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

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

D. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments are reported at fair value.

E. Receivables and Payables

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

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

Supplemental motor vehicle taxes are due and payable in one installment on January 1. Assessments for real property are computed at 70% of the market value, as of the date of the latest revaluation. Assessments for motor vehicles are computed at 70% of the current market value as provided by the State of Connecticut Department of Motor Vehicles. Liens are filed on real property that have unpaid property taxes as of June 30. Delinquent taxes are charged interest of 18% per year (1.5% per month). An amount of \$49,390 has been established as an allowance for uncollectible taxes. At June 30, 2017, this represents 21.25% of all property taxes receivable.

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

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

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

G. 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 in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. 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 several sources: property taxes, special assessments and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period that the amounts become available.

H. Compensated Absences

Employees are paid by prescribed formula for absence due to vacation or sickness. The liability for accumulated vacation and sick pay earned and not paid as of June 30, 2017 is reflected in the accompanying government-wide financial statements.

I. Long-Term Obligations

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

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

J. Fund Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

K. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

General Fund

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

The General Fund budget is prepared on a modified accrual basis of accounting, except for payroll which is reported on a cash basis and encumbrances which are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued. There were no additional appropriations approved during the year for the General Fund. Encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year. Additionally, the Town does not budget for revenue or expenditures associated with pension contributions made by the State of Connecticut on behalf of Marlborough teachers. The payment made by the State of Connecticut for the current year was \$1,558,410.

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

Deficit Fund Balance

For the year ended June 30, 2017, the Sewer Fund had a deficit fund balance of \$2,362,384. This deficit will be funded when the Clean Water Fund interim loans are permanently financed.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully

TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). These investment pools are under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

Deposits

Deposit Custodial Credit Risk

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$5,175,478 of the Town’s bank balance of \$6,141,501 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 4,602,361
Uninsured and collateralized held by pledging bank	<u>573,117</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 5,175,478</u>

Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk-based capital ratio.

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2017, the Town’s cash equivalents amounted to \$56,857. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	Standard & Poor’s	Amount
State Short-Term Investment Fund (STIF)	AAAm	\$ 56,857

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

4. RECEIVABLES

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

	<u>General</u>	<u>MWPCA Benefit Assessment</u>	<u>Sewer Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Loans - small cities	\$	\$	\$	\$ 415,364	\$ 415,364
Interest	63,194				63,194
Taxes	226,032				226,032
Accounts receivable	2,355		7,236	19,350	28,941
Sewer benefit assessments		3,735,450			3,735,450
Intergovernmental	2,055			57,412	59,467
Gross receivables	<u>293,636</u>	<u>3,735,450</u>	<u>7,236</u>	<u>492,126</u>	<u>4,528,448</u>
Less allowance for uncollectibles	<u>49,390</u>				<u>49,390</u>
Net Total Receivables	<u>\$ 244,246</u>	<u>\$ 3,735,450</u>	<u>\$ 7,236</u>	<u>\$ 492,126</u>	<u>\$ 4,479,058</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,936,589	\$	\$	\$	\$ 2,936,589
Construction in progress	<u>1,426,692</u>	<u>2,383,004</u>	<u>12,722</u>	<u>(78,678)</u>	<u>3,718,296</u>
Total capital assets not being depreciated	<u>4,363,281</u>	<u>2,383,004</u>	<u>12,722</u>	<u>(78,678)</u>	<u>6,654,885</u>
Capital assets being depreciated:					
Buildings	22,737,642	94,909			22,832,551
Furniture and equipment	6,037,721	188,928	118,387		6,108,262
Infrastructure	<u>40,953,577</u>	<u>832,356</u>	<u>159,192</u>	<u>78,678</u>	<u>41,705,419</u>
Total capital assets being depreciated	<u>69,728,940</u>	<u>1,116,193</u>	<u>277,579</u>	<u>78,678</u>	<u>70,646,232</u>
Less accumulated depreciation for:					
Buildings	11,702,085	712,449			12,414,534
Furniture and equipment	3,619,315	297,436	113,201		3,803,550
Infrastructure	<u>12,576,718</u>	<u>730,996</u>	<u>119,394</u>		<u>13,188,320</u>
Total accumulated depreciation	<u>27,898,118</u>	<u>1,740,881</u>	<u>232,595</u>	<u>-</u>	<u>29,406,404</u>
Total capital assets being depreciated, net	<u>41,830,822</u>	<u>(624,688)</u>	<u>44,984</u>	<u>78,678</u>	<u>41,239,828</u>
Governmental Activities Capital Assets, Net	<u>\$ 46,194,103</u>	<u>\$ 1,758,316</u>	<u>\$ 57,706</u>	<u>\$ -</u>	<u>\$ 47,894,713</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 36,002
Public safety	129,070
Public works	861,923
Parks and recreation	21,810
Education	<u>692,076</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>1,740,881</u></u>

