

TOWN OF MARLBOROUGH, CONNECTICUT

FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, 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, 2020 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Marlborough, Connecticut, as of and for the year ended June 30, 2019 (not presented herein), and have issued our report thereon dated November 12, 2019, 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, 2019 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 2019 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2019 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, 2019.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020 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 2, 2020

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

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, 2020. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to V.

Financial Highlights

- Net position of our governmental activities increased by \$3,765,357.
- During the year, the Town had expenses that were \$3,765,357 less than the \$30.7 million generated in tax and other revenues for governmental programs.
- The total cost of all of the Town's programs was \$26.9 million with no new programs added this year, compared to \$25 million last year.
- The General Fund reported a fund balance at June 30, 2020 of \$5.3 million, .7 million more than last year. An appropriation of fund balance of \$375,000 was included in the adopted budget for the year.
- On a budgetary basis (see Schedules RSI-1 and RSI-2), total revenue before the use of appropriated fund balance was less than the approved Town budget by \$36,881. The Town budget included an appropriation of fund balance of \$375,000. After the shortfall in revenues, a favorable balance of \$338,119 of the appropriated fund balance remained, and actual revenues equaled the budgeted revenues. Expenditures were \$630,985 lower than budgeted.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds (Exhibits III and IV)

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

Fiduciary Funds (Exhibit V)

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

Government-Wide Financial Analysis

The Town's net position increased by \$3,765,357 from June 30, 2019. 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	
	2020	2019
Current assets	\$ 13,532,034	\$ 13,187,760
Capital assets, net of accumulated depreciation	50,883,057	48,881,846
Total assets	<u>64,415,091</u>	<u>62,069,606</u>
Deferred outflows of resources	<u>67,387</u>	<u>89,079</u>
Long-term liabilities outstanding	10,615,059	12,444,473
Other liabilities	891,219	680,563
Total liabilities	<u>11,506,278</u>	<u>13,125,036</u>
Deferred inflows of resources	<u>203,064</u>	<u>25,870</u>
Net Position:		
Net investment in capital assets	41,355,004	40,524,168
Unrestricted	<u>11,418,132</u>	<u>8,483,611</u>
Total Net Position	<u>\$ 52,773,136</u>	<u>\$ 49,007,779</u>

Net position of the Town's governmental activities increased by \$3,765,357 (\$52,773,136 compared to \$49,007,779). 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 - increased from \$8,483,611 at June 30, 2019 to \$11,418,132 at the end of this year.

Table 2
CHANGE IN NET POSITION

	Governmental	
	Activities	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 892,387	\$ 882,657
Operating grants and contributions	5,334,661	3,947,316
Capital grants and contributions	1,886,155	1,424,315
General revenues:		
Property taxes	22,250,584	21,436,059
Grants and contributions not restricted to specific purposes	76,915	77,313
Unrestricted investment earnings	104,373	109,432
Other general revenues	124,704	96,345
Total revenues	<u>30,669,779</u>	<u>27,973,437</u>
Program expenses:		
General government	2,081,194	2,075,630
Public safety	755,041	687,714
Public works	2,254,342	2,384,343
Parks and recreation	125,090	146,125
Health and welfare	277,545	192,886
Sewer operations	279,794	276,095
Library	342,168	340,168
Education	20,566,188	18,592,775
Interest on long-term debt	223,060	261,538
Total program expenses	<u>26,904,422</u>	<u>24,957,274</u>
Increase in Net Position	<u>\$ 3,765,357</u>	<u>\$ 3,016,163</u>

The Town's total revenues (excluding special items) were \$30.7 million. The total cost of all programs and services was \$26.9 million. Our analysis below considers the operations of governmental activities.

Governmental Activities

Overall, net position increased \$3,765,357. This increase is attributable to an increase in capital grants, property taxes and other general revenue. Overall, expenses increased by 7.8% substantially due to an increase in education. Property tax revenues increased by 3.8% for 2020 comparable to the same increase of 3.8% for 2019.

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

**Table 3
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
General government	\$ 2,081,194	\$ 2,075,630	\$ 1,781,432	\$ 1,834,117
Public safety	755,041	687,714	750,305	680,686
Public works	2,254,342	2,384,343	325,438	1,087,518
Parks and recreation	125,090	146,125	43,039	29,280
Health and welfare	277,545	192,886	218,872	22,651
Sewer operations	279,794	276,095	(82,854)	(73,910)
Education	20,566,188	18,592,775	15,189,759	14,520,938
All others	565,228	601,706	565,228	601,706
Total	\$ 26,904,422	\$ 24,957,274	\$ 18,791,219	\$ 18,702,986

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 \$6.9 million, as of June 30, 2020, a decrease of \$.6 million.

General Fund Budgetary Highlights

On a budgetary basis (see Schedules RSI-1 and RSI-2), total revenue before the use of appropriated fund balance was less than the approved Town budget by \$36,881. The Town budget included an appropriation of fund balance of \$375,000. After the shortfall in revenues, a favorable balance of \$338,119 of the appropriated fund balance remained, and actual revenues equaled the budgeted revenues. Most revenue categories were favorable versus budget including property taxes which exceeded the budget by \$246,000. Investment income was \$30,978 above budget due to an investment account with a favorable guaranteed interest rate. Transfers from other funds were less than budgeted by \$41,206 due to transfers from the Sewer Benefit Assessment Fund. Due to the Pandemic, the Board of Selectman adopted a deferral program allowing tax payers to defer their payments without interest for three (3) months. Local revenues, including fees and non-property taxes, also exceeded the budget by \$71,081.

Overall, expenditures were less than budget by \$630,985. Expenditures for most departments and functional areas were less than budget with the largest favorable variances as follows: general government including contingency (\$277,426), public safety (\$56,738), education (47,411) and public works (\$230,069).

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the Town had \$50.9 million invested in a broad range of capital assets, including land, buildings, municipal sewer system, municipal water system, park facilities, vehicles and equipment, roads bridges, and storm drains (see Table 4). The most significant changes were road improvements, culverts, bridges, ADA compliance at a park, paving school parking lot, public works truck, senior center generator and van, and fire department radio upgrades. Approximately \$3.9 million was expended during 2020 on buildings, vehicles and equipment, and infrastructure projects.

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

	Governmental Activities	
	2020	2019
Land	\$ 2,937	\$ 2,936
Buildings and improvements	8,356	9,037
Equipment	2,253	2,178
Infrastructure	34,399	33,967
Construction in progress	2,938	764
Total	\$ 50,883	\$ 48,882

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

Long-Term Debt

At June 30, 2020, the Town had \$9,295,013 in bonds outstanding versus \$10,818,566 at the end of the prior year, a decrease of \$1,523,553.

The Town has overlapping debt of \$2.6 million with the Regional School District #8, of which it is a member.

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

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

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year budget tax rates. For fiscal year ended June 30, 2020, the mill rate was set at 37.25. For fiscal year ending June 30, 2021, the rate was set at 36.27, representing a 2.65% decrease. During the budget process, on March 10, 2020, the Governor of the State of Connecticut declared the coronavirus a public health emergency. When developing the budget for fiscal year ending June 30, 2021, the town was uncertain of the impact of future revenues due to the pandemic and therefore strived to reduce the mill rate and not impose an increase to the taxpayers.

