

TOWN OF MARLBOROUGH, CONNECTICUT
FINANCIAL STATEMENTS
JUNE 30, 2021



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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, 2021, 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 auditor considers 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, 2021 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.

Emphasis of a Matter

During fiscal year ended June 30, 2021, the Town of Marlborough, Connecticut adopted GASB Statement No. 84 *Fiduciary Activities*. As a result of the implementation of this standard, the Town of Marlborough, Connecticut reported a restatement for the change in accounting principle (see Note 15) Our auditors' opinion was not modified with respect to the restatement.

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, who 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.

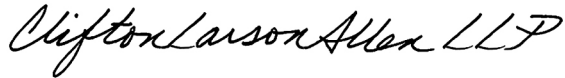
Other Information

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021 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.



CliftonLarsonAllen LLP

West Hartford, Connecticut
December 21, 2021

**TOWN OF MARLBOROUGH, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

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, 2021. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IV.

Financial Highlights

- Net position of our governmental activities increased by \$3,762,686.
- During the year, the Town had expenses that were \$3,762,686 less than the \$32.2 million generated in tax and other revenues for governmental programs.
- The total cost of all of the Town's programs was \$28.4 million with no new programs added this year, compared to \$26.9 million last year.
- The General Fund reported a fund balance at June 30, 2021 of \$5.7 million, .49 million more than last year. An appropriation of fund balance of \$716,523 was included in the adopted budget for the year.
- On a budgetary basis (see Schedules RSI-1 and RSI-2), total revenue including an appropriation of fund balance of \$716,523, were more than the approved Town budget by \$505,807. Expenditures were \$540,713 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.

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 and IV) 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.

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.

Government-Wide Financial Analysis

The Town's net position increased by \$3,762,686 from June 30, 2020. 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	
	2021	2020
Current assets	\$ 15,668,695	\$ 13,532,034
Capital assets, net of accumulated dep	<u>52,167,574</u>	<u>50,883,057</u>
Total assets	<u>67,836,269</u>	<u>64,415,091</u>
Deferred outflows of resources	<u>47,974</u>	<u>67,387</u>
Long-term liabilities outstanding	9,235,524	10,615,059
Other liabilities	<u>1,895,380</u>	<u>891,219</u>
Total liabilities	<u>11,130,904</u>	<u>11,506,278</u>
Deferred inflows of resources	<u>198,627</u>	<u>203,064</u>
Net Position:		
Restricted	4,844,154	-
Net investment in capital assets	44,053,595	41,355,004
Unrestricted	<u>7,656,963</u>	<u>11,418,132</u>
Total Net Position	<u>\$ 56,554,712</u>	<u>\$ 52,773,136</u>

Net position of the Town's governmental activities increased by \$3,781,576 (\$56,554,712 compared to \$52,773,136) and then adjusted to \$3,762,686 by reporting the Student Activity fund as a Special Revenue Fund of \$18,890. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased from \$11,418,132 at June 30, 2020 to \$7,656,963 at the end of this year.

**Table 2
CHANGE IN NET POSITION**

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 960,513	\$ 892,387
Operating grants and contributions	6,585,594	5,334,661
Capital grants and contributions	2,408,419	1,886,155
General revenues:		
Property taxes	21,955,549	22,250,584
Grants and contributions not restricted to specific purposes	72,177	76,915
Unrestricted investment earnings	15,206	104,373
Sale of capital assets	89,748	
Other general revenues	80,893	124,704
Total revenues	32,168,099	30,669,779
 Program expenses:		
General government	1,695,031	2,081,194
Public safety	754,273	755,041
Public works	2,492,263	2,254,342
Parks and recreation	179,583	125,090
Health and welfare	229,325	277,545
Sewer operations	266,031	279,794
Library	342,168	342,168
Education	22,264,991	20,566,188
Interest on long-term debt	181,748	223,060
Total program expenses	28,405,413	26,904,422
 Restatement	-	18,890
 Increase in Net Position	\$ 3,762,686	\$ 3,784,247

The Town's total revenues (excluding special items) were \$32.2 million. The total cost of all programs and services was \$28.4 million. Our analysis below considers the operations of governmental activities.

Governmental Activities

Overall, net position increased \$3,762,686. This increase is attributable to an increase in capital grants, property taxes and other general revenue. Overall, expenses increased by 5.6% substantially due to an increase in education. Property tax revenues decreased by 1.3% for 2021 comparable to an increase of 3.8% in 2020.

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	
	2021	2020	2021	2020
General government	\$ 1,695,031	\$ 2,081,194	\$ 1,298,322	\$ 1,781,432
Public safety	754,273	755,041	754,273	750,305
Public works	2,492,263	2,254,342	8,074	325,438
Parks and recreation	179,583	125,090	131,936	43,039
Health and welfare	229,325	277,545	209,332	218,872
Sewer operations	266,031	279,794	(105,467)	(82,854)
Education	22,264,991	20,566,188	15,630,501	15,189,759
All others	523,916	565,228	523,916	565,228
Total	\$ 28,405,413	\$ 26,904,422	\$ 18,450,887	\$ 18,791,219

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 \$9.4 million, as of June 30, 2021, an increase of \$2.5 million.

General Fund Budgetary Highlights

On a budgetary basis (see Schedules RSI-1 and RSI-2), total revenues including the appropriated fund balance of \$716,523 was more than the approved Town budget by \$505,807. Most revenue categories were favorable versus budget including property taxes \$321,160, local revenues \$158,006 and Transfers from other funds \$65,338. Interest income was less than budgeted by \$42,147 due to the decline in interest rates. In Fiscal Year 2020, due to the Pandemic, the Board of Selectman adopted a deferral program allowing taxpayers to defer their payments without interest for three (3) months. The increase in Transfers from other funds was the result of Benefit Assessment fees deferred in 2020 and collected from the deferral program in 2021.

Overall, expenditures were less than budget by \$540,713. Expenditures for most departments and functional areas were less than budget with the largest favorable variances as follows: general government including contingency (\$172,394), public safety (\$60,252), and public works (\$282,204).

Capital Asset and Debt Administration

Capital Assets

At June 30, 2021, the Town had \$52.2 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, and bridges. Approximately \$1.6 million was expended during 2021 on vehicles and equipment, and infrastructure projects.