6. CAPITAL PROJECTS

Following is a summary of significant project authorizations in the Capital and Nonrecurring Fund as of June 30, 2017:

Description	Project Authorization	Current Year Expenditures	Encumbrance	Cumulative Expenditures and Encumbrances	Balance June 30, 2017
Revaluation	\$ 45,664	\$	\$	\$	45,664
Road Reconstruction	415,794	129,601		129,601	286,193
Plan of Development	10,000				10,000
Open Space - Recreational Land	50,000				50,000
Town Hall Generator	55,500	46,814		47,923	7,577
Security Upgrades Town Facilities	25,000				25,000
Engineering-Fawn Brook Bridge	239,724	1,047		9,501	230,223
Design & Eng. Jones Hollow Bridge	289,957				289,957
Capital Design & Engineering	334,692	130,663	28,709	323,284	11,408
Police Vehicle	8,400				8,400
Energy Improvements Town Hall	13,000	8,000		8,000	5,000
UTV Fire Equipment	5,000	4,875		4,875	125
Sewer Upgrades Blish Park	15,486	13,586		13,586	1,900
South Main St Repaving Proj. (LOTICIP)	82,000	72,839		74,123	7,877
PE Equipment - BOE	4,975		4,975	4,975	
Interior Painting - BOE	32,375	32,375		32,375	
Automated Building Sys - BOE	32,141	32,141		32,141	
Classroom Furniture - BOE	11,668	11,668		11,668	
A/C Unit for Server Room - BOE	7,785	7,785		7,785	
	<u>\$ 1,679,161</u>	<u>\$ 491,394</u>	<u>\$ 33,684</u>	<u>\$ 699,837</u>	<u>\$ 979,324</u>

The Town has debt authorized but unissued of \$383,000 for clean water phase 3 project post financing.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2017, the interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	MWPCA Benefit Assessment	\$ 297,249
General Fund	Sewer	11
General Fund	Nonmajor Governmental Funds	47,802
Nonmajor Governmental Funds	Sewer	22,550
Nonmajor Governmental Funds	General Fund	<u>16,500</u>
 Total		 \$ <u><u>384,112</u></u>

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

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>CNR Fund</u>	<u>Nonmajor Governmental Funds</u>	
Transfers out:				
General Fund	\$	\$ 1,092,326	\$ 23,715	\$ 1,116,041
MWPCA Benefit Assessment	297,244			297,244
Nonmajor Governmental Funds	<u>45,898</u>			<u>45,898</u>
 Total	 \$ <u><u>343,142</u></u>	 \$ <u><u>1,092,326</u></u>	 \$ <u><u>23,715</u></u>	 \$ <u><u>1,459,183</u></u>

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 6,025,000	\$	\$ 1,115,000	\$ 4,910,000	\$ 1,100,000
CWF Loans	7,201,879		448,551	6,753,328	457,604
Bond issuance premiums	292,030		47,091	244,939	
Total bonds and notes payable	13,518,909	-	1,610,642	11,908,267	1,557,604
Compensated absences	544,281	40,234	22,749	561,766	173,213
Capital lease	146,629	173,089	108,107	211,611	68,681
Net OPEB obligation	685,000	33,000		718,000	
Total Governmental Activities Long-Term Liabilities	<u>\$ 14,894,819</u>	<u>\$ 246,323</u>	<u>\$ 1,741,498</u>	<u>\$ 13,399,644</u>	<u>\$ 1,799,498</u>

A schedule of governmental activities bonds payable as of June 30, 2017 is presented below:

<u>Description</u>	<u>Principal Amount Payable</u>
\$1,448,000 of general obligation bonds issued September 15, 2007 and maturing serially to September 17, 2017 at an interest rate of 3.875-4.25%	\$ 95,000
\$2,305,000 of general obligation bonds issued December 9, 2009 and maturing serially to December 1, 2019 at an interest rate of 3.49%	750,000
\$6,205,000 of school improvement and general obligation bonds issued on September 8, 2011 and maturing serially to May 15, 2023 at an interest rate of 2-4%	3,000,000
\$2,315,000 of general obligation bonds issued September 8, 2011 and maturing serially to September 1, 2021 at an interest rate of 2-3%	1,065,000
\$908,774 of Clean Water Loans issued July 31, 2007 and maturing serially to April 30, 2023 at an interest rate of 2%	440,309
\$8,151,743 of Clear Water Loans issued October 31, 2010 and maturing serially to September 30, 2030 at an interest rate of 2%	5,755,831
\$613,583 of Clean Water Loans issued May 31, 2015 and maturing serially to December 31, 2034 at an interest rate of 2%	<u>557,188</u>
Total	<u>\$ 11,663,328</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

