

**TOWN OF
MARLBOROUGH,
CONNECTICUT**

**FINANCIAL STATEMENTS
JUNE 30, 2018**

TOWN OF MARLBOROUGH, CONNECTICUT
TABLE OF CONTENTS
JUNE 30, 2018

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-10

Basic Financial Statements

Exhibit

	Government-Wide Financial Statements:	
I	Statement of Net Position	11
II	Statement of Activities	12
	Fund Financial Statements:	
III	Balance Sheet - Governmental Funds	13-14
IV	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15-16
V	Statement of Net Position - Fiduciary Funds	17
	Notes to the Financial Statements	18-44

Required Supplementary Information

	General Fund:	
RSI-1	Schedule of Revenues and Other Financing Sources - Budget and Actual	45-46
RSI-2	Schedule of Expenditures and Other Financing Uses - Budget and Actual	47-49
	Teachers Retirement Plan:	
RSI-3	Schedule of the Town's Proportionate Share of Net Pension Liability	50
RSI-4	Schedule of the Town's Proportionate Share of Net OPEB Liability	51
	Other Post Employment Benefit Plan:	
RSI-5	Schedule of Changes in Total OPEB Liability and Related Ratios	52

Combining and Individual Fund Statements and Schedules

	General Fund:	
A-1	Comparative Balance Sheet	53
A-2	Report of Tax Collector	54
	Nonmajor Governmental Funds:	
B-1	Combining Balance Sheet	55-56
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	57-58
	Fiduciary Funds:	
	Agency Funds:	
C-1	Combining Balance Sheet	59
C-2	Combining Statement of Changes in Assets and Liabilities	60

Schedule

	Supplemental Schedule:	
1	Schedule of Debt Limitation	61

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, 2018, and the related notes to the financial statements, which collectively comprise the Town of Marlborough, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Marlborough, Connecticut, as of June 30, 2018 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.

Change in Accounting Principle

As discussed in Note 10 to the financial statements, during the fiscal year ended June 30, 2018, the Town of Marlborough, Connecticut, adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net position of the Town of Marlborough, Connecticut, has been restated to recognize the net other postemployment benefit liability in accordance with GASB No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Marlborough, Connecticut, as of and for the year ended June 30, 2017 (not presented herein), and have issued our report thereon dated December 7, 2017, which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. The accompanying General Fund balance sheet as of June 30, 2017 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2017 financial statements. The accompanying General Fund balance sheet has been subjected to the auditing procedures applied in the audit of the 2017 basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund balance sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2017.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018 on our consideration of the Town of Marlborough, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the Town of Marlborough, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Marlborough, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 14, 2018

**TOWN OF MARLBOROUGH, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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, 2018. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to V.

Financial Highlights

- Net position of our governmental activities increased by \$3,714,060.
- During the year, the Town had expenses that were \$3,714,060 less than the \$29.6 million generated in tax and other revenues for governmental programs.
- The total cost of all of the Town's programs was \$25.9 million with no new programs added this year, compared to \$24.5 million last year.
- The General Fund reported a fund balance at June 30, 2018 of \$3.7 million, .6 million more than last year. An appropriation of fund balance of \$225,808 was included in the adopted budget for the year.
- Total revenues available for appropriation were \$110,257 more than budgeted revenues, not including the \$225,808 appropriation of fund balance which was not used. Expenditures were \$614,391 lower than budgeted.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds (Exhibits III and IV)

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

Fiduciary Funds (Exhibit V)