Between July 2019 and June 2020, the State of Connecticut's unemployment rate increased from 3.7% to 10.1%. Hartford County (which includes Marlborough) also increased from 4.0% to 10.4%. These increases are in line with the national average of 11.1%, which is 7.4% higher than last year. The U.S. Consumer Price Index (CPI) for the 12-month period ended June 30, 2020 was .6%, compared to 1.6% for the same period last year.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2019-2020. Amounts available for appropriation in the General Fund budget are \$25,990,028, representing an increase of 5.54% over the 2018-2019 budget of \$24,625,494. Property taxes and Local Revenue are expected to fund most of this increase.

Given the declining and uncertain state revenues, budgeted expenses were purposely constrained in the FY20 budget. No new programs or major initiatives were added to the FY20 budget.

The Town appropriated \$1,463,224 for capital projects and equipment purchases, which is included in the FY20 budget. The unassigned balance totaled \$4,707,160 at June 30, 2020, which represents 18.11% of the FY20 operating budget of \$25,990,028.

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, 2020

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 7,395,053
Receivables, net	6,133,430
Inventory	3,551
Capital assets - nondepreciable:	
Land	2,936,589
Construction in progress	2,937,523
Capital assets - depreciable, net of accumulated depreciation:	
Building	8,356,382
Furniture and equipment	2,253,143
Infrastructure	34,399,420
Total assets	<u>64,415,091</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	44,356
Deferred outflows related to OPEB	23,031
Total deferred outflows of resources	<u>67,387</u>
Liabilities:	
Accounts and other payables	858,236
Unearned revenue	32,983
Noncurrent liabilities:	
Due within one year	1,401,998
Due in more than one year	9,213,061
Total liabilities	<u>11,506,278</u>
Deferred Inflows of Resources:	
Deferred inflows related to OPEB	<u>203,064</u>
Net Position:	
Net investment in capital assets	41,355,004
Unrestricted	<u>11,418,132</u>
Total Net Position	<u>\$ 52,773,136</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, 2020**

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	\$ 2,081,194	\$ 294,262	\$ 5,500	\$ (1,781,432)
Public safety	755,041	4,636	100	(750,305)
Public works	2,254,342	42,749		(325,438)
Parks and recreation	125,090	82,051		(43,039)
Health and welfare	277,545		58,673	(218,872)
Sewer operations	279,794	362,648		82,854
Library	342,168			(342,168)
Education	20,566,188	106,041	5,270,388	(15,189,759)
Interest on long-term debt	223,060			(223,060)
Total	\$ 26,904,422	\$ 892,387	\$ 5,334,661	\$ 1,886,155
General revenues:				
Property taxes				22,250,584
Grants and contributions not restricted to specific programs				76,915
Unrestricted investment earnings				104,373
Miscellaneous				124,704
Total general revenues				<u>22,556,576</u>
Change in net position				3,765,357
Net Position at Beginning of Year				<u>49,007,779</u>
Net Position at End of Year				<u>\$ 52,773,136</u>

The accompanying notes are an integral part of the financial statements

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

	<u>General</u>	<u>CNR</u>	<u>MWPCA Benefit Assessment</u>	<u>Miscellaneous Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 4,498,110	\$ 1,449,126	\$ 484,250	\$ 11,597	\$ 951,970	\$ 7,395,053
Receivables, net	384,141		4,158,424	1,236,698	354,167	6,133,430
Due from other funds	926,214					926,214
Inventory					3,551	3,551
Total Assets	<u>\$ 5,808,465</u>	<u>\$ 1,449,126</u>	<u>\$ 4,642,674</u>	<u>\$ 1,248,295</u>	<u>\$ 1,309,688</u>	<u>\$ 14,458,248</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 289,591	\$ 111,682		\$ 378,944	\$ 67,216	\$ 847,433
Due to other funds		16,288	48,794	860,754	378	926,214
Unearned revenue				10,534	22,449	32,983
Total liabilities	<u>289,591</u>	<u>127,970</u>	<u>48,794</u>	<u>1,250,232</u>	<u>90,043</u>	<u>1,806,630</u>
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	263,373					263,373
Unavailable revenue - special assessments			4,158,424		15,916	4,174,340
Unavailable revenue - grants				1,020,605		1,020,605
Unavailable revenue - CDBG loans receivable					302,827	302,827
Total deferred inflows of resources	<u>263,373</u>	<u>-</u>	<u>4,158,424</u>	<u>1,020,605</u>	<u>318,743</u>	<u>5,761,145</u>
Fund balances:						
Nonspendable					3,551	3,551
Restricted			435,456		270,182	705,638
Committed		1,321,156			627,169	1,948,325
Assigned	548,341					548,341
Unassigned	4,707,160			(1,022,542)		3,684,618
Total fund balances	<u>5,255,501</u>	<u>1,321,156</u>	<u>435,456</u>	<u>(1,022,542)</u>	<u>900,902</u>	<u>6,890,473</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,808,465</u>	<u>\$ 1,449,126</u>	<u>\$ 4,642,674</u>	<u>\$ 1,248,295</u>	<u>\$ 1,309,688</u>	<u>\$ 14,458,248</u>

(Continued on next page)

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

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

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

Fund balances - total governmental funds (Exhibit III)	\$ 6,890,473
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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	\$ 84,624,089	
Less accumulated depreciation	<u>33,741,032</u>	
Net capital assets		50,883,057

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	170,718
Interest receivable on property taxes	92,655
Assessments receivable	4,158,424
Sewer operations receivable	15,916
Housing loans	302,827
Unavailable grants	1,020,605

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	(9,295,013)
Interest payable on bonds and notes	(10,803)
Capital lease	(173,730)
Compensated absences	(598,332)
Total OPEB liability	(444,318)
Deferred outflows related to OPEB	23,031
Deferred inflows related to OPEB	(203,064)
Bond premiums	(103,666)
Deferred charge on refunding	<u>44,356</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 52,773,136</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, 2020