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

	Governmental Activities	
	2021	2020
Land	\$ 2,937	\$ 2,937
Buildings and improvements	7,648	8,356
Equipment	2,110	2,253
Infrastructure	39,176	34,399
Construction in progress	297	2,938
 Total	 \$ 52,168	 \$ 50,883

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, 2021, the Town had \$8,009,782 in bonds outstanding versus \$9,295,013 at the end of the prior year, a decrease of \$1,285,231.

The Town has overlapping debt of \$1.9 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 2021. 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 \$155 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 9 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, 2021, the mill rate was set at 36.27. For fiscal year ending June 30, 2022, the rate was set at 35.84, representing a 1.2% decrease. This being the second year of developing a budget through the COVID-19 pandemic, 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 2020 and June 2021, the State of Connecticut's unemployment rate decreased from 10.1 % to 7.7%. Hartford County (which includes Marlborough) also decreased from 10.4% to 7.0%. These decreases are in line with the national average of 5.9%, which is 5.2% lower than last year. The U.S. Consumer Price Index (CPI) for the 12-month period ended June 30, 2021 was .9%, compared to .6% for the same period last year.

These indicators were taken into account when adopting the General Fund budget for fiscal year 2020-2021. Amounts available for appropriation in the General Fund budget are \$25,829,862, representing a decrease of .62% over the 2019-2020 budget of \$25,990,028. Property taxes and Local Revenue decreased to reflect the expense budget reduction.

Given the declining and uncertain state revenues, budgeted expenses were purposely constrained in the FY21 budget. No new programs or major initiatives were added to the FY21 budget.

The Town appropriated \$1,068,448 for capital projects and equipment purchases, which is included in the FY21 budget. The unassigned balance totaled \$5,002,796 at June 30, 2021, which represents 19.37% of the FY21 operating budget of \$25,829,862.

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, 2021

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 11,091,855
Receivables, net	4,573,289
Inventory	3,551
Capital assets - nondepreciable:	
Land	2,936,589
Construction in progress	297,156
Capital assets - depreciable, net of accumulated depreciation:	
Building	7,647,504
Furniture and equipment	2,109,962
Infrastructure	39,176,363
Total assets	<u>67,836,269</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	24,643
Deferred outflows related to OPEB	23,331
Total deferred outflows of resources	<u>47,974</u>
Liabilities:	
Accounts and other payables	798,275
Unearned revenue	1,097,105
Noncurrent liabilities:	
Due within one year	1,468,335
Due in more than one year	7,767,189
Total liabilities	<u>11,130,904</u>
Deferred Inflows of Resources:	
Deferred inflows related to OPEB	<u>198,627</u>
Net Position:	
Net investment in capital assets	44,053,595
Restricted for sewer	4,184,231
Restricted for grant purposes	645,047
Restricted for other purposes	14,876
Unrestricted	<u>7,656,963</u>
Total Net Position	<u>\$ 56,554,712</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, 2021**

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	\$ 1,695,031	\$ 380,253	\$ 16,456	\$ (1,298,322)
Public safety	754,273			(754,273)
Public works	2,492,263	75,770		(8,074)
Parks and recreation	179,583	47,647		(131,936)
Health and welfare	229,325		19,993	(209,332)
Sewer operations	266,031	371,498		105,467
Library	342,168			(342,168)
Education	22,264,991	85,345	6,549,145	(15,630,501)
Interest on long-term debt	181,748			(181,748)
Total	\$ 28,405,413	\$ 960,513	\$ 6,585,594	\$ 2,408,419
General revenues:				
Property taxes				21,955,549
Grants and contributions not restricted to specific programs				72,177
Unrestricted investment earnings				15,206
Sale of capital assets				89,748
Miscellaneous				80,893
Total general revenues				<u>22,213,573</u>
Change in net position				3,762,686
Net Position at Beginning of Year, as restated				<u>52,792,026</u>
Net Position at End of Year				<u>\$ 56,554,712</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<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	\$ 5,835,615	\$ 2,349,338	\$ 600,053	\$ 1,031,776	\$ 1,275,073	\$ 11,091,855
Receivables, net	235,439		3,630,039	362,236	345,575	4,573,289
Due from other funds	421,366					421,366
Inventory					3,551	3,551
Total Assets	<u>\$ 6,492,420</u>	<u>\$ 2,349,338</u>	<u>\$ 4,230,092</u>	<u>\$ 1,394,012</u>	<u>\$ 1,624,199</u>	<u>\$ 16,090,061</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 573,992	\$ 142,196		\$ 3,395	\$ 71,843	\$ 791,426
Due to other funds		480	60,000	360,875	11	421,366
Unearned revenue				1,031,776	65,329	1,097,105
Total liabilities	<u>573,992</u>	<u>142,676</u>	<u>60,000</u>	<u>1,396,046</u>	<u>137,183</u>	<u>2,309,897</u>
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	174,673					174,673
Unavailable revenue - special assessments			3,630,039		14,139	3,644,178
Unavailable revenue - grants				266,878	11,250	278,128
Unavailable revenue - CDBG loans receivable					245,779	245,779
Total deferred inflows of resources	<u>174,673</u>	<u>-</u>	<u>3,630,039</u>	<u>266,878</u>	<u>271,168</u>	<u>4,342,758</u>
Fund balances:						
Nonspendable					3,551	3,551
Restricted			540,053		414,144	954,197
Committed		2,206,662			798,153	3,004,815
Assigned	740,959					740,959
Unassigned	5,002,796			(268,912)		4,733,884
Total fund balances	<u>5,743,755</u>	<u>2,206,662</u>	<u>540,053</u>	<u>(268,912)</u>	<u>1,215,848</u>	<u>9,437,406</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,492,420</u>	<u>\$ 2,349,338</u>	<u>\$ 4,230,092</u>	<u>\$ 1,394,012</u>	<u>\$ 1,624,199</u>	<u>\$ 16,090,061</u>

(Continued on next page)

TOWN OF MARLBOROUGH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2021

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)	\$ 9,437,406
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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	\$ 87,309,163	
Less accumulated depreciation	<u>35,141,589</u>	
Net capital assets		52,167,574