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

Government-Wide Financial Analysis

The Town's net position increased by \$3,714,060 from June 30, 2017. 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	
	2018	2017 (as Restated)
Current assets	\$ 13,580,443	\$ 10,218,688
Capital assets, net of accumulated depreciation	<u>47,582,529</u>	<u>47,894,713</u>
Total assets	<u>61,162,972</u>	<u>58,113,401</u>
Deferred outflows of resources	<u>85,239</u>	<u>103,495</u>
Long-term liabilities outstanding	13,926,764	13,215,376
Other liabilities	<u>1,311,089</u>	<u>2,723,964</u>
Total liabilities	<u>15,237,853</u>	<u>15,939,340</u>
Deferred inflows of resources	<u>18,742</u>	<u>-</u>
Net Position:		
Net investment in capital assets	34,858,915	35,878,330
Unrestricted	<u>11,132,701</u>	<u>6,399,226</u>
Total Net Position	<u>\$ 45,991,616</u>	<u>\$ 42,277,556</u>

Net position of the Town's governmental activities increased by \$3,714,060 (\$45,991,616 compared to \$42,277,556). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased from \$6,399,226 at June 30, 2017 to \$11,132,701 at the end of this year.

Table 2
CHANGE IN NET POSITION

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 2,653,217	\$ 870,617
Operating grants and contributions	5,792,351	5,650,633
Capital grants and contributions	300,281	681,859
General revenues:		
Property taxes	20,627,528	19,909,664
Grants and contributions not restricted to specific purposes	45,083	179,346
Unrestricted investment earnings	43,948	22,274
Other general revenues	155,125	46,531
Total revenues	29,617,533	27,360,924
 Program expenses:		
General government	2,056,070	2,018,321
Public safety	577,440	563,406
Public works	2,594,832	2,187,636
Parks and recreation	262,593	226,235
Health and welfare	243,285	201,638
Sewer operations	278,167	246,670
Library	341,668	332,092
Education	19,214,604	18,411,040
Interest on long-term debt	334,814	300,899
Total program expenses	25,903,473	24,487,937
 Increase in Net Position	\$ 3,714,060	\$ 2,872,987

The Town's total revenues (excluding special items) were \$29.6 million. The total cost of all programs and services was \$25.9 million. Our analysis below considers the operations of governmental activities.

Governmental Activities

Overall, net position increased \$3,714,060. This increase is attributable to an increase in charges for services, property taxes and other general revenue. Overall, expenses increased by 5.1% partially due to an increase in the allocation of the regional school district levy and public works. Property tax revenues increased by 3.6% for 2018 compared to an increase of 4% for 2017.

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	
	2018	2017	2018	2017
General government	\$ 2,056,070	\$ 2,018,321	\$ 1,514,360	\$ 1,067,973
Public safety	577,440	563,406	573,570	556,067
Public works	2,594,832	2,187,636	1,484,067	1,907,393
Parks and recreation	262,593	226,235	157,648	126,253
Health and welfare	243,285	201,638	220,037	179,655
Sewer operations	278,167	246,670	(1,703,463)	(490,061)
Education	19,214,604	18,411,040	14,234,923	13,304,557
All others	676,482	632,991	676,482	632,991
Total	\$ 25,903,473	\$ 24,487,937	\$ 17,157,624	\$ 17,284,828

Town Funds Financial Analysis

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$6.9 million, as of June 30, 2018.

General Fund Budgetary Highlights

On a budgetary basis (see Schedules RSI-1 and RSI-2) total revenue was more than the approved Town budget by \$110,257. The appropriation from fund balance of \$225,808 was not used. Most revenue categories were favorable versus budget including property taxes which exceeded the budget by \$204,531. Investment income was \$28,942 above budget due to an investment account with a favorable guaranteed interest rate. Transfers from other funds were more than budgeted by \$46,178 due to transfers from the Sewer Benefit Assessment Fund. Local revenues, including fees and non-property taxes, also exceeded the budget by \$138,522. State revenues were less than budgeted by \$82,108.

Overall, expenditures were less than budget by \$614,391. Expenditures for most departments and functional areas were less than budget with the largest favorable variances as follows: general government including contingency (\$246,009), public safety (\$163,237) and public works (\$131,578).

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, the Town had \$47.6 million invested in a broad range of capital assets, including land, buildings, municipal sewer system, municipal water system, park facilities, vehicles and equipment, roads and storm drains (see Table 4). The most significant changes were road improvements, culverts, bridges and municipal water system. Approximately \$1.8 million was expended during 2018 on vehicles and equipment, and infrastructure projects.