The following is a schedule of long-term debt maturities as of June 30, 2017:

<u>Year Ending June 30,</u>	<u>Amount Due</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,557,604	\$ 285,250
2019	1,456,841	285,250
2020	1,421,264	204,365
2021	1,180,877	167,040
2022	1,185,684	135,132
2023-2027	2,551,519	423,950
2028-2032	2,182,047	109,916
2033-2035	<u>127,492</u>	<u>4,622</u>
Total	<u>\$ 11,663,328</u>	<u>\$ 1,615,525</u>

Clean Water Fund Loan

The Town’s Sewer fund is funded by the State of Connecticut Clean Water Fund 2% Loan and Grant program. As of June 30, 2017, the Town had received interim funding on the Clean Water Fund loans of \$2,167,029, which is recorded as notes payable in the Sewer Fund in the Balance Sheet - Governmental Funds, with a remaining budget of \$399,503 to draw from the State of Connecticut. The loan will be repaid by future sewer user charges.

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General Purpose	\$ 44,843	\$ 2,725	\$ 42,118
Schools	89,685	6,725	82,960
Sewers	74,738	7,136	67,602
Urban renewal	64,773	-	64,773
Pension deficit	59,790	-	59,790

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$134,083,000.

Marlborough is a member of Regional School District #8, which provides education for grades seven through twelve for the towns of Marlborough, Andover and Hebron. As of June 30, 2017, the District has bonds outstanding of \$14,645,000. The Town of Marlborough’s share will be approximately 31%. These are general obligations of Regional School District #8 and its member towns.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

9. CAPITAL LEASES

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

Asset:	
Furniture and equipment	\$ 498,716
Less accumulated depreciation	<u>(100,722)</u>
Total	<u>\$ 397,994</u>

The following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments at June 30, 2017:

Fiscal Year Ending June 30,

2018	\$ 73,306
2019	76,071
2020	36,244
2021	<u>36,244</u>
Total future minimum lease payments	221,865
Interest on future lease payments	<u>(10,254)</u>
Principal Balance of Future Minimum Payments	<u>\$ 211,611</u>

10. SHORT-TERM DEBT

The following is a summary of taxable bond anticipation note activity for the year ended June 30, 2017:

<u>Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Original Issue Amount</u>	<u>Interest Rate (%)</u>	<u>Balance July 1, 2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Outstanding June 30, 2017</u>
Land acquisition	9/04/15	9/02/16	\$ 405,000	1.25	\$ <u>230,000</u>	\$ _____	\$ <u>230,000</u>	\$ _____ -
Total					\$ <u>230,000</u>	\$ <u>-</u>	\$ <u>230,000</u>	\$ <u>-</u>

11. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

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

At July 1, 2014, plan membership consisted of the following:

	<u>Post-Retirement Medical Program</u>
Retired members	6*
Active plan members	<u>47</u>
Total Participants	<u><u>53</u></u>

*Does not include spouses of retirees.

B. Funding Policy

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

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

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

C. Annual OPEB Cost and Net OPEB Obligations

The Town of Marlborough’s annual OPEB cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Town’s annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Town’s net OPEB obligation:

	<u>Post-Retirement Medical Program</u>
Annual required contribution (ARC)	\$ 72,000
Interest on net OPEB obligation	27,000
Adjustment to annual required contribution	<u>(38,000)</u>
Annual OPEB cost	61,000
Contributions made	<u>(28,000)</u>
Change in net OPEB obligation	33,000
Net OPEB obligation at beginning of year	<u>685,000</u>
 Net OPEB Obligation at End of Year	 \$ <u><u>718,000</u></u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years ended June 30, 2017, 2016 and 2015 is presented below:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Actual Contribution</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 60,000	\$ 37,000	62%	\$ 653,000
6/30/2016	61,000	29,000	48%	685,000
6/30/2017	61,000	28,000	46%	718,000

As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$783,000, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$783,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,811,000.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as accrual results are compared with past expectations and new estimates are made about the future.

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/2009	\$ -	\$ 1,518,000	\$ 1,518,000	0%	\$ 4,608,000	33%
7/1/2011	-	1,594,000	1,594,000	0%	4,416,000	36%
7/1/2014	-	783,000	783,000	0%	3,811,000	21%

Schedule of Employer Contribution

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2015	\$ 70,000	53%
6/30/2016	71,000	41%
6/30/2017	72,000	39%

Projections for benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% investment rate of return assuming a trust fund will not be established. The 4.0% rate is the rate of the expected short-term investment returns of plan assets calculated based on the funding policy of the plan at the valuation date. The annual healthcare cost trend rate varies by year and ranges from 8.0% in 2014, grading down 0.5% per year to 5.0% in 2020 and beyond. The actuarial value of assets was determined using the projected unit credit actuarial cost method. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period is 30 years.