	<u>General</u>	<u>CNR</u>	<u>MWPCA Benefit Assessment</u>	<u>Miscellaneous Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 22,218,797	\$	\$	\$	\$	\$ 22,218,797
Intergovernmental	4,486,249			713,216	513,762	5,713,227
Charges for services	257,379		305,994		566,007	1,129,380
Income on investments	80,978	23,395				104,373
Miscellaneous	43,463	51,981	20		76,141	171,605
Total revenues	<u>27,086,866</u>	<u>75,376</u>	<u>306,014</u>	<u>713,216</u>	<u>1,155,910</u>	<u>29,337,382</u>
Expenditures:						
Current:						
General government	1,986,117			5,500	49,478	2,041,095
Public safety	565,069				622	565,691
Public works	1,368,689			6,750	622,936	1,998,375
Health and welfare	179,475			54,303	43,767	277,545
Parks and recreation	87,502			2,500	82,853	172,855
Sewer operations					279,794	279,794
Education	18,912,573				383,588	19,296,161
Library	342,168					342,168
Debt service	1,877,488					1,877,488
Capital outlay		1,459,507		1,666,705		3,126,212
Total expenditures	<u>25,319,081</u>	<u>1,459,507</u>	<u>-</u>	<u>1,735,758</u>	<u>1,463,038</u>	<u>29,977,384</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,767,785</u>	<u>(1,384,131)</u>	<u>306,014</u>	<u>(1,022,542)</u>	<u>(307,128)</u>	<u>(640,002)</u>
Other Financing Sources (Uses):						
Transfers in	326,547	1,463,224			8,607	1,798,378
Transfers out	(1,471,831)		(298,794)		(27,753)	(1,798,378)
Total other financing sources (uses)	<u>(1,145,284)</u>	<u>1,463,224</u>	<u>(298,794)</u>	<u>-</u>	<u>(19,146)</u>	<u>-</u>
Net Change in Fund Balances	622,501	79,093	7,220	(1,022,542)	(326,274)	(640,002)
Fund Balances at Beginning of Year	<u>4,633,000</u>	<u>1,242,063</u>	<u>428,236</u>	<u>-</u>	<u>1,227,176</u>	<u>7,530,475</u>
Fund Balances at End of Year	<u>\$ 5,255,501</u>	<u>\$ 1,321,156</u>	<u>\$ 435,456</u>	<u>\$ (1,022,542)</u>	<u>\$ 900,902</u>	<u>\$ 6,890,473</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, 2020**

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ (640,002)
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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	3,893,415
Depreciation expense	(1,875,224)

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.	(16,980)
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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	(4,950)
Property tax receivable - accrual basis change	15,472
Property tax interest and lien revenue - accrual basis change	16,315
Sewer assessment and sewer receivable - accrual basis change	(278,625)
Change in deferred outflows related to OPEB	(1,979)
Unavailable revenue - accrual basis change	1,020,605

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	1,523,553
Capital lease payments	98,694

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	12,842
Accrued interest	4,803
Change in total OPEB liability	147,234
Change in deferred inflows related to OPEB	(177,194)
Amortization of deferred charge on refunding	(19,713)
Amortization of bond premiums	47,091

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 3,765,357</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, 2020**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>72,143</u>
Liabilities:	
Deposits held for others	\$ <u><u>72,143</u></u>

The accompanying notes are an integral part of the financial statements

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Miscellaneous Grants fund accounts for all of the Town grant projects, most significantly STEAP, Local Federal Bridge Program and LOTCIP. The major source of revenue for this fund is governmental grants.

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.

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

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.

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 (over \$800) 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 \$75,140 has been established as an allowance for uncollectible taxes. At June 30, 2020, this represents 23.77% 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.

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

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.

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

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

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

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

H. Deferred Outflows/Inflows of Resources

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

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

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

I. Compensated Absences

Employees are paid by prescribed formula for absence due to vacation or sickness. The liability for accumulated vacation and sick pay earned and not paid as of June 30, 2020 is reflected in the accompanying government-wide financial statements.

J. Long-Term Obligations

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

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

K. Fund Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

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

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.

L. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

M. Subsequent Events

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through December 2, 2020, the date that the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

General Fund

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

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

The General Fund budget is prepared on a modified accrual basis of accounting, except for payroll, which is reported on a cash basis, and encumbrances, which are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued. There were no additional appropriations approved during the year for the General Fund. Encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year. Additionally, the Town does not budget for revenue or expenditures associated with pension and OPEB on-behalf contributions from the State of Connecticut on behalf of Marlborough teachers. The pension and OPEB on-behalf contributions from the State of Connecticut Teachers Retirement plans for the current year were \$1,268,085 and \$34,658, respectively.

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

B. Deficit Fund Equity

The Miscellaneous Grants Fund, a major fund, had a fund balance deficit of \$1,022,542 as of June 30, 2020. This deficit will be eliminated in future years by the receipt of grant revenue.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

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

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

Deposits

Deposit Custodial Credit Risk

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$4,416,767 of the Town’s bank balance of \$5,666,767 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,867,676
Uninsured and collateralized held by pledging bank	<u>549,091</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 4,416,767</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, 2020, the Town’s cash equivalents amounted to \$2,374,469. The following table provides a summary of the Town’s cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	<u>Standard & Poor’s</u>	<u>Amount</u>
State Short-Term Investment Fund (STIF)	AAAm	\$ 2,374,469

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

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>Miscellaneous Grants</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:					
Loans - small cities	\$	\$	\$	\$ 302,827	\$ 302,827
Interest	92,655				92,655
Taxes	316,099				316,099
Accounts receivable	50,527			17,362	67,889
Sewer benefit assessments		4,158,424			4,158,424
Intergovernmental			1,236,698	33,978	1,270,676
Gross receivables	<u>459,281</u>	<u>4,158,424</u>	<u>1,236,698</u>	<u>354,167</u>	<u>6,208,570</u>
Less allowance for uncollectibles	<u>75,140</u>				<u>75,140</u>
Net Total Receivables	<u>\$ 384,141</u>	<u>\$ 4,158,424</u>	<u>\$ 1,236,698</u>	<u>\$ 354,167</u>	<u>\$ 6,133,430</u>

5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,936,589	\$	\$	\$	\$ 2,936,589
Construction in progress	763,680	2,259,399		(85,556)	2,937,523
Total capital assets not being depreciated	<u>3,700,269</u>	<u>2,259,399</u>	<u>-</u>	<u>(85,556)</u>	<u>5,874,112</u>
Capital assets being depreciated:					
Buildings	22,875,334	46,294	29,979		22,891,649
Furniture and equipment	6,030,000	358,673	238,265		6,150,408
Infrastructure	48,403,875	1,229,049	10,560	85,556	49,707,920
Total capital assets being depreciated	<u>77,309,209</u>	<u>1,634,016</u>	<u>278,804</u>	<u>85,556</u>	<u>78,749,977</u>
Less accumulated depreciation for:					
Buildings	13,838,681	713,613	17,027		14,535,267
Furniture and equipment	3,851,940	282,202	236,877		3,897,265
Infrastructure	14,437,011	879,409	7,920		15,308,500
Total accumulated depreciation	<u>32,127,632</u>	<u>1,875,224</u>	<u>261,824</u>	<u>-</u>	<u>33,741,032</u>
Total capital assets being depreciated, net	<u>45,181,577</u>	<u>(241,208)</u>	<u>16,980</u>	<u>85,556</u>	<u>45,008,945</u>
Governmental Activities Capital Assets, Net	<u>\$ 48,881,846</u>	<u>\$ 2,018,191</u>	<u>\$ 16,980</u>	<u>\$ -</u>	<u>\$ 50,883,057</u>

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

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 40,718
Public safety	116,867
Public works	990,782
Parks and recreation	21,876
Education	<u>704,981</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>1,875,224</u></u>

6. CAPITAL PROJECTS

Following is a summary of significant project authorizations in the Capital and Nonrecurring Fund as of June 30, 2020:

Description	Project Authorization	Current Year Expenditures	Encumbrance	Cumulative Expenditures and Encumbrances	Balance June 30, 2020
General Government - Reserve	\$ 59,304	\$	\$	\$	\$ 59,304
Revaluation	70,664	24,385	28,015	59,900	10,764
Plan of Development	25,000	12,984	770	20,935	4,065
Security Upgrades Town Facilities	25,000	4,555		24,594	406
Energy Improvements Town Hall	18,700	4,750		17,578	1,122
Phone System - Town Buildings	20,000	15,342		15,342	4,658
Generator - Senior Center	10,500	5,250	5,250	10,500	-
Police Vehicle	53,400	53,207		53,207	193
Fire Department - Reserve	75,000				75,000
Thermal Imaging Camera - FD	9,300	9,245		9,245	55
Radion Upgrades - Fire Department	43,000	42,716	284	43,000	-
Open Space - Recreational Land	50,000			7,118	42,882
Drill Additional Wells for Water System	50,000				50,000
ADA Compliance - Blish Park	92,700	72,053		74,453	18,247
Engineering-Fawn Brook Bridge	421,194	166,711		219,720	201,474
Design & Eng. Jones Hollow Bridge	521,000	273,869		345,606	175,394
Capital Design & Engineering	124,355	63,307		63,307	61,048
Road Reconstruction	477,437	229,653	8,598	238,251	239,186
South Main St Repaving Proj. (LOTICIP Ph I)	92,400	319		91,536	864
South Main St Repaving Proj. (LOTICIP Ph II)	65,000	40,903		51,891	13,109
Public Works Reserve	195,930				195,930
Metal Building Improvements - Public Works	29,600	12,858		29,566	34
Mason Dump Truck - Public Works	72,676	72,608		72,608	68
SCAG Mower - Public Works	15,000	8,329		8,329	6,671
Sander - Public Works	6,000	5,544		5,544	456
Roof Replacement Plan Reserve - MES	20,000				20,000
Boiler Replacement Reserve - MES	15,000				15,000
HVAC - MES	19,427	19,427		19,427	-
Electrical work-Server Rm/Classroom - MES	1,573	1,573		1,573	-
Elevator Door Edge - MES	4,102	4,102		4,102	-
Fire Suppression Upgrades - MES	1,413	1,413		1,413	-
Fuel Level Control System - MES	14,695		14,695	14,695	-
Technology Infrastructure - MES	7,276	7,276		7,276	-
Paving Project - MES Parking Lot	290,735	290,735		290,735	-
Painting - MES	9,500	9,500		9,500	-
Window Film - MES	6,893	6,893		6,893	-
Board of Education MECCA Reserve	<u>30,163</u>				<u>30,163</u>
	<u>\$ 3,043,937</u>	<u>\$ 1,459,507</u>	<u>\$ 57,612</u>	<u>\$ 1,817,844</u>	<u>\$ 1,226,093</u>

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

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2020, the interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	CNR Fund	\$ 16,288
General Fund	MWPCA Benefit Assessment Fund	48,794
General Fund	Miscellaneous Grants Fund	860,754
General Fund	Nonmajor Governmental Funds	<u>378</u>
Total		<u>\$ 926,214</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	\$	\$ 1,463,224	\$ 8,607	\$ 1,471,831
MWPCA Benefit Assessment	298,794			298,794
Nonmajor Governmental Funds	<u>27,753</u>			<u>27,753</u>
Total	<u>\$ 326,547</u>	<u>\$ 1,463,224</u>	<u>\$ 8,607</u>	<u>\$ 1,798,378</u>

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

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

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 2,820,000	\$	\$ 945,000	\$ 1,875,000	\$ 695,000
CWF loans	7,998,566		578,553	7,420,013	590,231
Bond issuance premiums	150,757		47,091	103,666	
Total bonds and notes payable	10,969,323	-	1,570,644	9,398,679	1,285,231
Compensated absences	611,174	3,218	16,060	598,332	15,302
Capital lease	272,424		98,694	173,730	101,465
Total OPEB liability	591,552		147,234	444,318	
Total Governmental Activities Long-Term Liabilities	<u>\$ 12,444,473</u>	<u>\$ 3,218</u>	<u>\$ 1,832,632</u>	<u>\$ 10,615,059</u>	<u>\$ 1,401,998</u>

A schedule of governmental activities bonds payable as of June 30, 2020 is presented below:

<u>Description</u>	<u>Principal Amount Payable</u>
\$6,205,000 of school improvement and general obligation bonds issued on September 8, 2011 and maturing serially to May 15, 2023 at an interest rate of 2-4%	\$ 1,485,000
\$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%	390,000
\$908,774 of Clean Water Loans issued July 31, 2007 and maturing serially to April 30, 2023 at an interest rate of 2%	294,921
\$8,151,743 of Clear Water Loans issued October 31, 2010 and maturing serially to September 30, 2030 at an interest rate of 2%	4,582,738
\$613,583 of Clean Water Loans issued May 31, 2015 and maturing serially to December 31, 2034 at an interest rate of 2%	474,960
\$2,343,844 of Clean Water Loans issued October 31, 2017 and maturing serially to April 30, 2037 at an interest rate of 2%	2,067,394
Total	<u>\$ 9,295,013</u>

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

The following is a schedule of long-term debt maturities as of June 30, 2020:

<u>Year Ending June 30</u>	<u>Amount Due</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,285,231	\$ 207,434
2022	1,292,144	173,421
2023	1,104,298	138,542
2024	626,747	106,543
2025	639,347	93,893
2026-2030	3,137,833	281,608
2031-2035	949,061	68,275
2036-2037	<u>260,352</u>	<u>5,019</u>
Total	<u>\$ 9,295,013</u>	<u>\$ 1,074,735</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. This is carried as long-term debt and is included in the preceding debt tables above.

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General Purpose	\$ 48,173	\$ 1,485	\$ 46,688
Schools	96,345	3,013	93,332
Sewers	80,288	7,420	72,868
Urban renewal	69,583		69,583
Pension deficit	64,230		64,230

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

Marlborough is a member of Regional School District #8, which provides education for grades seven through twelve for the towns of Marlborough, Andover and Hebron. As of June 30, 2020, the District has bonds outstanding of \$7,870,000. The Town of Marlborough’s share will be approximately 33.33%. These are general obligations of Regional School District #8 and its member towns.

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

9. CAPITAL LEASES

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

Asset:	
Furniture and equipment	\$ 682,008
Less accumulated depreciation	<u>(161,095)</u>
Total	<u>\$ 520,913</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, 2020:

<u>Fiscal Year Ending June 30</u>	
2021	\$ 107,110
2022	38,238
2023	<u>38,238</u>
Total future minimum lease payments	183,586
Interest on future lease payments	<u>(9,856)</u>
Principal Balance of Future Minimum Payments	<u>\$ 173,730</u>

10. OTHER POSTEMPLOYMENT BENEFITS

Town Plan

A. Plan Description

The Town, in accordance with the various collective bargaining agreements, is required to provide health benefits to certain eligible retirees and/or their spouses. The Other Postemployment Benefit (OPEB) program covers the Board of Education’s teachers and administrators. Retired but not yet Medicare-eligible members and/or their dependents currently receiving benefits are required to contribute towards the cost of receiving those benefits under the Town’s health insurance plan, which is fully insured through the joint venture health consortium described in footnote 14. 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, 2019, plan membership consisted of the following:

Inactive employees currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>43</u>
Total	<u><u>44</u></u>

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

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.