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

	Governmental Activities	
	2018	2017
Land	\$ 2,937	\$ 2,936
Buildings and improvements	9,716	10,418
Equipment	2,231	2,305
Infrastructure	31,018	28,518
Construction in progress	1,681	3,718
 Total	 \$ 47,583	 \$ 47,895

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

Long-Term Debt

At June 30, 2018, the Town had \$12,375,672 in bonds outstanding versus \$11,663,328 at the end of the prior year, an increase of \$712,344.

The Town has overlapping debt of \$3.9 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 2017. The State limits the amount of general obligation debt that cities can issue based on a formula determined under State statutes based on the type of debt and tax base. The Town’s outstanding general obligation debt is significantly below this \$139.5 million state-imposed limit.

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

Economic Factors and Next Year’s Budgets and Rates

The Town’s elected and appointed officials considered many factors when setting the fiscal year budget tax rates. For fiscal year ended June 30, 2018, the mill rate was set at 35.46. For fiscal year ending June 30, 2019, the rate was set at 36.52, representing a 2.99% increase. Between July 2017 and June 2018, the State of Connecticut’s unemployment rate decreased from 5.0% to 4.4%. Hartford County (which includes Marlborough) also decreased from 5.3% to 4.6%. These decreases are in line with the national average of 4.1%, which was .3% lower than last year. The U.S. Consumer Price Index (CPI) for the 12-month period ended June 30, 2018 was 2.9%, compared to 1.6% for the same period last year.

These indicators were taken into account when adopting the General Fund budget for 2017-2018. Amounts available for appropriation in the General Fund budget are \$24,109,681, representing an increase of 1.57% over the 2016-2017 budget of \$23,737,067. Property taxes and Local Revenue are expected to fund most of this increase.

Given the declining and uncertain state revenues, budgeted expenses were purposely constrained in the FY18 budget. No new programs or major initiatives were added to the FY17 budget.

The Town appropriated \$739,465 for capital projects and equipment purchases which is included in the FY18 budget. The unassigned balance totaled \$3,476,500 at June 30, 2018, which represents 14.42% of the FY18 operating budget of \$24,109,681.