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	95,074
Interest receivable on property taxes	79,599
Assessments receivable	3,630,039
Sewer operations receivable	14,139
Housing loans	245,779
Unavailable grants	278,128

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	(8,009,782)
Interest payable on bonds and notes	(6,849)
Capital lease	(72,265)
Compensated absences	(626,993)
Total OPEB liability	(469,909)
Deferred outflows related to OPEB	23,331
Deferred inflows related to OPEB	(198,627)
Bond premiums	(56,575)
Deferred charge on refunding	<u>24,643</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 56,554,712</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, 2021

	<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	\$ 22,044,249	\$	\$	\$	\$	\$ 22,044,249
Intergovernmental	4,357,113			2,972,193	969,012	8,298,318
Charges for services	340,124		539,778		606,483	1,486,385
Income on investments	7,853	652				8,505
Miscellaneous	58,845	4,525	19		88,649	152,038
Total revenues	<u>26,808,184</u>	<u>5,177</u>	<u>539,797</u>	<u>2,972,193</u>	<u>1,664,144</u>	<u>31,989,495</u>
Expenditures:						
Current:						
General government	1,558,852			40,701	51,770	1,651,323
Public safety	622,397			3,974	105	626,476
Public works	1,758,542			564	231,525	1,990,631
Health and welfare	200,470			25,107	3,748	229,325
Parks and recreation	121,189				48,635	169,824
Sewer operations					266,031	266,031
Education	19,203,123				791,297	19,994,420
Library	342,168					342,168
Debt service	1,599,776					1,599,776
Capital outlay		1,015,688		2,148,217		3,163,905
Total expenditures	<u>25,406,517</u>	<u>1,015,688</u>	<u>-</u>	<u>2,218,563</u>	<u>1,393,111</u>	<u>30,033,879</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,401,667</u>	<u>(1,010,511)</u>	<u>539,797</u>	<u>753,630</u>	<u>271,033</u>	<u>1,955,616</u>
Other Financing Sources (Uses):						
Transfers in	463,646	1,368,448			53,469	1,885,563
Transfers out	(1,377,059)	(44,858)	(435,200)		(28,446)	(1,885,563)
Proceeds from the sale of capital assets		572,427				572,427
Total other financing sources (uses)	<u>(913,413)</u>	<u>1,896,017</u>	<u>(435,200)</u>	<u>-</u>	<u>25,023</u>	<u>572,427</u>
Net Change in Fund Balances	488,254	885,506	104,597	753,630	296,056	2,528,043
Fund Balances at Beginning of Year, as restated	<u>5,255,501</u>	<u>1,321,156</u>	<u>435,456</u>	<u>(1,022,542)</u>	<u>919,792</u>	<u>6,909,363</u>
Fund Balances at End of Year	<u>\$ 5,743,755</u>	<u>\$ 2,206,662</u>	<u>\$ 540,053</u>	<u>\$ (268,912)</u>	<u>\$ 1,215,848</u>	<u>\$ 9,437,406</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, 2021**

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)	\$ 2,528,043
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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	3,498,720
Depreciation expense	(1,731,524)

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.	(482,679)
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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	(57,048)
Property tax receivable - accrual basis change	(75,644)
Property tax interest and lien revenue - accrual basis change	(13,056)
Sewer assessment and sewer receivable - accrual basis change	(530,162)
Change in deferred outflows related to OPEB	300
Unavailable revenue - accrual basis change	(742,477)

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	1,285,231
Capital lease payments	101,465

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	(28,661)
Accrued interest	3,954
Change in total OPEB liability	(25,591)
Change in deferred inflows related to OPEB	4,437
Amortization of deferred charge on refunding	(19,713)
Amortization of bond premiums	47,091

Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 3,762,686</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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. 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 ARPA, STEAP, Local Federal Bridge Program and LOTCIP. The major source of revenue for this fund is governmental grants.

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

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

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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).

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 acquisition value at the date of donation.

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

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021**

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.

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, 2021 is reflected in the accompanying government-wide financial statements.

J. Long-Term Obligations

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

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

K. Fund Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

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.

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resource (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 21, 2021, 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, 2021**

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 \$258,000 of additional appropriations from fund balance 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 \$1,144,848 and \$27,629, 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 \$268,912 as of June 30, 2021. 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, 2021**

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*, \$8,132,156 of the Town’s bank balance of \$9,225,221 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,218,941
Uninsured and collateralized held by pledging bank	<u>913,215</u>
 Total Amount Subject to Custodial Credit Risk	 <u>\$ 8,132,156</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, 2021, the Town’s cash equivalents amounted to \$1,996,975. STIF is an investment pool of high-quality, short-term money market instruments with an average maturity of less than 60 days. There were no limitations or restrictions on any withdrawals due to redemption notice periods, liquidity fees, or redemption gates. 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	\$ 1,996,975

TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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	\$	\$	\$	\$ 282,802	\$ 282,802
Interest	79,599				79,599
Taxes	231,962				231,962
Accounts receivable	11,598			27,242	38,840
Sewer benefit assessments		3,630,039			3,630,039
Intergovernmental			362,236	35,531	397,767
Gross receivables	<u>323,159</u>	<u>3,630,039</u>	<u>362,236</u>	<u>345,575</u>	<u>4,661,009</u>
Less allowance for uncollectibles	<u>87,720</u>				<u>87,720</u>
Net Total Receivables	<u>\$ 235,439</u>	<u>\$ 3,630,039</u>	<u>\$ 362,236</u>	<u>\$ 345,575</u>	<u>\$ 4,573,289</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 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	2,937,523	203,206		(2,843,573)	297,156
Total capital assets not being depreciated	<u>5,874,112</u>	<u>203,206</u>	<u>-</u>	<u>(2,843,573)</u>	<u>3,233,745</u>
Capital assets being depreciated:					
Buildings	22,891,649	4,842	6,315		22,890,176
Furniture and equipment	6,150,408	181,700	168,298		6,163,810
Infrastructure	49,707,920	3,108,972	639,033	2,843,573	55,021,432
Total capital assets being depreciated	<u>78,749,977</u>	<u>3,295,514</u>	<u>813,646</u>	<u>2,843,573</u>	<u>84,075,418</u>
Less accumulated depreciation for:					
Buildings	14,535,267	713,720	6,315		15,242,672
Furniture and equipment	3,897,265	300,932	144,349		4,053,848
Infrastructure	15,308,500	716,872	180,303		15,845,069
Total accumulated depreciation	<u>33,741,032</u>	<u>1,731,524</u>	<u>330,967</u>	<u>-</u>	<u>35,141,589</u>
Total capital assets being depreciated, net	<u>45,008,945</u>	<u>1,563,990</u>	<u>482,679</u>	<u>2,843,573</u>	<u>48,933,829</u>
Governmental Activities Capital Assets, Net	<u>\$ 50,883,057</u>	<u>\$ 1,767,196</u>	<u>\$ 482,679</u>	<u>\$ -</u>	<u>\$ 52,167,574</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 40,088
Public safety	129,353
Public works	836,258
Parks and recreation	21,971
Education	<u>703,854</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u><u>1,731,524</u></u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2021, the interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	CNR Fund	\$ 480
General Fund	MWPCA Benefit Assessment Fund	60,000
General Fund	Miscellaneous Grants Fund	360,875
General Fund	Nonmajor Governmental Funds	<u>11</u>
 Total		 \$ <u><u>421,366</u></u>