12. RISK MANAGEMENT

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

13. CONTINGENT LIABILITIES

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

14. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Teachers Retirement

A. Plan Description

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

B. Benefit Provisions

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

Normal Retirement

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

Early Retirement

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

Disability Retirement

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

C. Contributions

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

Employer (School Districts)

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

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

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

Employees

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

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

At June 30, 2017, 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>14,290,313</u>
Total	\$	<u>14,290,313</u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at June 30, 2016. At June 30, 2017, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2017, the Town recognized pension expense and revenue of \$1,558,410 in Exhibit II for on-behalf amounts for the benefits provided by the State.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

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

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

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

TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

F. Discount Rate

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

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

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

H. Other Information

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

15. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2017 are as follows:

	General Fund	Major Special Revenue Funds			Nonmajor Governmental Funds	Total
		CNR	MWPCA Benefit Assessment	Sewer		
Fund balances:						
Nonspendable:						
Inventory	\$	\$	\$	\$	3,904	\$ 3,904
Restricted for:						
Road reconstruction		286,193				286,193
Open space recreation land						
Unspent grant balances					405,989	405,989
Sewer operations			294,610			294,610
Committed to:						
Revaluation		45,664				45,664
Plan of Development		10,000				10,000
Open Space - Recreational Land		50,000				50,000
Town Hall Generator		7,577				7,577
Security Upgrades Town Facilities		25,000				25,000
Engineering-Fawn Brook Bridge		230,223				230,223
Design & Eng. Jones Hollow Bridge		289,957				289,957
Capital Design & Engineering		11,408				11,408
Police Vehicle		8,400				8,400
Energy Improvements Town Hall		5,000				5,000
UTV Fire Equipment		125				125
Sewer Upgrades Blish Park		1,900				1,900
South Main St Repaving Proj. (LOTICIP)		7,877				7,877
Other Capital Projects		189,561				189,561
General government					93,035	93,035
Public works					283,285	283,285
Parks and recreation					61,044	61,044
Education					61,753	61,753
Assigned to:						
Subsequent year's budget	170,173					170,173
General government	71,554					71,554
Public safety	5,474					5,474
Public works	113,721					113,721
Health and welfare						
Parks and recreation	30,039					30,039
Education	65,760					65,760
Unassigned	2,671,444			(2,362,384)		309,060
Total Fund Balances	\$ 3,128,165	\$ 1,168,885	\$ 294,610	\$ (2,362,384)	\$ 909,010	\$ 3,138,286

Encumbrances of \$286,548, \$33,684 and \$7,329 at June 30, 2017 are contained in the above table in the assigned categories of the General Fund, the restricted and committed categories of the CNR fund, and the committed category of the Nonmajor Governmental Funds, respectively.

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Property taxes:				
Current year levy	\$ 19,385,900	\$ 19,385,900	\$ 19,709,326	\$ 323,426
Prior years' collection	110,000	110,000	125,299	15,299
Interest, lien fees and other	85,000	85,000	98,250	13,250
Total property taxes	<u>19,580,900</u>	<u>19,580,900</u>	<u>19,932,875</u>	<u>351,975</u>
Intergovernmental revenues:				
State of Connecticut:				
Homeowner tax relief	20,250	20,250	19,339	(911)
Veterans exemption	975	975	1,542	567
Disability exemption	665	665	724	59
Civil preparedness	3,000	3,000	2,997	(3)
Miscellaneous state grants	15,000	15,000	8,135	(6,865)
Mashantucket Pequot grant	18,590	18,590	18,541	(49)
Municipal Revenue Sharing grant	188,665	188,665	131,065	(57,600)
Educational programs:				
Elementary and secondary school transportation	17,506	17,506		(17,506)
Educational cost sharing	3,221,395	3,221,395	3,153,957	(67,438)
Total intergovernmental revenues	<u>3,486,046</u>	<u>3,486,046</u>	<u>3,336,300</u>	<u>(149,746)</u>
Local revenues:				
Licenses, fees, permits and charges for services:				
Real estate conveyance tax	58,000	58,000	76,862	18,862
Conservation/farm land	2,500	2,500	2,574	74
Building permits	65,000	65,000	86,938	21,938
Recording fees and sports licenses	31,000	31,000	33,644	2,644
Photo copier fees	6,000	6,000	6,471	471
Miscellaneous	30,000	30,000	54,189	24,189
Telephone tax share	12,000	12,000	12,505	505
Total licenses, fees, permits and charges for services	<u>204,500</u>	<u>204,500</u>	<u>273,183</u>	<u>68,683</u>
Investment income	6,200	6,200	22,264	16,064
Transfers from other funds	310,898	310,898	343,142	32,244
Use of fund balance	148,523	148,523	-	(148,523)
Total	<u>\$ 23,737,067</u>	<u>\$ 23,737,067</u>	23,907,764	<u>\$ 170,697</u>