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, 2018

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 8,029,769
Receivables, net	5,546,565
Inventory	4,109
Capital assets - nondepreciable:	
Land	2,936,589
Construction in progress	1,680,673
Capital assets - depreciable, net of accumulated depreciation:	
Building	9,716,400
Furniture and equipment	2,230,955
Infrastructure	31,017,912
Total assets	<u>61,162,972</u>
Deferred Outflows of Resources:	
Deferred charge on refunding	83,782
Differences between expected and actual OPEB experience	1,457
Total deferred outflows of resources	<u>85,239</u>
Liabilities:	
Accounts and other payables	572,248
Unearned revenue	738,841
Noncurrent liabilities:	
Due within one year	1,798,932
Due in more than one year	12,127,832
Total liabilities	<u>15,237,853</u>
Deferred Inflows of Resources:	
Changes in OPEB assumptions	<u>18,742</u>
Net Position:	
Net investment in capital assets	34,858,915
Unrestricted	<u>11,132,701</u>
Total Net Position	<u>\$ 45,991,616</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, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 2,056,070	\$ 317,591	\$ 224,119	\$	\$ (1,514,360)
Public safety	577,440	3,870			(573,570)
Public works	2,594,832	138,853	716,462	255,450	(1,484,067)
Parks and recreation	262,593	95,326	9,619		(157,648)
Health and welfare	243,285		23,248		(220,037)
Sewer operations	278,167	1,936,799		44,831	1,703,463
Library	341,668				(341,668)
Education	19,214,604	160,778	4,818,903		(14,234,923)
Interest on long-term debt	334,814				(334,814)
Total	\$ 25,903,473	\$ 2,653,217	\$ 5,792,351	\$ 300,281	(17,157,624)
General revenues:					
Property taxes					20,627,528
Grants and contributions not restricted to specific programs					45,083
Unrestricted investment earnings					43,948
Miscellaneous					155,125
Total general revenues					<u>20,871,684</u>
Change in net position					3,714,060
Net Position at Beginning of Year, as Restated					<u>42,277,556</u>
Net Position at End of Year					<u>\$ 45,991,616</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<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	\$ 3,936,841	\$ 1,563,428	\$ 430,335	\$ 875,015	\$ 1,224,150	\$ 8,029,769
Receivables, net	258,802		4,820,862	71,701	395,200	5,546,565
Due from other funds	24,142				32,817	56,959
Inventory					4,109	4,109
Total Assets	<u>\$ 4,219,785</u>	<u>\$ 1,563,428</u>	<u>\$ 5,251,197</u>	<u>\$ 946,716</u>	<u>\$ 1,656,276</u>	<u>\$ 13,637,402</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 225,861	\$ 48,322	\$	\$ 236,656	\$ 40,900	\$ 551,739
Due to other funds	32,817			11,454	12,688	56,959
Unearned revenue				698,606	40,235	738,841
Total liabilities	<u>258,678</u>	<u>48,322</u>	<u>-</u>	<u>946,716</u>	<u>93,823</u>	<u>1,347,539</u>
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	221,161					221,161
Unavailable revenue - special assessments			4,820,862		13,065	4,833,927
Unavailable revenue - CDBG loans receivable					369,226	369,226
Total deferred inflows of resources	<u>221,161</u>	<u>-</u>	<u>4,820,862</u>	<u>-</u>	<u>382,291</u>	<u>5,424,314</u>
Fund balances:						
Nonspendable					4,109	4,109
Restricted		302,641	430,335		547,179	1,280,155
Committed		1,212,465			628,874	1,841,339
Assigned	263,446					263,446
Unassigned	3,476,500					3,476,500
Total fund balances	<u>3,739,946</u>	<u>1,515,106</u>	<u>430,335</u>	<u>-</u>	<u>1,180,162</u>	<u>6,865,549</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,219,785</u>	<u>\$ 1,563,428</u>	<u>\$ 5,251,197</u>	<u>\$ 946,716</u>	<u>\$ 1,656,276</u>	<u>\$ 13,637,402</u>

(Continued on next page)

TOWN OF MARLBOROUGH, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

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

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

Fund balances - total governmental funds (Exhibit III)	\$ 6,865,549
--------------------------------------------------------	--------------

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

Governmental capital assets	\$ 78,410,273	
Less accumulated depreciation	<u>30,827,744</u>	
Net capital assets		47,582,529

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	146,500
Interest receivable on property taxes	74,661
Assessments receivable	4,820,862
Sewer operations receivable	13,065
Housing loans	369,226

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	(12,375,672)
Interest payable on bonds and notes	(20,509)
Capital lease	(233,876)
Compensated absences	(582,791)
Total OPEB liability	(536,577)
Deferred outflow related to differences between expected and actual OPEB experience	1,457
Deferred inflow related to changes in OPEB assumptions	(18,742)
Bond premiums	(197,848)
Deferred charge on refunding	<u>83,782</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 45,991,616</u>
-----------------------------------------------------	----------------------