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

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>CNR Fund</u>	<u>Nonmajor Governmental Funds</u>	
Transfers out:				
General Fund	\$	\$ 1,368,448	\$ 8,611	\$ 1,377,059
CNR Fund			44,858	44,858
MWPCA Benefit Assessment	435,200			435,200
Nonmajor Governmental Funds	<u>28,446</u>			<u>28,446</u>
 Total	 \$ <u><u>463,646</u></u>	 \$ <u><u>1,368,448</u></u>	 \$ <u><u>53,469</u></u>	 \$ <u><u>1,885,563</u></u>

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2021 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	\$ 1,875,000	\$	\$ 695,000	\$ 1,180,000	\$ 690,000
CWF loans-direct borrowings	7,420,013		590,231	6,829,782	602,144
Bond issuance premiums	103,666		47,091	56,575	
Total bonds and notes payable	9,398,679	-	1,332,322	8,066,357	1,292,144
Compensated absences	598,332	47,117	18,456	626,993	140,742
Capital lease	173,730		101,465	72,265	35,449
Total OPEB liability	444,318	25,591		469,909	
Total Governmental Activities Long-Term Liabilities	<u>\$ 10,615,059</u>	<u>\$ 72,708</u>	<u>\$ 1,452,243</u>	<u>\$ 9,235,524</u>	<u>\$ 1,468,335</u>

A schedule of governmental activities bonds payable as of June 30, 2021 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%	\$ 985,000
\$2,315,000 of general obligation bonds issued September 8, 2011 and maturing serially to September 1, 2021 at an interest rate of 2-3%	195,000
\$908,774 of Clean Water Loans issued July 31, 2007 and maturing serially to April 30, 2023 at an interest rate of 2%	244,489
\$8,151,743 of Clear Water Loans issued October 31, 2010 and maturing serially to September 30, 2030 at an interest rate of 2%	4,175,816
\$613,583 of Clean Water Loans issued May 31, 2015 and maturing serially to December 31, 2034 at an interest rate of 2%	446,437
\$2,343,844 of Clean Water Loans issued October 31, 2017 and maturing serially to April 30, 2037 at an interest rate of 2%	<u>1,963,040</u>
Total	<u>\$ 8,009,782</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
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The following is a schedule of general obligation bonds debt maturities as of June 30, 2021:

<u>Year Ending June 30</u>	<u>Amount Due</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 690,000	\$ 42,325
2023	<u>490,000</u>	<u>19,600</u>
Total	<u>\$ 1,180,000</u>	<u>\$ 61,925</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 following is a schedule of the clean water fund loan debt maturities as of June 30, 2021:

<u>Year Ending June 30</u>	<u>Amount Due</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 602,144	\$ 131,096
2023	614,298	118,942
2024	626,747	106,543
2025	639,347	93,893
2026	628,894	81,066
2027-2031	2,794,511	221,194
2032-2036	804,316	51,543
2037	<u>119,525</u>	<u>1,098</u>
Total	<u>\$ 6,829,782</u>	<u>\$ 805,375</u>

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	\$ 49,815	\$ 195	\$ 49,620
Schools	99,630	2,899	96,731
Sewers	83,025	6,830	76,195
Urban renewal	71,955		71,955
Pension deficit	66,420		66,420

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$154,980,000.

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, 2021, the District has bonds outstanding of \$5,565,000. The Town of Marlborough's share will be approximately 34.39%. These are general obligations of Regional School District #8 and its member towns.

**TOWN OF MARLBOROUGH, CONNECTICUT
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8. 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	\$ 503,681
Less accumulated depreciation	<u>(156,232)</u>
Total	<u>\$ 347,449</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, 2021:

<u>Fiscal Year Ending June 30</u>	
2022	\$ 38,238
2023	<u>38,238</u>
Total future minimum lease payments	76,476
Interest on future lease payments	<u>(4,211)</u>
Principal Balance of Future Minimum Payments	<u>\$ 72,265</u>

9. 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 13. 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
Active employees	<u>43</u>
Total	<u>44</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
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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 \$469,909 was measured as of June 30, 2021 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 July 1, 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	2.16%
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
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Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of July 1, 2020	\$ <u>444,318</u>
Changes for the year:	
Service cost	21,518
Interest on total OPEB liability	10,361
Difference between expected and actual experience	(14,792)
Changes in assumptions or other inputs	2,481
Benefit payments	<u>6,023</u>
Net changes	<u>25,591</u>
Balances as of June 30, 2021	\$ <u><u>469,909</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 (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

	<u>1% Decrease</u>	Current Discount Rate	<u>1% Increase</u>
Total OPEB Liability	\$ 523,422	\$ 469,909	\$ 423,405

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 (5.50% decreasing to 3.60%) or 1 percentage point higher (7.50% decreasing to 5.60%) than the current healthcare cost trend rates:

	<u>1% Decrease</u>	Healthcare Cost Trend Rates	<u>1% Increase</u>
Total OPEB Liability	\$ 401,022	\$ 469,909	\$ 554,361

**TOWN OF MARLBOROUGH, CONNECTICUT
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OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the Town recognized OPEB expense of \$13,511. At June 30, 2021, 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	\$ 1,112	\$ 160,708
Changes of assumptions	<u>22,219</u>	<u>37,919</u>
Total	<u>\$ 23,331</u>	<u>\$ 198,627</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

2022	\$ (17,048)
2023	(17,048)
2024	(17,048)
2025	(17,048)
2026	(17,048)
Thereafter	(90,056)

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 postemployment 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, 2021**

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, 2021, the amount of "on-behalf" contributions made by the State was \$27,629 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, 2021, 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>2,662,142</u>
Total	<u>\$ 2,662,142</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
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The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2020. At June 30, 2021, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2021, the Town recognized OPEB expense and revenue of \$122,971 in Exhibit II.

F. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Health care costs trend rate	5.125% for 2020, decreasing to an ultimate Rate of 4.50% by 2023
Salary increases	3.00-6.50%, including inflation
Investment rate of return	2.21%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2021

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 - June 30, 2019.

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 (0.42%).

G. Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate assumed that total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%; 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. Annual State contributions were assumed to be equal to the most recent five-year average of State contributions to the fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2021 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.

10. 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.

11. 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, 2021, the amount of "on-behalf" contributions made by the State was \$1,144,848 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, 2021, 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>17,848,755</u>
Total	\$	<u><u>17,848,755</u></u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at June 30, 2020. At June 30, 2021, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2021, the Town recognized pension expense and revenue of \$2,556,749 in Exhibit II.

**TOWN OF MARLBOROUGH, CONNECTICUT
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E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increase	3.00-6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2019.

Cost-of-Living Allowance

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
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Long-Term Rate of Return

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>
Domestic Equity Fund	5.60	% 20.00
Developed Market Intl. Stock Fund	6.00	11.00
Emerging Market Intl. Stock Fund	7.90	9.00
Core Fixed Income Fund	2.10	16.00
Inflation Linked Bond Fund	1.10	5.00
Emerging Market Debt Fund	2.70	5.00
High Yield Bond Fund	4.00	6.00
Real Estate Fund	4.50	10.00
Private Equity	7.30	10.00
Alternative Investments	2.90	7.00
Liquidity Fund	0.40	<u>1.00</u>
Total		<u><u>100.00</u></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
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12. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2021 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:						
Unspent grant balances					399,268	399,268
Sewer operations			540,053			540,053
Student activities					14,876	14,876
Committed to:						
Capital Projects		2,206,662				2,206,662
General government					59,611	59,611
Public works					224,493	224,493
WPCA					317,825	317,825
Parks and recreation					70,502	70,502
Education					125,722	125,722
Assigned to:						
Subsequent year's budget	540,189					540,189
General government	6,595					6,595
Public safety	4,451					4,451
Public works	124,602					124,602
Education	65,122					65,122
Unassigned	5,002,796			(268,912)		4,733,884
Total Fund Balances	\$ 5,743,755	\$ 2,206,662	\$ 540,053	\$ (268,912)	\$ 1,215,848	\$ 9,437,406

Encumbrances of \$200,770, \$373,667, \$60,825 and \$5,975 at June 30, 2021 are contained in the above table in the assigned categories of the General Fund, the committed category of the CNR fund, the restricted category of the Miscellaneous Grants Fund, and the restricted and committed categories of the Nonmajor Governmental Funds, respectively.

13. 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.

14. 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.

15. GASB 84 - RESTATEMENT

The Town previously reported the activities of the Student Activity Agency Fund and Performance Bonds Agency Fund as fiduciary funds. As a result of implementation of GASB No. 84, *Fiduciary Activities*, as of July 1, 2020, the Town made the following reporting changes: The activities of the Performance Bond Fund are reported with the general fund activities, and the Student Activity Fund is reported as a special revenue fund. Accordingly, the Town increased the beginning assets and liabilities of the General Fund by \$53,253, and thus no effect to the beginning fund balance. The Town created a new special revenue fund for the Student Activity Fund, thus increasing assets and fund balance of \$18,890. Accordingly, the Town restated beginning balances of the assets, liabilities, fund balance and net position as follows:

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Governmental Funds:	Governmental Activities Net Position	Nonmajor Governmental Funds Fund Balance
Balance as previously reported June 30, 2020	\$ 52,773,136	\$ 900,902
Adjustment:		
Student Activity Fund now reported as a Special Revenue Fund	<u>18,890</u>	<u>18,890</u>
Balance as restated July 1, 2020	<u>\$ 52,792,026</u>	<u>\$ 919,792</u>
Fiduciary Funds:	Agency Funds	
Balance as previously reported June 30, 2020	\$ 72,143	
Adjustments:		
Student Activity Fund now reported as a Special Revenue Fund	(18,890)	
Performance Bond Fund now reported in the General Fund	<u>(53,253)</u>	
Balance as restated July 1, 2020	<u>\$ -</u>	

**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, 2021**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Property taxes:				
Current year levy	\$ 21,525,089	\$ 21,525,089	\$ 21,753,486	\$ 228,397
Prior years' collection	110,000	110,000	149,099	39,099
Interest, lien fees and other	88,000	88,000	141,664	53,664
Total property taxes	<u>21,723,089</u>	<u>21,723,089</u>	<u>22,044,249</u>	<u>321,160</u>
Intergovernmental revenues:				
State of Connecticut:				
Veterans exemption	2,831	2,831	2,622	(209)
Disability exemption	700	700	842	142
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	3,141	(3,359)
Mashantucket Pequot grant	1,807	1,807	1,807	-
Municipal stabilization grant	48,977	48,977	48,977	-
Educational programs:				
Educational cost sharing	2,902,339	2,902,339	2,911,715	9,376
Total intergovernmental revenues	<u>2,980,442</u>	<u>2,980,442</u>	<u>2,983,892</u>	<u>3,450</u>
Local revenues:				
Licenses, fees, permits and charges for services:				
Real estate conveyance tax	68,000	68,000	130,550	62,550
Conservation/farm land	2,500	2,500	3,116	616
Building permits	78,000	78,000	127,054	49,054
Recording fees	31,000	31,000	57,824	26,824
Photo copier fees	6,000	6,000	8,092	2,092
Miscellaneous	25,000	25,000	41,740	16,740
Telephone tax share	9,000	9,000	9,130	130
Total licenses, fees, permits and charges for services	<u>219,500</u>	<u>219,500</u>	<u>377,506</u>	<u>158,006</u>
Investment income	<u>50,000</u>	<u>50,000</u>	<u>7,853</u>	<u>(42,147)</u>