Total OPEB Liability

The Town's total OPEB liability of \$444,318 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined in the June 30, 2019 actuarial valuation using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.60%
Salary increases	2.60%, average, including inflation
Discount rate	2.21%
Healthcare cost trend rates	6.50 % for 2019, decreasing 0.2% per year to an ultimate rate of 4.6% for 2022 and later years
Retirees' share of benefit-related costs	100% of projected health insurance premiums for retirees

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

Mortality rates were based on Pub-2010 Public Retirement Plans Amount Weighted Mortality Tables projected to the valuation date with Scale MP-2019.

The actuarial assumptions used in the July 1, 2019 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor.

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balances as of July 1, 2019	\$ <u>591,552</u>
Changes for the year:	
Service cost	20,262
Interest on total OPEB liability	21,581
Difference between expected and actual experience	(167,031)
Changes in assumptions or other inputs	(28,189)
Benefit payments	6,143
Net changes	<u>(147,234)</u>
Balances as of June 30, 2020	\$ <u><u>444,318</u></u>

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 496,495	\$ 444,318	\$ 399,029

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

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 380,828	\$ 444,318	\$ 522,022

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

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

For the year ended June 30, 2020, the Town recognized OPEB expense of \$24,476. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,227	\$ 161,377
Changes of assumptions	<u>21,804</u>	<u>41,687</u>
Total	<u>\$ 23,031</u>	<u>\$ 203,064</u>

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

Year Ending June 30

2021	\$ (16,047)
2022	(16,047)
2023	(16,047)
2024	(16,047)
2025	(16,047)
Thereafter	(99,798)

State Teachers Retirement Plan

A. Plan Description

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

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

B. Benefit Provisions

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

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

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

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

Survivor Health Care Coverage

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

C. Eligibility

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

Credited Service

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

Normal Retirement

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

Early Retirement

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

Proratable Retirement

Age 60 with 10 years of Credited Service

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

Disability Retirement

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

Termination of Employment

Ten or more years of Credited Service.

D. Contributions

State of Connecticut

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

Employer (School Districts)

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

For the year ended June 30, 2020, the amount of "on-behalf" contributions made by the State was \$34,658 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

Employees/Retirees

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

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

At June 30, 2020, the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the Town was as follows:

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>2,612,669</u>
Total	<u>\$ 2,612,669</u>

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

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

For the year ended June 30, 2020, the Town recognized OPEB expense and revenue of \$(191,186) in Exhibit II.

F. Actuarial Assumptions

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

Inflation	2.50%
Health care costs trend rate	
Pre-Medicare	5.95% decreasing to 4.75% by 2025
Medicare	5.00% decreasing to 4.75% by 2028
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2019

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

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

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.41%).

G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination.

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

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

I. Other Information

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

11. RISK MANAGEMENT

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

12. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Connecticut Teachers Retirement System - Pension

A. Plan Description

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

B. Benefit Provisions

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

Normal Retirement

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

Early Retirement

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

**TOWN OF MARLBOROUGH, CONNECTICUT
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Disability Retirement

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

C. Contributions

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

Employer (School Districts)

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

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

For the year ended June 30, 2020, the amount of "on-behalf" contributions made by the State was \$1,268,085 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

Employees

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

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

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

At June 30, 2020, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		<u>16,752,634</u>
Total	\$	<u><u>16,752,634</u></u>

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

For the year ended June 30, 2020, the Town recognized pension expense and revenue of \$2,057,509 in Exhibit II.

**TOWN OF MARLBOROUGH, CONNECTICUT
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JUNE 30, 2020**

E. Actuarial Assumptions

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

Inflation	2.50%
Salary increase	3.25-6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

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

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

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, 2020**

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2020**

13. FUND BALANCE

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

	General Fund	Major Special Revenue Funds			Nonmajor Governmental Funds	Total
		CNR	MWPCA Benefit Assessment	Miscellaneous Grants		
Fund balances:						
Nonspendable:						
Inventory	\$	\$	\$	\$	\$ 3,551	\$ 3,551
Restricted for:						
Open space recreation land						
Unspent grant balances					270,182	270,182
Sewer operations			435,456			435,456
Committed to:						
Revaluation		10,764				10,764
Plan of Development		4,065				4,065
Security Upgrades Town Facilities		406				406
Energy Improvements Town Hall		1,122				1,122
Phone System - Town Buildings		4,658				4,658
Fire Department Reserve		75,000				75,000
Police Vehicle		193				193
Thermal Imaging Camera - FD		55				55
Open Space - Recreational Land		42,882				42,882
Drill Additional Wells for Water System		50,000				50,000
ADA Compliance - Blish Park		18,247				18,247
Engineering-Fawn Brook Bridge		201,474				201,474
Design & Eng. Jones Hollow Bridge		175,394				175,394
Capital Design & Engineering		61,048				61,048
Road Reconstruction		239,186				239,186
South Main St Repaving Proj. (LOTICIP Ph I)		864				864
South Main St Repaving Proj. (LOTICIP Ph II)		13,109				13,109
Public Works Reserve		195,930				195,930
Metal Building Improvements - Public Works		34				34
Mason Dump Truck - Public Works		68				68
SCAG Mower - Public Works		6,671				6,671
Sander - Public Works		456				456
Roof Replacement Plan Reserve - MES		20,000				20,000
Boiler Replacement Reserve - MES		15,000				15,000
Board of Education MECCA Reserve		30,163				30,163
Other Capital Projects		95,063				95,063
General government		59,304			49,377	108,681
Public works					231,779	231,779
WPCA					246,187	246,187
Parks and recreation					73,990	73,990
Education					25,836	25,836
Assigned to:						
Subsequent year's budget	458,523					458,523
General government	7,249					7,249
Public safety	11,159					11,159
Public works	67,080					67,080
Health and welfare	4,330					4,330
Unassigned	4,707,160			(1,022,542)		3,684,618
Total Fund Balances	\$ 5,255,501	\$ 1,321,156	\$ 435,456	\$ (1,022,542)	\$ 900,902	\$ 6,890,473

Encumbrances of \$89,818, \$57,612 and \$5,975 at June 30, 2020 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.

14. JOINT VENTURES

Regional School District 8 Health and Medical Insurance Consortium

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

15. CORONAVIRUS (COVID-19)

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

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

16. 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.