The accompanying notes are an integral part of the financial statements

TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<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	\$ 20,622,764	\$	\$	\$	\$	\$ 20,622,764
Intergovernmental	4,602,288			1,009,470	518,892	6,130,650
Charges for services	281,673		511,877		682,476	1,476,026
Income on investments	43,942	6				43,948
Miscellaneous	57,934	56,732	26		141,268	255,960
Total revenues	<u>25,608,601</u>	<u>56,738</u>	<u>511,903</u>	<u>1,009,470</u>	<u>1,342,636</u>	<u>28,529,348</u>
Expenditures:						
Current:						
General government	1,978,433			9,000	52,674	2,040,107
Public safety	476,791				470	477,261
Public works	1,378,423			14,626	189,002	1,582,051
Health and welfare	166,988			16,183	13,976	197,147
Parks and recreation	115,140			9,619	94,725	219,484
Sewer operations					278,167	278,167
Education	18,101,377				369,267	18,470,644
Library	341,668					341,668
Debt service	2,103,085					2,103,085
Capital outlay	126,338	449,982		960,042	26,291	1,562,653
Total expenditures	<u>24,788,243</u>	<u>449,982</u>	<u>-</u>	<u>1,009,470</u>	<u>1,024,572</u>	<u>27,272,267</u>
Excess (Deficiency) of Revenues over Expenditures	<u>820,358</u>	<u>(393,244)</u>	<u>511,903</u>	<u>-</u>	<u>318,064</u>	<u>1,257,081</u>
Other Financing Sources (Uses):						
Clean water fund note issuance					2,343,844	2,343,844
Transfers in	412,723	739,465			8,173	1,160,361
Transfers out	(747,638)		(376,178)		(36,545)	(1,160,361)
Capital lease issuance	126,338					126,338
Total other financing sources (uses)	<u>(208,577)</u>	<u>739,465</u>	<u>(376,178)</u>	<u>-</u>	<u>2,315,472</u>	<u>2,470,182</u>
Net Change in Fund Balances	611,781	346,221	135,725		2,633,536	3,727,263
Fund Balances at Beginning of Year	<u>3,128,165</u>	<u>1,168,885</u>	<u>294,610</u>	<u>-</u>	<u>(1,453,374)</u>	<u>3,138,286</u>
Fund Balances at End of Year	<u>\$ 3,739,946</u>	<u>\$ 1,515,106</u>	<u>\$ 430,335</u>	<u>\$ -</u>	<u>\$ 1,180,162</u>	<u>\$ 6,865,549</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, 2018**

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) \$ 3,727,263

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 1,804,209
Depreciation expense (1,926,298)

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. (190,095)

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 (46,138)
Property tax receivable - accrual basis change (6,703)
Property tax interest and lien revenue - accrual basis change 11,467
Sewer assessment and sewer receivable - accrual basis change 1,083,421

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 1,631,500
Issuance of bonds and notes (2,343,844)
Capital lease payments 104,073
Capital lease issuance (126,338)

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 (21,025)
Accrued interest 5,320
Net OPEB expense (20,130)
Amortization of deferred charge on refunding (19,713)
Amortization of bond premiums 47,091

Change in Net Position of Governmental Activities (Exhibit II) \$ 3,714,060

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>72,421</u>
Liabilities:	
Deposits held for others	\$ <u>72,421</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

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

Additionally, the Town reports the following fund type:

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

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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

D. Deposits and Investments

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

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

Investments are reported at fair value.

E. Receivables and Payables

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

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

Supplemental motor vehicle taxes are due and payable in one installment on January 1. Assessments for real property are computed at 70% of the market value, as of the date of the latest revaluation. Assessments for motor vehicles are computed at 70% of the current market value as provided by the State of Connecticut Department of Motor Vehicles. Liens are filed on real property that have unpaid property taxes as of June 30. Delinquent taxes are charged interest of 18% per year (1.5% per month). An amount of \$50,570 has been established as an allowance for uncollectible taxes. At June 30, 2018, this represents 22.01% of all property taxes receivable.

F. Capital Assets

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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

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

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

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

H. Deferred Outflows/Inflows of Resources

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

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018 is reflected in the accompanying government-wide financial statements.

J. Long-Term Obligations

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

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

K. Fund Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Committed Fund Balance

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

Assigned Fund Balance

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

Unassigned Fund Balance

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

L. Accounting Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

General Fund

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

The General Fund budget is prepared on a modified accrual basis of accounting, except for payroll which is reported on a cash basis and encumbrances which are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued. There were no additional appropriations approved during the year for the General Fund. Encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year. Additionally, the Town does not budget for revenue or expenditures associated with pension and OPEB contributions made by the State of Connecticut on behalf of Marlborough teachers. The payment made by the State of Connecticut for the current year was \$1,728,364.