(Continued on next page)

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Transfers from other funds	\$ <u>398,308</u>	\$ <u>398,308</u>	\$ <u>463,646</u>	\$ <u>65,338</u>
Use of fund balance	<u>458,523</u>	<u>716,523</u>	<u>716,523</u>	
Total	\$ <u><u>25,829,862</u></u>	\$ <u><u>26,087,862</u></u>	26,593,669	\$ <u><u>505,807</u></u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf pension contributions			1,144,848	
State of Connecticut on-behalf OPEB contributions			27,629	
The Town budgets for excess cost grant revenues as an offset to education expenditures, rather than revenue			200,744	
Cancellation of prior year encumbrances are recognized as budgetary revenue			17,085	
Dog license fund revenues are not budgeted			4,378	
The Town budgets for use of fund balance, which is not considered revenue for GAAP purposes			<u>(716,523)</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>27,271,830</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Selectmen	\$ 2,400	\$ 2,400	\$ 1,435	\$ 965
Town Clerk	20,000	20,000	19,244	756
Tax Collector	15,850	15,850	13,850	2,000
Treasurer	13,800	13,800	12,870	930
Election expenses	8,872	8,872	5,520	3,352
Town Counsel	80,000	79,540	43,419	36,121
Assessor	18,198	18,198	16,561	1,637
Appointed personnel	1,118,915	1,098,665	1,056,912	41,753
Town Hall	77,120	77,120	68,388	8,732
Administrative expenses	215,840	228,010	220,072	7,938
Land Use Department	6,980	6,980	6,813	167
Library Building	33,795	40,375	37,746	2,629
Senior Center Building	31,025	31,025	30,327	698
Commission on Aging Operating	300	300		300
Economic Development Committee	3,800	3,800		3,800
Board of Finance	19,350	20,850	20,375	475
Board of Assessment Appeal	480	480	480	-
Lake Study Advisory	12,500	13,560	13,559	1
Contingency	100,000	58,000		58,000
Capital Region Council on Governments	7,635	7,635	7,413	222
Connecticut Conference of Municipalities	3,836	3,836	1,918	1,918
Connecticut Conference of Small Towns	825	825	825	-
Total general government	<u>1,791,521</u>	<u>1,750,121</u>	<u>1,577,727</u>	<u>172,394</u>
Public safety:				
Fire Commissioners	60,457	56,682	48,534	8,148
Fire Department	133,515	141,260	136,169	5,091
Firehouse #2	30,150	31,080	29,844	1,236
Public Safety	402,495	402,495	367,629	34,866
Civil Preparedness	8,065	8,715	8,035	680
Emergency Dispatch 911	12,860	12,860	12,860	-
Paramedic Service - Middlesex Hospital	6,397	6,397	1,858	4,539
North Central CT EMS Council	5,692	5,692		5,692
Total public safety	<u>659,631</u>	<u>665,181</u>	<u>604,929</u>	<u>60,252</u>
Public works:				
Town Garage	1,289,388	1,256,718	1,071,455	185,263
General maintenance roads	270,000	270,000	269,307	693
Snow removal and sanding	165,000	163,940	111,752	52,188
Tree Warden	60,500	70,500	68,707	1,793
Contracted services operating	129,395	136,495	129,322	7,173
Sanitation/landfill	204,967	214,987	179,893	35,094
Total public works	<u>2,119,250</u>	<u>2,112,640</u>	<u>1,830,436</u>	<u>282,204</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Health and welfare:				
Health services	\$ 948	\$ 948	\$ 948	\$ -
Agent for the Aged	27,415	27,415	13,609	13,806
Food Bank	11,080	11,080	8,027	3,053
Chatham Health District	79,348	79,348	79,348	-
Cemeteries	1,500	1,500	897	603
AHM	92,312	92,312	92,311	1
Total health and welfare	<u>212,603</u>	<u>212,603</u>	<u>195,140</u>	<u>17,463</u>
Parks and recreation:				
Parks and Recreation	114,271	114,271	109,373	4,898
Memorial day	900	900	521	379
Salmon River Watershed Partnership	5,000	5,000	5,000	-
Total parks and recreation	<u>120,171</u>	<u>120,171</u>	<u>114,894</u>	<u>5,277</u>
Education:				
Elementary Education	7,595,638	7,595,638	7,592,520	3,118
Transfer to Regional School District #8	<u>10,302,502</u>	<u>10,302,502</u>	<u>10,302,502</u>	<u>-</u>
Total education	<u>17,898,140</u>	<u>17,898,140</u>	<u>17,895,022</u>	<u>3,118</u>
Libraries:				
Richmond Memorial Library	<u>342,168</u>	<u>342,168</u>	<u>342,168</u>	<u>-</u>
Debt service:				
Principal	1,392,343	1,392,343	1,392,340	3
Interest	<u>207,436</u>	<u>207,436</u>	<u>207,434</u>	<u>2</u>
Total debt service	<u>1,599,779</u>	<u>1,599,779</u>	<u>1,599,774</u>	<u>5</u>
Total expenditures	<u>24,743,263</u>	<u>24,700,803</u>	<u>24,160,090</u>	<u>540,713</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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Transfers to other funds:				
CNR	\$ 1,068,448	\$ 1,368,448	\$ 1,368,448	\$ -
Dog Fund	10,000	10,000	10,000	-
Probate Court	8,151	8,611	8,611	-
Total transfers to other funds	<u>1,086,599</u>	<u>1,387,059</u>	<u>1,387,059</u>	<u>-</u>
Total	\$ <u>25,829,862</u>	\$ <u>26,087,862</u>	25,547,149	\$ <u>540,713</u>
Budgetary expenditures are different than GAAP revenues because:				
State of Connecticut on-behalf pension contributions			1,144,848	
State of Connecticut on-behalf OPEB contributions			27,629	
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			(128,034)	
The Town budgets for excess cost grant revenues as an offset to education expenditures, rather than revenue			200,744	
Payroll recorded on a cash basis for budgetary purposes - change in accrual			3,845	
Transfers to the Dog Fund, and Compensated Absences Fund are budgetary other financing uses, but are eliminated for financial reporting purposes as the Dog Fund and Compensated Absences Funds are consolidated with the General Fund			(30,000)	
Compensated Absences Fund expenditures are not budgeted			4,702	
Dog Fund expenditures are not budgeted			<u>12,693</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds - Exhibit IV			\$ <u>26,783,576</u>	