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	1,558,410
The Town budgets for excess cost grant revenues as an offset to education expenditures, rather than revenue	39,334
Capital lease issuance	173,089
Cancellation of prior year encumbrances are recognized as budgetary revenue	(28,656)
Dog license fund revenues are not budgeted	4,342

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

\$ 25,654,283

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Selectmen	\$ 132,709	\$ 132,896	\$ 132,895	\$ 1
Town Clerk	106,700	106,700	104,119	2,581
Tax Collector	97,076	96,889	93,811	3,078
Treasurer	94,852	94,852	93,669	1,183
Election expenses	45,493	45,493	35,209	10,284
Town Counsel	70,000	70,000	64,370	5,630
Assessor	88,526	88,526	79,966	8,560
Appointed personnel	826,618	806,618	681,230	125,388
Town Hall	77,247	77,247	70,447	6,800
Administrative expenses	169,311	169,311	153,875	15,436
Land Use Department	206,709	206,709	205,793	916
Library Building	34,466	34,466	33,963	503
Senior Center Building	99,514	99,514	98,372	1,142
Commission on Aging Operating	50	50		50
Economic Development Committee	6,325	6,325	5,100	1,225
Board of Finance	14,250	14,250	13,396	854
Board of Assessment Appeal	480	480	480	-
Lake Study Advisory	20,250	20,250	20,239	11
Contingency	100,000	83,500		83,500
Capital Region Council on Governments	7,198	7,198	7,198	-
Connecticut Conference of Municipalities	3,836	3,836	1,904	1,932
Connecticut Conference of Small Towns	825	825	825	-
Total general government	<u>2,202,435</u>	<u>2,165,935</u>	<u>1,896,861</u>	<u>269,074</u>
Public safety:				
Fire Commissioners	42,100	42,100	37,537	4,563
Fire Department	112,521	112,521	109,741	2,780
Firehouse #2	33,420	33,420	31,705	1,715
Fire Marshal	74,211	74,211	74,211	-
Public Safety	348,586	348,586	231,995	116,591
Civil Preparedness	7,776	7,776	4,827	2,949
Emergency Dispatch 911	12,860	12,860	12,860	-
Paramedic Service - Middlesex Hospital	6,430	6,430	5,325	1,105
North Central CT EMS Council	5,326	5,326	5,000	326
Total public safety	<u>643,230</u>	<u>643,230</u>	<u>513,201</u>	<u>130,029</u>
Public works:				
Town Garage	807,086	799,741	735,449	64,292
General maintenance roads	167,000	160,835	160,232	603
Snow removal and sanding	167,000	173,165	173,161	4
Tree Warden	10,280	17,625	17,411	214
Contracted services operating	108,024	144,524	142,106	2,418
Sanitation/landfill	186,174	186,174	172,948	13,226
Total public works	<u>1,445,564</u>	<u>1,482,064</u>	<u>1,401,307</u>	<u>80,757</u>

(Continued on next page)

TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Health and welfare:				
Health services	\$ 2,248	\$ 2,248	\$ 448	\$ 1,800
Agent for the Aged	24,341	20,341	16,174	4,167
Food Bank	6,018	6,018	5,397	621
Chatham Health District	66,229	66,229	66,229	-
Cemeteries	1,500	5,500	5,500	-
Memorial Day	900	900	900	-
Total health and welfare	<u>101,236</u>	<u>101,236</u>	<u>94,648</u>	<u>6,588</u>
Parks and recreation:				
Parks and Recreation				
Commission	113,210	113,210	110,153	3,057
Connecticut River Postal Conservation	1,643	1,643	1,643	-
Salmon River Watershed Partnership	5,000	5,000	3,835	1,165
Total parks and recreation	<u>119,853</u>	<u>119,853</u>	<u>115,631</u>	<u>4,222</u>
Education:				
Elementary Education	7,222,854	7,222,854	7,222,854	-
Transfer to Regional School				
District #8	8,550,175	8,550,175	8,550,175	-
Total education	<u>15,773,029</u>	<u>15,773,029</u>	<u>15,773,029</u>	<u>-</u>
Libraries:				
Richmond Memorial Library	332,092	332,092	332,092	-
Debt service:				
Principal	1,907,050	1,907,050	1,904,793	2,257
Interest	330,537	330,537	330,527	10
Total debt service	<u>2,237,587</u>	<u>2,237,587</u>	<u>2,235,320</u>	<u>2,267</u>
Total expenditures	<u>22,855,026</u>	<u>22,855,026</u>	<u>22,362,089</u>	<u>492,937</u>

(Continued on next page)

TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Transfers to other funds:				
CNR	\$ 862,326	\$ 862,326	\$ 862,326	\$ -
Dog Fund	12,500	12,500	12,500	-
Probate Court	7,215	7,215	7,215	-
Total transfers to other funds	<u>882,041</u>	<u>882,041</u>	<u>882,041</u>	<u>-</u>
Total	\$ <u>23,737,067</u>	\$ <u>23,737,067</u>	23,244,130	\$ <u>492,937</u>

Budgetary expenditures are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted	1,558,410
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes	28,739
The Town budgets for excess cost grant revenues as an offset to education expenditures, rather than revenue	39,334
Capital lease issuance	173,089
Payroll recorded on a cash basis for budgetary purposes - change in accrual	(2,482)
Transfers to the Dog Fund are budgetary other financing uses, but are eliminated for financial reporting purposes as the Dog Fund is consolidated with the General Fund	(12,500)
Dog Fund expenditures are not budgeted	<u>14,070</u>

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds - Exhibit IV

\$ 25,042,790

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>10,061,640</u>	<u>10,899,807</u>	<u>14,290,313</u>
Total	<u>\$ 10,061,640</u>	<u>\$ 10,899,807</u>	<u>\$ 14,290,313</u>
Town's covered-employee payroll	\$ 3,797,276	\$ 4,002,228	\$ 3,937,913
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%	59.50%	52.26%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	<p>During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015.</p> <p>During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to 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, 2010.</p>
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	20.4 years
Asset valuation method	4-year smoothed market
Investment rate of return	8.50%, net of investment related expense

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 2,958,013	\$ 2,386,285
Property taxes receivable, net of allowance for doubtful accounts of \$49,390 and \$20,761 in 2017 and 2016, respectively	176,642	195,356
Other accounts receivable	65,549	72,965
Due from other governments	2,055	6,620
Due from other funds	<u>345,062</u>	<u>294,712</u>
Total Assets	<u>\$ 3,547,321</u>	<u>\$ 2,955,938</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 186,259	\$ 199,658
Due to other funds	<u>16,500</u>	<u> </u>
Total liabilities	<u>202,759</u>	<u>199,658</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	<u>216,397</u>	<u>239,608</u>
Fund balance:		
Assigned	456,721	502,638
Unassigned	<u>2,671,444</u>	<u>2,014,034</u>
Total fund balance	<u>3,128,165</u>	<u>2,516,672</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,547,321</u>	<u>\$ 2,955,938</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2017**

Grand List	Uncollected Taxes July 1, 2016	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2017
		Additions	Deductions			Taxes	Interest	Total	
2015	\$ 19,912,234	\$ 48,038	\$ 85,054	\$ 2,815	\$ 19,872,403	\$ 19,715,983	\$ 59,770	\$ 19,775,753	\$ 156,420
2014	126,043	1,665	5,177	12,586	109,945	79,014	17,307	96,321	30,931
2013	47,707		1,360	5,496	40,851	21,670	8,549	30,219	19,181
2012	20,529		344	5,079	15,106	4,977	3,382	8,359	10,129
2011	10,545			2,613	7,932	4,073	3,305	7,378	3,859
2010	7,480			1,772	5,708	2,436	1,479	3,915	3,272
2009	541			87	454				454
2008	599			87	512				512
2007	291			85	206				206
2006	805			83	722				722
2005	524			81	443				443
2004	1,023			223	800				800
2003	(237)			213	(450)				(450)
2002	269			206	63				63
2001	(310)			200	(510)				(510)
	<u>\$ 20,128,043</u>	<u>\$ 49,703</u>	<u>\$ 91,935</u>	<u>\$ 31,626</u>	<u>\$ 20,054,185</u>	<u>\$ 19,828,153</u>	<u>\$ 93,792</u>	19,921,945	<u>\$ 226,032</u>
			Liens and penalties					900	
			Suspense collections					6,271	
			Total Collections					<u>\$ 19,929,116</u>	

TOWN OF MARLBOROUGH, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2017

	Special Revenue Funds							
	Small Cities	Board of Education User Fees	Special Purpose Fund	Town Aid Road	Recycling	Cafeteria	Parks and Recreation	Miscellaneous Grants
ASSETS								
Cash and cash equivalents	\$ 24,783	\$ 3,545	\$ 42,764	\$ 348,619	\$ 24,877	\$ 53,321	\$ 80,988	\$ 7,313
Accounts receivable	415,364				1,146	4,887	3,148	47,802
Due from other funds								
Inventory						3,904		
Total Assets	\$ 440,147	\$ 3,545	\$ 42,764	\$ 348,619	\$ 26,023	\$ 62,112	\$ 84,136	\$ 55,115
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$	\$	\$ 156	\$	\$ 1,325	\$	\$ 3,909	\$
Due to other funds								47,802
Unearned revenue	12,405		400				19,183	7,313
Total liabilities	12,405	-	556	-	1,325	-	23,092	55,115
Deferred Inflows of Resources:								
Unavailable revenue - special assessments								
Unavailable revenue - CDBG loans receivable	415,364							
Total deferred inflows of resources	415,364	-	-	-	-	-	-	-
Fund Balances:								
Nonspendable						3,904		
Restricted	12,378		42,208	348,619				
Committed		3,545			24,698	58,208	61,044	
Total fund balances	12,378	3,545	42,208	348,619	24,698	62,112	61,044	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 440,147	\$ 3,545	\$ 42,764	\$ 348,619	\$ 26,023	\$ 62,112	\$ 84,136	\$ 55,115