**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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Property taxes:				
Current year levy	\$ 21,774,797	\$ 21,774,797	\$ 21,928,293	\$ 153,496
Prior years' collection	110,000	110,000	188,496	78,496
Interest, lien fees and other	88,000	88,000	102,008	14,008
Total property taxes	<u>21,972,797</u>	<u>21,972,797</u>	<u>22,218,797</u>	<u>246,000</u>
Intergovernmental revenues:				
State of Connecticut:				
Veterans exemption	2,460	2,460	2,708	248
Disability exemption	700	700	821	121
Civil preparedness	2,500	2,500		(2,500)
In lieu of taxes on state property	14,788	14,788	14,788	-
Miscellaneous state grants	6,500	6,500	7,814	1,314
Mashantucket Pequot grant	1,807	1,807	1,807	-
Municipal stabilization grant	48,977	48,977	48,977	-
Educational programs:				
Educational cost sharing	2,920,246	2,920,246	2,952,329	32,083
Total intergovernmental revenues	<u>2,997,978</u>	<u>2,997,978</u>	<u>3,029,244</u>	<u>31,266</u>
Local revenues:				
Licenses, fees, permits and charges for services:				
Real estate conveyance tax	68,000	68,000	91,129	23,129
Conservation/farm land	2,500	2,500	2,288	(212)
Building permits	85,000	85,000	105,412	20,412
Recording fees and sports licenses	31,000	31,000	38,779	7,779
Photo copier fees	6,000	6,000	6,480	480
Miscellaneous	25,000	25,000	44,838	19,838
Telephone tax share	9,000	9,000	8,655	(345)
Total licenses, fees, permits and charges for services	<u>226,500</u>	<u>226,500</u>	<u>297,581</u>	<u>71,081</u>
Investment income	<u>50,000</u>	<u>50,000</u>	<u>80,978</u>	<u>30,978</u>

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Transfers from other funds	\$ <u>367,753</u>	\$ <u>367,753</u>	\$ <u>326,547</u>	\$ <u>(41,206)</u>
Use of fund balance	<u>375,000</u>	<u>375,000</u>	<u>36,881</u>	<u>(338,119)</u>
Total	\$ <u><u>25,990,028</u></u>	\$ <u><u>25,990,028</u></u>	25,990,028	\$ <u><u>-</u></u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf pension contributions			1,268,085	
State of Connecticut on-behalf OPEB contributions			34,658	
The Town budgets for excess cost grant revenues as an offset to education expenditures, rather than revenue			154,262	
Cancellation of prior year encumbrances are recognized as budgetary revenue			(1,375)	
Dog license fund revenues are not budgeted			4,636	
The Town budgets for use of fund balance, which is not considered revenue for GAAP purposes			<u>(36,881)</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			\$ <u><u>27,413,413</u></u>	

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

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General government:				
Selectmen	\$ 2,100	\$ 2,100	\$ 1,976	\$ 124
Town Clerk	19,600	19,600	17,853	1,747
Tax Collector	15,537	15,537	13,839	1,698
Treasurer	12,980	13,515	13,448	67
Election expenses	10,243	10,243	7,402	2,841
Town Counsel	90,000	95,129	95,128	1
Assessor	17,460	17,460	15,029	2,431
Appointed personnel	1,587,408	1,587,408	1,439,623	147,785
Town Hall	76,797	76,262	72,782	3,480
Administrative expenses	203,504	198,375	191,886	6,489
Land Use Department	6,480	6,480	5,299	1,181
Library Building	34,490	34,490	34,410	80
Senior Center Building	31,570	31,570	29,655	1,915
Commission on Aging Operating	300	300		300
Economic Development Committee	4,125	4,125	291	3,834
Board of Finance	17,025	17,025	16,582	443
Board of Assessment Appeal	480	480	480	-
Lake Study Advisory	16,500	16,500	13,490	3,010
Contingency	100,000	100,000		100,000
Capital Region Council on Governments	7,413	7,413	7,413	-
Connecticut Conference of Municipalities	3,836	3,836	3,836	-
Connecticut Conference of Small Towns	825	825	825	-
Total general government	<u>2,258,673</u>	<u>2,258,673</u>	<u>1,981,247</u>	<u>277,426</u>
Public safety:				
Fire Commissioners	46,810	46,810	40,140	6,670
Fire Department	110,135	109,686	106,209	3,477
Firehouse #2	31,305	31,754	31,597	157
Public Safety	388,315	384,374	343,496	40,878
Civil Preparedness	7,511	11,452	10,423	1,029
Emergency Dispatch 911	12,860	12,860	12,860	-
Paramedic Service - Middlesex Hospital	6,430	6,430	1,904	4,526
North Central CT EMS Council	5,727	5,727	5,726	1
Total public safety	<u>609,093</u>	<u>609,093</u>	<u>552,355</u>	<u>56,738</u>
Public works:				
Town Garage	918,141	918,141	797,728	120,413
General maintenance roads	169,000	169,000	168,874	126
Snow removal and sanding	174,000	165,319	102,775	62,544
Tree Warden	45,500	54,181	53,816	365
Contracted services operating	123,750	123,750	114,583	9,167
Sanitation/landfill	197,320	197,320	159,866	37,454
Total public works	<u>1,627,711</u>	<u>1,627,711</u>	<u>1,397,642</u>	<u>230,069</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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Health and welfare:				
Health services	\$ 448	\$ 448	\$ 448	\$ -
Agent for the Aged	24,144	24,144	15,079	9,065
Food Bank	5,970	5,970	5,322	648
Chatham Health District	75,553	75,805	75,804	1
Cemeteries	1,500	1,500	1,500	-
AHM	86,746	86,494	85,202	1,292
Total health and welfare	<u>194,361</u>	<u>194,361</u>	<u>183,355</u>	<u>11,006</u>
Parks and recreation:				
Parks and Recreation				
Commission	83,413	83,413	82,389	1,024
Memorial day	900	900		900
Salmon River Watershed Partnership	5,000	5,000	5,000	-
Total parks and recreation	<u>89,313</u>	<u>89,313</u>	<u>87,389</u>	<u>1,924</u>
Education:				
Elementary Education	7,410,379	7,410,379	7,405,972	4,407
Teacher's Pension	47,411	47,411		47,411
Transfer to Regional School				
District #8	10,049,596	10,049,596	10,049,596	-
Total education	<u>17,507,386</u>	<u>17,507,386</u>	<u>17,455,568</u>	<u>51,818</u>
Libraries:				
Richmond Memorial Library	342,168	342,168	342,168	-
Debt service:				
Principal	1,630,666	1,630,680	1,630,677	3
Interest	246,826	246,812	246,811	1
Total debt service	<u>1,877,492</u>	<u>1,877,492</u>	<u>1,877,488</u>	<u>4</u>
Total expenditures	<u>24,506,197</u>	<u>24,506,197</u>	<u>23,877,212</u>	<u>628,985</u>

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**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, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Transfers to other funds:				
CNR	\$ 1,463,224	\$ 1,463,224	\$ 1,463,224	\$ -
Dog Fund	12,000	12,000	10,000	2,000
Probate Court	8,607	8,607	8,607	-
Total transfers to other funds	<u>1,483,831</u>	<u>1,483,831</u>	<u>1,481,831</u>	<u>2,000</u>
Total	<u>\$ 25,990,028</u>	<u>\$ 25,990,028</u>	25,359,043	<u>\$ 630,985</u>

Budgetary expenditures are different than GAAP revenues because:

State of Connecticut on-behalf pension contributions	1,268,085
State of Connecticut on-behalf OPEB contributions	34,658
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	(36,154)
The Town budgets for excess cost grant revenues as an offset to education expenditures, rather than revenue	154,262
Payroll recorded on a cash basis for budgetary purposes - change in accrual	6,605
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	(10,000)
Dog Fund expenditures are not budgeted	<u>14,413</u>

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

\$ 26,790,912

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>10,061,640</u>	<u>10,899,807</u>	<u>14,290,313</u>	<u>13,545,222</u>	<u>12,917,254</u>	<u>16,752,634</u>
Total	<u>\$ 10,061,640</u>	<u>\$ 10,899,807</u>	<u>\$ 14,290,313</u>	<u>\$ 13,545,222</u>	<u>\$ 12,917,254</u>	<u>\$ 16,752,634</u>
Town's covered payroll	\$ 3,797,276	\$ 4,002,228	\$ 3,937,913	\$ 4,039,864	\$ 3,919,900	\$ 3,688,387
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%	59.50%	52.26%	55.93%	57.69%	52.00%

Notes to Schedule

Changes in benefit terms

HB 7424 made the following provision changes:

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

Changes of assumptions

HB 7424 made the following assumption changes:

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

Actuarial cost method

Entry age

Amortization method

Level percent of pay, closed

Single equivalent amortization period

17.6 years

Asset valuation method

4-year smoothed market

Inflation

2.75%

Salary increase

3.25%-6.50%, including inflation

Investment rate of return

8.00%, net of investment related expense

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Town's proportion of the net OPEB liability	0.00%	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>3,486,396</u>	<u>2,582,226</u>	<u>2,612,669</u>
Total	<u>\$ 3,486,396</u>	<u>\$ 2,582,226</u>	<u>\$ 2,612,669</u>
Town's covered payroll	\$ 4,039,864	\$ 3,919,900	\$ 3,688,387
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%	1.49%	2.08%

Notes to Schedule

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

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

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability:			
Service cost	\$ 18,264	\$ 18,039	\$ 20,262
Interest	19,474	21,449	21,581
Differences between expected and actual experience	1,572	(9,282)	(167,031)
Changes of assumptions and other inputs	(20,218)	25,532	(28,189)
Benefit payments	(16,247)	(763)	6,143
Net change in total OPEB liability	<u>2,845</u>	<u>54,975</u>	<u>(147,234)</u>
Total OPEB liability - beginning	<u>533,732</u>	<u>536,577</u>	<u>591,552</u>
 Total OPEB Liability - Ending	 <u>\$ 536,577</u>	 <u>\$ 591,552</u>	 <u>\$ 444,318</u>
 Covered payroll	 \$ 4,084,506	 \$ 4,190,703	 \$ 4,069,431
 Total OPEB liability as a percentage of covered payroll	 13.14%	 14.12%	 10.92%

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

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 4,498,110	\$ 5,016,451
Property taxes receivable, net of allowance for doubtful accounts of \$75,140 in 2020 and \$55,820 in 2019	240,959	194,714
Other accounts receivable	143,182	86,837
Due from other funds	<u>926,214</u>	<u>2,585</u>
Total Assets	<u>\$ 5,808,465</u>	<u>\$ 5,300,587</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 289,591	\$ 428,532
Due to other funds		7,469
Total liabilities	<u>289,591</u>	<u>436,001</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	<u>263,373</u>	<u>231,586</u>
Fund balance:		
Assigned	548,341	424,998
Unassigned	4,707,160	4,208,002
Total fund balance	<u>5,255,501</u>	<u>4,633,000</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 5,808,465</u>	<u>\$ 5,300,587</u>

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

Grand List	Uncollected Taxes July 1, 2019	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2020
		Additions	Deductions			Taxes	Interest	Total	
2018	\$ 22,197,512	\$ 13,876	\$ 52,087	\$ 19,564	\$ 22,139,737	\$ 21,928,805	\$ 62,860	\$ 21,991,665	\$ 210,932
2017	143,943	1,524	5,108	8,080	132,279	84,230	19,592	103,822	48,049
2016	57,773	2,706	2,751	11,404	46,324	24,409	7,767	32,176	21,915
2015	26,463		141	7,168	19,154	2,501	2,116	4,617	16,653
2014	10,688			462	10,226	1,874	777	2,651	8,352
2013	6,752				6,752	581	232	813	6,171
2012	2,894				2,894	1,347	2,279	3,626	1,547
2011	547				547			-	547
2010	779				779			-	779
2009	84				84			-	84
2008	180				180			-	180
2007	179				179			-	179
2006	157				157	(10)		(10)	167
2005	(165)				(165)			-	(165)
2004	709				709			-	709
	<u>\$ 22,448,495</u>	<u>\$ 18,106</u>	<u>\$ 60,087</u>	<u>\$ 46,678</u>	<u>\$ 22,359,836</u>	<u>\$ 22,043,737</u>	<u>\$ 95,623</u>	22,139,360	<u>\$ 316,099</u>
			Liens and penalties					7,610	
			Suspense collections					7,211	
			Total Collections					<u>\$ 22,154,181</u>	

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

	Special Revenue Funds						
	Small Cities	Special Purpose Fund	Town Aid Road	Recycling	Cafeteria	Parks and Recreation	Sewer
ASSETS							
Cash and cash equivalents	\$ 132,149	\$ 25,115	\$ 126,193	\$ 58,328	\$ 33,421	\$ 75,198	\$ 11
Accounts receivable	302,827			1,351	22,844	95	
Inventory					3,551		
Total Assets	\$ 434,976	\$ 25,115	\$ 126,193	\$ 59,679	\$ 59,816	\$ 75,293	\$ 11
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$	\$ 870	\$	\$ 1,549	\$ 21,333	\$ 355	\$
Due to other funds							11
Unearned revenue	12,405				9,096	948	
Total liabilities	12,405	870	-	1,549	30,429	1,303	11
Deferred Inflows of Resources:							
Unavailable revenue - special assessments							
Unavailable revenue - CDBG loans receivable	302,827						
Total deferred inflows of resources	302,827	-	-	-	-	-	-
Fund Balances:							
Nonspendable					3,551		
Restricted	119,744	24,245	126,193				
Committed				58,130	25,836	73,990	
Total fund balances	119,744	24,245	126,193	58,130	29,387	73,990	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 434,976	\$ 25,115	\$ 126,193	\$ 59,679	\$ 59,816	\$ 75,293	\$ 11

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

	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	\$ 32,350	\$ 206	\$ 173,649	\$ 274,792	\$ 13,160	\$ 7,398	\$ 951,970
Accounts receivable		11,134		15,916			354,167
Inventory							3,551
Total Assets	\$ 32,350	\$ 11,340	\$ 173,649	\$ 290,708	\$ 13,160	\$ 7,398	\$ 1,309,688
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable		\$ 11,340		\$ 28,254	\$ 2,681	\$ 834	\$ 67,216
Due to other funds				351	16		378
Unearned revenue							22,449
Total liabilities	-	11,340	-	28,605	2,697	834	90,043
Deferred Inflows of Resources:							
Unavailable revenue - special assessments				15,916			15,916
Unavailable revenue - CDBG loans receivable							302,827
Total deferred inflows of resources	-	-	-	15,916	-	-	318,743
Fund Balances:							
Nonspendable							3,551
Restricted							270,182
Committed	32,350		173,649	246,187	10,463	6,564	627,169
Total fund balances	32,350	-	173,649	246,187	10,463	6,564	900,902
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 32,350	\$ 11,340	\$ 173,649	\$ 290,708	\$ 13,160	\$ 7,398	\$ 1,309,688