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Town's proportion of the net pension liability	0.00%	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>	<u>17,848,755</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>	<u>\$ 17,848,755</u>
Town's covered payroll	\$ 3,797,276	\$ 4,002,228	\$ 3,937,913	\$ 4,039,864	\$ 3,919,900	\$ 3,688,387	\$ 4,190,631
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%	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%	49.24%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	The Board adopted new assumptions as the result of an experience study for the five-year period ending June 30, 2019: - Decrease the annual rate of real wage increase assumption from 0.75% to 0.50%. - Decrease payroll growth assumption from 3.25% to 3.00%. - Rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	30 years%
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increase	3.25%-6.50%, including inflation
Investment rate of return	6.90%, net of investment related expense

Notes:

- This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.
- The measurement date is one year earlier than the employer's reporting date.

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Town's proportion of the net OPEB liability	0.00%	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>	<u>2,662,142</u>
Total	<u>\$ 3,486,396</u>	<u>\$ 2,582,226</u>	<u>\$ 2,612,669</u>	<u>\$ 2,662,142</u>
Town's covered payroll	\$ 4,039,864	\$ 3,919,900	\$ 3,688,387	\$ 4,190,631
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%	1.49%	2.08%	2.50%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	<p>Based on the procedure described in GASB 75, the discount rate used to measure plan obligations for financial accounting purposes as of June 30, 2020 was updated to equal the Municipal Bond Index Rate as of June 30, 2020;</p> <p>Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience;</p> <p>Long-term health care cost trend rates were updated;</p> <p>The percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options were updated based on observed plan experience. Additionally, participants are no longer assumed to migrate from</p> <p>The Board adopted new assumptions as the result of an experience study for the five-year period ending June 30, 2019. The changes in assumptions are summarized below:</p> <ul style="list-style-type: none"> - Decrease the annual rate of real wage increase assumption from 0.75% to 0.50%. - Decrease payroll growth assumption from 3.25% to 3.00%. - Rates of withdrawal, disability, retirement, mortality, and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.
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%

Notes:

- This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.
- The measurement date is one year earlier than the employer's reporting date.

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB liability:				
Service cost	\$ 18,264	\$ 18,039	\$ 20,262	\$ 21,518
Interest	19,474	21,449	21,581	10,361
Differences between expected and actual experience	1,572	(9,282)	(167,031)	(14,792)
Changes of assumptions and other inputs	(20,218)	25,532	(28,189)	2,481
Benefit payments	(16,247)	(763)	6,143	6,023
Net change in total OPEB liability	<u>2,845</u>	<u>54,975</u>	<u>(147,234)</u>	<u>25,591</u>
Total OPEB liability - beginning	<u>533,732</u>	<u>536,577</u>	<u>591,552</u>	<u>444,318</u>
 Total OPEB Liability - Ending	 <u>\$ 536,577</u>	 <u>\$ 591,552</u>	 <u>\$ 444,318</u>	 <u>\$ 469,909</u>
 Covered payroll	 \$ 4,084,506	 \$ 4,190,703	 \$ 4,069,431	 \$ 4,175,236
 Total OPEB liability as a percentage of covered payroll	 13.14%	 14.12%	 10.92%	 11.25%

Notes:

No assets are accumulated in a trust to pay related benefits

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

TOWN OF MARLBOROUGH, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (CONTINUED)
 JUNE 30, 2021

	Special Revenue Funds							
	Small Cities	Board of Education User Fees	Special Purpose Fund	Student Activity Fund	Town Aid Road	Recycling	Cafeteria	Parks and Recreation
ASSETS								
Cash and cash equivalents	\$ 152,174	\$ 85,149	\$ 23,038	\$ 14,876	\$ 199,938	\$ 53,275	\$ 29,195	\$ 91,306
Accounts receivable	282,802					12,892	35,531	211
Inventory							3,551	
Total Assets	\$ 434,976	\$ 85,149	\$ 23,038	\$ 14,876	\$ 199,938	\$ 66,167	\$ 68,277	\$ 91,517
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$	\$ 5,475	\$ 500	\$	\$	\$ 9,262	\$ 11,760	\$ 5,348
Due to other funds								
Unearned revenue	12,405						6,918	15,667
Total liabilities	12,405	5,475	500	-	-	9,262	18,678	21,015
Deferred Inflows of Resources:								
Unavailable revenue - special assessments								
Unavailable revenue - grants						11,250		
Unavailable revenue - CDBG loans receivable	245,779							
Total deferred inflows of resources	245,779	-	-	-	-	11,250	-	-
Fund Balances:								
Nonspendable							3,551	
Restricted	176,792		22,538	14,876	199,938			
Committed		79,674				45,655	46,048	70,502
Total fund balances	176,792	79,674	22,538	14,876	199,938	45,655	49,599	70,502
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 434,976	\$ 85,149	\$ 23,038	\$ 14,876	\$ 199,938	\$ 66,167	\$ 68,277	\$ 91,517

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TOWN OF MARLBOROUGH, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (CONTINUED)
 JUNE 30, 2021