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TOWN OF MARLBOROUGH, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (CONTINUED)
 JUNE 30, 2017

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Land Acquisition and Improvement	Educational Grants	Sub-Division	WPCA Operations and Maintenance	Probate Court	Marlborough Municipal Water Fund	
ASSETS							
Cash and cash equivalents	\$ 44,088	\$ 7,342	\$ 166,668	\$ 116,320	\$ 7,625	\$ 20,329	\$ 948,582
Accounts receivable				15,056		4,723	492,126
Due from other funds				22,550		16,500	39,050
Inventory							3,904
Total Assets	<u>\$ 44,088</u>	<u>\$ 7,342</u>	<u>\$ 166,668</u>	<u>\$ 153,926</u>	<u>\$ 7,625</u>	<u>\$ 41,552</u>	<u>\$ 1,483,662</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$	\$	\$	\$ 44,167	\$ 230	\$	\$ 49,787
Due to other funds							47,802
Unearned revenue		7,342					46,643
Total liabilities	<u>-</u>	<u>7,342</u>	<u>-</u>	<u>44,167</u>	<u>230</u>	<u>-</u>	<u>144,232</u>
Deferred Inflows of Resources:							
Unavailable revenue - special assessments				15,056			15,056
Unavailable revenue - CDBG loans receivable							415,364
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,056</u>	<u>-</u>	<u>-</u>	<u>430,420</u>
Fund Balances:							
Nonspendable							3,904
Restricted				2,784			405,989
Committed	44,088		166,668	91,919	7,395	41,552	499,117
Total fund balances	<u>44,088</u>	<u>-</u>	<u>166,668</u>	<u>94,703</u>	<u>7,395</u>	<u>41,552</u>	<u>909,010</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 44,088</u>	<u>\$ 7,342</u>	<u>\$ 166,668</u>	<u>\$ 153,926</u>	<u>\$ 7,625</u>	<u>\$ 41,552</u>	<u>\$ 1,483,662</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds							
	Small Cities	Board of Education User Fees	Special Purpose Fund	Town Aid Road	Recycling	Cafeteria	Parks and Recreation	Miscellaneous Grants
Revenues:								
Intergovernmental revenues	\$	\$	\$	\$ 212,271	\$	\$ 42,221	\$	\$ 749,550
Charges for services		1,538			28,342	127,709	99,982	
Income on investments					1		2	
Miscellaneous	2,471		12,279		11,286			
Total revenues	<u>2,471</u>	<u>1,538</u>	<u>12,279</u>	<u>212,271</u>	<u>39,629</u>	<u>169,930</u>	<u>99,984</u>	<u>749,550</u>
Expenditures:								
Current:								
General government								26,774
Public works				57,585	32,945			
Health and welfare			4,706					16,183
Parks and recreation							98,831	
Sewer operations								
Education		7,265				139,553		
Capital outlay								706,593
Total expenditures	<u>-</u>	<u>7,265</u>	<u>4,706</u>	<u>57,585</u>	<u>32,945</u>	<u>139,553</u>	<u>98,831</u>	<u>749,550</u>
Excess (Deficiency) of Revenues over Expenditures	<u>2,471</u>	<u>(5,727)</u>	<u>7,573</u>	<u>154,686</u>	<u>6,684</u>	<u>30,377</u>	<u>1,153</u>	<u>-</u>
Other Financing Sources (Uses):								
Transfers in								
Transfers out					(20,000)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,471	(5,727)	7,573	154,686	(13,316)	30,377	1,153	-
Fund Balances at Beginning of Year	<u>9,907</u>	<u>9,272</u>	<u>34,635</u>	<u>193,933</u>	<u>38,014</u>	<u>31,735</u>	<u>59,891</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 12,378</u>	<u>\$ 3,545</u>	<u>\$ 42,208</u>	<u>\$ 348,619</u>	<u>\$ 24,698</u>	<u>\$ 62,112</u>	<u>\$ 61,044</u>	<u>\$ -</u>