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

	Special Revenue Funds						
	Small Cities	Special Purpose Fund	Town Aid Road	Recycling	Cafeteria	Parks and Recreation	Sewer
Revenues:							
Intergovernmental revenues	\$	\$	\$ 212,137	\$	\$ 82,316	\$	\$
Charges for services				35,249	64,409	82,051	
Miscellaneous	4,950	46,992		8,699			
Total revenues	<u>4,950</u>	<u>46,992</u>	<u>212,137</u>	<u>43,948</u>	<u>146,725</u>	<u>82,051</u>	<u>-</u>
Expenditures:							
Current:							
General government							
Public safety		622					
Public works		35,149	543,178	41,238			
Health and welfare		43,767					
Parks and recreation						82,853	
Sewer operations							
Education					164,279		
Total expenditures	<u>-</u>	<u>79,538</u>	<u>543,178</u>	<u>41,238</u>	<u>164,279</u>	<u>82,853</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	<u>4,950</u>	<u>(32,546)</u>	<u>(331,041)</u>	<u>2,710</u>	<u>(17,554)</u>	<u>(802)</u>	<u>-</u>
Other Financing Sources (Uses):							
Transfers in							
Transfers out							
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	4,950	(32,546)	(331,041)	2,710	(17,554)	(802)	-
Fund Balances at Beginning of Year	<u>114,794</u>	<u>56,791</u>	<u>457,234</u>	<u>55,420</u>	<u>46,941</u>	<u>74,792</u>	<u>-</u>
Fund Balances at End of Year	<u>\$ 119,744</u>	<u>\$ 24,245</u>	<u>\$ 126,193</u>	<u>\$ 58,130</u>	<u>\$ 29,387</u>	<u>\$ 73,990</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, 2020**

	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	
Revenues:							
Intergovernmental revenues	\$	\$ 219,309	\$	\$	\$	\$	\$ 513,762
Charges for services			7,500	319,314	41,519	15,965	566,007
Miscellaneous	15,500						76,141
Total revenues	<u>15,500</u>	<u>219,309</u>	<u>7,500</u>	<u>319,314</u>	<u>41,519</u>	<u>15,965</u>	<u>1,155,910</u>
Expenditures:							
Current:							
General government					49,478		49,478
Public safety							622
Public works			3,371				622,936
Health and welfare							43,767
Parks and recreation							82,853
Sewer operations				238,602		41,192	279,794
Education		219,309					383,588
Total expenditures	<u>-</u>	<u>219,309</u>	<u>3,371</u>	<u>238,602</u>	<u>49,478</u>	<u>41,192</u>	<u>1,463,038</u>
Excess (Deficiency) of Revenues over Expenditures	<u>15,500</u>	<u>-</u>	<u>4,129</u>	<u>80,712</u>	<u>(7,959)</u>	<u>(25,227)</u>	<u>(307,128)</u>
Other Financing Sources (Uses):							
Transfers in					8,607		8,607
Transfers out				(27,753)			(27,753)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,753)</u>	<u>8,607</u>	<u>-</u>	<u>(19,146)</u>
Net Change in Fund Balances	15,500	-	4,129	52,959	648	(25,227)	(326,274)
Fund Balances at Beginning of Year	<u>16,850</u>	<u>-</u>	<u>169,520</u>	<u>193,228</u>	<u>9,815</u>	<u>31,791</u>	<u>1,227,176</u>
Fund Balances at End of Year	<u>\$ 32,350</u>	<u>\$ -</u>	<u>\$ 173,649</u>	<u>\$ 246,187</u>	<u>\$ 10,463</u>	<u>\$ 6,564</u>	<u>\$ 900,902</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
AGENCY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

	<u>Student Activity</u>	<u>Performance Bond</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ 18,890	\$ 53,253	\$ 72,143
Liabilities:			
Deposits held for others	\$ 18,890	\$ 53,253	\$ 72,143

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

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
Performance Bond Account				
Assets:				
Cash and cash equivalents	\$ 52,926	\$ 30,147	\$ 29,820	\$ 53,253
Due from other funds	<u>24,320</u>		<u>24,320</u>	<u>-</u>
Total assets	<u>\$ 77,246</u>	<u>\$ 30,147</u>	<u>\$ 54,140</u>	<u>\$ 53,253</u>
Liabilities:				
Due to student and other groups	<u>\$ 77,246</u>	<u>\$ 30,147</u>	<u>\$ 54,140</u>	<u>\$ 53,253</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	<u>\$ 17,944</u>	<u>\$ 27,475</u>	<u>\$ 26,529</u>	<u>\$ 18,890</u>
Liabilities:				
Due to student and other groups	<u>\$ 17,944</u>	<u>\$ 27,475</u>	<u>\$ 26,529</u>	<u>\$ 18,890</u>
Total All Funds				
Assets:				
Cash and cash equivalents	\$ 70,870	\$ 57,622	\$ 56,349	\$ 72,143
Due from other funds	<u>24,320</u>	<u>-</u>	<u>24,320</u>	<u>-</u>
Total assets	<u>\$ 95,190</u>	<u>\$ 57,622</u>	<u>\$ 80,669</u>	<u>\$ 72,143</u>
Liabilities:				
Due to student and other groups	<u>\$ 95,190</u>	<u>\$ 57,622</u>	<u>\$ 80,669</u>	<u>\$ 72,143</u>

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

Total tax collections (including interest and lien fees) received by Treasurer for the year ended June 30, 2019	\$ 21,409
Add State of Connecticut grants:	
Elderly freeze	<u>1</u>
Base	<u>\$ 21,410</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	\$ 48,173	\$	\$	\$	\$
4-1/2 times base		96,345			
3-3/4 times base			80,288		
3-1/4 times base				69,583	
3 times base					<u>64,230</u>
Total debt limitation	<u>48,173</u>	<u>96,345</u>	<u>80,288</u>	<u>69,583</u>	<u>64,230</u>
Indebtedness:					
Bonds outstanding	1,485	390	7,420		
Overlapping debt:					
Regional School District #8		<u>2,623</u>			
Total indebtedness	<u>1,485</u>	<u>3,013</u>	<u>7,420</u>	-	-
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 46,688</u>	<u>\$ 93,332</u>	<u>\$ 72,868</u>	<u>\$ 69,583</u>	<u>\$ 64,230</u>

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

Note 2: Marlborough is a member of Regional School District #8, which provides education facilities for grades seven through twelve for the Towns of Marlborough, Andover and Hebron. As of June 30, 2020, the District has bonds outstanding of \$7,870,000. The Town of Marlborough's share is approximately 33.33%. These are general obligations of Regional School District #8 and its member towns.