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Sewer	Land Acquisition and Improvement	Educational Grants	Sub-Division	WPCA Operations and Maintenance	Probate Court	Marlborough Municipal Water Fund	
ASSETS								
Cash and cash equivalents	\$ 11	\$ 41,350	\$ 30,339	\$ 182,406	\$ 352,436	\$ 10,548	\$ 9,032	\$ 1,275,073
Accounts receivable					14,139			345,575
Inventory								3,551
Total Assets	\$ 11	\$ 41,350	\$ 30,339	\$ 182,406	\$ 366,575	\$ 10,548	\$ 9,032	\$ 1,624,199
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$	\$ 294	\$	\$ 3,568	\$ 34,611	\$ 1,025	\$	\$ 71,843
Due to other funds	11							11
Unearned revenue			30,339					65,329
Total liabilities	11	294	30,339	3,568	34,611	1,025	-	137,183
Deferred Inflows of Resources:								
Unavailable revenue - special assessments					14,139			14,139
Unavailable revenue - grants								11,250
Unavailable revenue - CDBG loans receivable								245,779
Total deferred inflows of resources	-	-	-	-	14,139	-	-	271,168
Fund Balances:								
Nonspendable								3,551
Restricted								414,144
Committed		41,056		178,838	317,825	9,523	9,032	798,153
Total fund balances	-	41,056	-	178,838	317,825	9,523	9,032	1,215,848
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11	\$ 41,350	\$ 30,339	\$ 182,406	\$ 366,575	\$ 10,548	\$ 9,032	\$ 1,624,199

**TOWN OF MARLBOROUGH, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds							
	Small Cities	Board of Education User Fees	Special Purpose Fund	Student Activity Fund	Town Aid Road	Recycling	Cafeteria	Parks and Recreation
Revenues:								
Intergovernmental revenues	\$	\$	\$	\$	\$ 212,046	\$	\$ 186,671	\$
Charges for services		51,783		20,224		35,483	13,338	45,147
Miscellaneous	57,048		12,314			10,287		
Total revenues	<u>57,048</u>	<u>51,783</u>	<u>12,314</u>	<u>20,224</u>	<u>212,046</u>	<u>45,770</u>	<u>200,009</u>	<u>45,147</u>
Expenditures:								
Current:								
General government								
Public safety			105					
Public works			10,168		138,301	58,245		
Health and welfare			3,748					
Parks and recreation								48,635
Sewer operations								
Education		16,967		24,238			179,797	
Total expenditures	<u>-</u>	<u>16,967</u>	<u>14,021</u>	<u>24,238</u>	<u>138,301</u>	<u>58,245</u>	<u>179,797</u>	<u>48,635</u>
Excess (Deficiency) of Revenues over Expenditures	<u>57,048</u>	<u>34,816</u>	<u>(1,707)</u>	<u>(4,014)</u>	<u>73,745</u>	<u>(12,475)</u>	<u>20,212</u>	<u>(3,488)</u>
Other Financing Sources (Uses):								
Transfers in		44,858						
Transfers out								
Total other financing sources (uses)	<u>-</u>	<u>44,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	57,048	79,674	(1,707)	(4,014)	73,745	(12,475)	20,212	(3,488)
Fund Balances at Beginning of Year, as restated	119,744	-	24,245	18,890	126,193	58,130	29,387	73,990
Fund Balances at End of Year	<u>\$ 176,792</u>	<u>\$ 79,674</u>	<u>\$ 22,538</u>	<u>\$ 14,876</u>	<u>\$ 199,938</u>	<u>\$ 45,655</u>	<u>\$ 49,599</u>	<u>\$ 70,502</u>

(Continued on next page)

**TOWN OF MARLBOROUGH, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Sewer	Land Acquisition and Improvement	Educational Grants	Sub-Division	WPCA Operations and Maintenance	Probate Court	Marlborough Municipal Water Fund	
Revenues:								
Intergovernmental revenues	\$	\$	\$ 570,295	\$	\$	\$	\$	\$ 969,012
Charges for services				30,000	356,032	41,925	12,551	606,483
Miscellaneous		9,000						88,649
Total revenues	-	9,000	570,295	30,000	356,032	41,925	12,551	1,664,144
Expenditures:								
Current:								
General government		294				51,476		51,770
Public safety								105
Public works				24,811				231,525
Health and welfare								3,748
Parks and recreation								48,635
Sewer operations					255,948		10,083	266,031
Education			570,295					791,297
Total expenditures	-	294	570,295	24,811	255,948	51,476	10,083	1,393,111
Excess (Deficiency) of Revenues over Expenditures	-	8,706	-	5,189	100,084	(9,551)	2,468	271,033
Other Financing Sources (Uses):								
Transfers in						8,611		53,469
Transfers out					(28,446)			(28,446)
Total other financing sources (uses)	-	-	-	-	(28,446)	8,611	-	25,023
Net Change in Fund Balances	-	8,706	-	5,189	71,638	(940)	2,468	296,056
Fund Balances at Beginning of Year, as restated	-	32,350	-	173,649	246,187	10,463	6,564	919,792
Fund Balances at End of Year	\$ -	\$ 41,056	\$ -	\$ 178,838	\$ 317,825	\$ 9,523	\$ 9,032	\$ 1,215,848

TOWN OF MARLBOROUGH, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2021
(In Thousands)

Total tax collections (including interest and lien fees) received by Treasurer for the year ended June 30, 2020	\$ 22,139
Add State of Connecticut grants:	
Elderly freeze	<u>1</u>
Base	<u>\$ 22,140</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	\$ 49,815	\$	\$	\$	\$
4-1/2 times base		99,630			
3-3/4 times base			83,025		
3-1/4 times base				71,955	
3 times base					<u>66,420</u>
Total debt limitation	<u>49,815</u>	<u>99,630</u>	<u>83,025</u>	<u>71,955</u>	<u>66,420</u>
Indebtedness:					
Bonds outstanding	195	985	6,830		
Overlapping debt:					
Regional School District #8		<u>1,914</u>			
Total indebtedness	<u>195</u>	<u>2,899</u>	<u>6,830</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 49,620</u>	<u>\$ 96,731</u>	<u>\$ 76,195</u>	<u>\$ 71,955</u>	<u>\$ 66,420</u>

Note 1: In no case shall total indebtedness exceed \$154,980 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, 2021, the District has bonds outstanding of \$5,565,000. The Town of Marlborough's share is approximately 34.39%. These are general obligations of Regional School District #8 and its member towns.

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