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**TOWN OF MARLBOROUGH, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Special Revenue Funds					Marlborough Municipal Water Fund	Total Nonmajor Governmental Funds
	Land Acquisition and Improvement	Educational Grants	Sub-Division	WPCA Operations	Probate Court		
Revenues:							
Intergovernmental revenues	\$	\$ 135,524	\$	\$	\$	\$	\$ 1,139,566
Charges for services				256,406	35,145	37,273	586,395
Income on investments				4			7
Miscellaneous							26,036
Total revenues	<u>-</u>	<u>135,524</u>	<u>-</u>	<u>256,410</u>	<u>35,145</u>	<u>37,273</u>	<u>1,752,004</u>
Expenditures:							
Current:							
General government					42,840		69,614
Public works			3,040				93,570
Health and welfare							20,889
Parks and recreation							98,831
Sewer operations				234,449		12,221	246,670
Education		135,524					282,342
Capital outlay							706,593
Total expenditures	<u>-</u>	<u>135,524</u>	<u>3,040</u>	<u>234,449</u>	<u>42,840</u>	<u>12,221</u>	<u>1,518,509</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(3,040)</u>	<u>21,961</u>	<u>(7,695)</u>	<u>25,052</u>	<u>233,495</u>
Other Financing Sources (Uses):							
Transfers in					7,215	16,500	23,715
Transfers out				(25,898)			(45,898)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,898)</u>	<u>7,215</u>	<u>16,500</u>	<u>(22,183)</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(3,040)</u>	<u>(3,937)</u>	<u>(480)</u>	<u>41,552</u>	<u>211,312</u>
Fund Balances at Beginning of Year	<u>44,088</u>	<u>-</u>	<u>169,708</u>	<u>98,640</u>	<u>7,875</u>	<u>-</u>	<u>697,698</u>
Fund Balances at End of Year	<u>\$ 44,088</u>	<u>\$ -</u>	<u>\$ 166,668</u>	<u>\$ 94,703</u>	<u>\$ 7,395</u>	<u>\$ 41,552</u>	<u>\$ 909,010</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
AGENCY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	<u>Student Activity</u>	<u>Performance Bond</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ <u>28,099</u>	\$ <u>69,368</u>	\$ <u>97,467</u>
Liabilities:			
Deposits held for others	\$ <u>28,099</u>	\$ <u>69,368</u>	\$ <u>97,467</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Performance Bond Account				
Assets:				
Cash and cash equivalents	\$ <u>71,866</u>	\$ <u>2,002</u>	\$ <u>4,500</u>	\$ <u>69,368</u>
Liabilities:				
Due to student and other groups	\$ <u>71,866</u>	\$ <u>2,002</u>	\$ <u>4,500</u>	\$ <u>69,368</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>37,600</u>	\$ <u>60,799</u>	\$ <u>70,300</u>	\$ <u>28,099</u>
Liabilities:				
Due to student and other groups	\$ <u>37,600</u>	\$ <u>60,799</u>	\$ <u>70,300</u>	\$ <u>28,099</u>
Total All Funds				
Assets:				
Cash and cash equivalents	\$ <u>109,466</u>	\$ <u>62,801</u>	\$ <u>74,800</u>	\$ <u>97,467</u>
Liabilities:				
Due to student and other groups	\$ <u>109,466</u>	\$ <u>62,801</u>	\$ <u>74,800</u>	\$ <u>97,467</u>

TOWN OF MARLBOROUGH, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2017
(In Thousands)

Total tax collections (including interest and lien fees) received by Treasurer for the year ended June 30, 2017	\$ 19,929
Add State of Connecticut grants:	
Elderly freeze	<u>1</u>
Base	<u>\$ 19,930</u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2-1/4 times base	\$ 44,843	\$	\$	\$	\$
4-1/2 times base		89,685			
3-3/4 times base			74,738		
3-1/4 times base				64,773	
3 times base					59,790
	<u>44,843</u>	<u>89,685</u>	<u>74,738</u>	<u>64,773</u>	<u>59,790</u>
Total debt limitation					
Indebtedness:					
Bonds outstanding	2,725	2,185	6,753		
Bonds authorized unissued	370		383		
Overlapping debt:					
Regional School District #8		4,540			
	<u>3,095</u>	<u>6,725</u>	<u>7,136</u>	<u>-</u>	<u>-</u>
Total indebtedness					
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 41,748</u>	<u>\$ 82,960</u>	<u>\$ 67,602</u>	<u>\$ 64,773</u>	<u>\$ 59,790</u>

Note 1: In no case shall total indebtedness exceed \$134,083 or seven times annual receipts from taxation.

Note 2: Marlborough is a member of Regional School District #8, which provides education facilities for grades seven through twelve for the Towns of Marlborough, Andover and Hebron. As of June 30, 2017, the District has bonds outstanding of \$14,645,000. The Town of Marlborough's share is approximately 31%. These are general obligations of Regional School District #8 and its member towns.