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

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

Deposit Custodial Credit Risk

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$7,494,519 of the Town’s bank balance of \$8,466,965 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 6,763,927
Uninsured and collateralized held by pledging bank	<u>730,592</u>
Total Amount Subject to Custodial Credit Risk	<u><u>\$ 7,494,519</u></u>

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018, the Town's cash equivalents amounted to \$57,646. 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	\$ 57,646

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	\$	\$	\$	\$ 369,226	\$ 369,226
Interest	74,661				74,661
Taxes	229,721				229,721
Accounts receivable	4,990		71,701	9,103	85,794
Sewer benefit assessments		4,820,862			4,820,862
Intergovernmental				16,871	16,871
Gross receivables	<u>309,372</u>	<u>4,820,862</u>	<u>71,701</u>	<u>395,200</u>	<u>5,597,135</u>
Less allowance for uncollectibles	<u>50,570</u>				<u>50,570</u>
Net Total Receivables	<u>\$ 258,802</u>	<u>\$ 4,820,862</u>	<u>\$ 71,701</u>	<u>\$ 395,200</u>	<u>\$ 5,546,565</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 2,936,589	\$	\$	\$	\$ 2,936,589
Construction in progress	<u>3,718,296</u>	<u>1,194,252</u>	<u></u>	<u>(3,231,875)</u>	<u>1,680,673</u>
Total capital assets not being depreciated	<u>6,654,885</u>	<u>1,194,252</u>	<u>-</u>	<u>(3,231,875)</u>	<u>4,617,262</u>
Capital assets being depreciated:					
Buildings	22,832,551	9,969			22,842,520
Furniture and equipment	6,108,262	258,763	330,733		6,036,292
Infrastructure	<u>41,705,419</u>	<u>341,225</u>	<u>364,320</u>	<u>3,231,875</u>	<u>44,914,199</u>
Total capital assets being depreciated	<u>70,646,232</u>	<u>609,957</u>	<u>695,053</u>	<u>3,231,875</u>	<u>73,793,011</u>
Less accumulated depreciation for:					
Buildings	12,414,534	711,586			13,126,120
Furniture and equipment	3,803,550	309,537	307,750		3,805,337
Infrastructure	<u>13,188,320</u>	<u>905,175</u>	<u>197,208</u>	<u></u>	<u>13,896,287</u>
Total accumulated depreciation	<u>29,406,404</u>	<u>1,926,298</u>	<u>504,958</u>	<u>-</u>	<u>30,827,744</u>
Total capital assets being depreciated, net	<u>41,239,828</u>	<u>(1,316,341)</u>	<u>190,095</u>	<u>3,231,875</u>	<u>42,965,267</u>
Governmental Activities Capital Assets, Net	<u>\$ 47,894,713</u>	<u>\$ (122,089)</u>	<u>\$ 190,095</u>	<u>\$ -</u>	<u>\$ 47,582,529</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 32,651
Public safety	127,554
Public works	1,052,111
Parks and recreation	21,907
Education	<u>692,075</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,926,298</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

6. CAPITAL PROJECTS

Following is a summary of significant project authorizations in the Capital and Nonrecurring Fund as of June 30, 2018:

Description	Project Authorization	Current Year Expenditures	Encumbrance	Cumulative Expenditures and Encumbrances	Balance June 30, 2018
General Government - Reserve	\$ 129,514	\$	\$	\$	\$ 129,514
Revaluation	55,664				55,664
Plan of Development	17,500				17,500
Town Hall Generator	55,500	89		48,011	7,489
Security Upgrades Town Facilities	25,000	19,519		19,519	5,481
Energy Improvements Town Hall	18,700	3,984		11,984	6,716
Police Vehicle	18,400				18,400
Utility/Staff Truck - Fire Dept	45,000	44,264	736	45,000	
UTV Fire Equipment	5,000			4,875	125
Open Space - Recreational Land	50,000				50,000
Sewer Upgrades Blish Park	15,486	173		13,759	1,727
ADA Compliance - Blish Park	10,000				10,000
Road Reconstruction	415,693	163,052		163,052	252,641
Water System Phase II Construction	50,000				50,000
Finley Hill Over Flat Brook Construction	239,500				239,500
Engineering-Fawn Brook Bridge	249,724	10,742		20,243	229,481
Design & Eng. Jones Hollow Bridge	289,957	24,482		24,482	265,475
Capital Design & Engineering	404,692	109,209		375,075	29,617
South Main St Repaving Proj. (LOTICIP Ph I)	117,000	13,234		87,357	29,643
South Main St Repaving Proj. (LOTICIP Ph II)	10,000	10,000		10,000	
Public Works Reserve	40,000				40,000
Used F150 Pickup Truck - Public Works	16,500	15,783		15,783	717
Metal Building Improvements - Public Works	5,000	4,880		4,880	120
Roof Replacement Plan (multi-year) - BOE	10,000				10,000
Sewer System Eval. - BOE	4,500	4,500		4,500	
Phone System Upgrade - BOE	19,992		19,992	19,992	
Interior Painting - BOE	35,725	3,350		35,725	
Playscape - BOE	10,000	10,000		10,000	
Physical Education Equipment - BOE	4,975	4,975		4,975	
A/C Motors & Transformers for 3 rooms - BOE	2,265	2,076		2,076	189
Classroom Furniture - BOE	12,840	1,170		12,840	
Air Handler Unit for Health Room - BOE	4,500	4,500		4,500	
	<u>\$ 2,388,627</u>	<u>\$ 449,982</u>	<u>\$ 20,728</u>	<u>\$ 938,628</u>	<u>\$ 1,449,999</u>

The Town has debt authorized but unissued of \$383,441 for clean water phase 3 project post financing.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2018, the interfund receivables and payables are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Miscellaneous Grants	\$ 11,454
General Fund	Nonmajor Governmental Funds	12,688
Nonmajor Governmental Funds	General Fund	<u>32,817</u>
 Total		 \$ <u><u>56,959</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	\$ 376,178	\$ 739,465	\$ 8,173	\$ 747,638
MWPCA Benefit Assessment	376,178			376,178
Nonmajor Governmental Funds	<u>36,545</u>			<u>36,545</u>
 Total	 \$ <u><u>412,723</u></u>	 \$ <u><u>739,465</u></u>	 \$ <u><u>8,173</u></u>	 \$ <u><u>1,160,361</u></u>

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

8. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 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	\$ 4,910,000	\$	\$ 1,100,000	\$ 3,810,000	\$ 990,000
CWF Loans	6,753,328	2,343,844	531,500	8,565,672	567,106
Bond issuance premiums	<u>244,939</u>		<u>47,091</u>	<u>197,848</u>	
Total bonds and notes payable	11,908,267	2,343,844	1,678,591	12,573,520	1,557,106
Compensated absences	561,766	73,692	52,667	582,791	141,115
Capital lease	211,611	126,338	104,073	233,876	100,711
Total OPEB liability	<u>533,732</u>	<u>2,845</u>		<u>536,577</u>	
Total Governmental Activities Long-Term Liabilities	<u>\$ 13,215,376</u>	<u>\$ 2,546,719</u>	<u>\$ 1,835,331</u>	<u>\$ 13,926,764</u>	<u>\$ 1,798,932</u>

The Town implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the year ended June 30, 2018, and the net OPEB obligation has been restated to the total OPEB liability in accordance with that standard.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

A schedule of governmental activities bonds payable as of June 30, 2018 is presented below:

Description	Principal Amount Payable
\$2,305,000 of general obligation bonds issued December 9, 2009 and maturing serially to December 1, 2019 at an interest rate of 3.49%	\$ 500,000
\$6,205,000 of school improvement and general obligation bonds issued on September 8, 2011 and maturing serially to May 15, 2023 at an interest rate of 2-4%	2,490,000
\$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%	820,000
\$908,774 of Clean Water Loans issued July 31, 2007 and maturing serially to April 30, 2023 at an interest rate of 2%	392,812
\$8,151,743 of Clear Water Loans issued October 31, 2010 and maturing serially to September 30, 2030 at an interest rate of 2%	5,372,588
\$613,583 of Clean Water Loans issued May 31, 2015 and maturing serially to December 31, 2034 at an interest rate of 2%	530,325
\$2,343,844 of Clean Water Loans issued October 31, 2017 and maturing serially to April 30, 2037 at an interest rate of 2%	<u>2,269,947</u>
Total	<u>\$ 12,375,672</u>

The following is a schedule of long-term debt maturities as of June 30, 2018:

<u>Year Ending June 30</u>	<u>Amount Due</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,557,106	\$ 327,315
2020	1,523,553	285,250
2021	1,285,231	244,113
2022	1,292,144	204,365
2023	1,104,298	167,040
2024-2028	3,124,393	423,950
2029-2033	1,899,538	109,916
2034-2037	<u>589,409</u>	<u>4,622</u>
Total	<u>\$ 12,375,672</u>	<u>\$ 1,766,571</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Clean Water Fund Loan

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

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General Purpose	\$ 44,843	\$ 1,996	\$ 42,847
Schools	89,685	5,634	84,051
Sewers	74,738	8,949	65,789
Urban renewal	64,773	-	64,773
Pension deficit	59,790	-	59,790

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$139,510,000.

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, 2018, the District has bonds outstanding of \$12,260,000. The Town of Marlborough’s share will be approximately 32%. These are general obligations of Regional School District #8 and its member towns.

9. CAPITAL LEASES

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

Asset:	
Furniture and equipment	\$ 503,813
Less accumulated depreciation	<u>(58,084)</u>
Total	<u>\$ 445,729</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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, 2018:

Fiscal Year Ending June 30

2019	\$ 105,933
2020	68,872
2021	<u>68,872</u>
Total future minimum lease payments	243,677
Interest on future lease payments	<u>(9,801)</u>
Principal Balance of Future Minimum Payments	<u>\$ 233,876</u>

10. OTHER POSTEMPLOYMENT BENEFITS

Town Plan

A. Plan Description

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

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

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

B. Funding Policy

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

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

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Total OPEB Liability

The Town's total OPEB liability of \$536,577 was measured as of June 30, 2018 and was determined by an actuarial valuation as July 1, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.60%
Salary increases	2.60%, average, including inflation
Discount rate	3.87%
Healthcare cost trend rates	7.00 % for 2017, decreasing 0.5% per year to an ultimate rate of 4.6% for 2022 and later years
Retirees' share of benefit-related costs	100% of projected health insurance premiums for retirees

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

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of July 1, 2017	\$ <u>533,732</u>
Changes for the year:	
Service cost	18,264
Interest on total OPEB liability	19,474
Difference between expected and actual experience	1,572
Changes in assumptions or other inputs	(20,218)
Benefit payments	<u>(16,247)</u>
Net changes	<u>2,845</u>
Balances as of June 30, 2018	\$ <u><u>536,577</u></u>

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB liability	\$ 610,670	\$ 536,577	\$ 473,789

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

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

	<u>1% Decrease (6.0% Decreasing to 3.6%)</u>	<u>Healthcare Cost Trend Rates (7.0% Decreasing to 4.6%)</u>	<u>1% Increase (8.0% Decreasing to 5.6%)</u>
Total OPEB liability	\$ 458,576	\$ 536,577	\$ 631,571

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$32,857. At June 30, 2018, 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	\$ 1,457	\$
Changes of assumptions	<u> </u>	<u>18,742</u>
Total	<u>\$ 1,457</u>	<u>\$ 18,742</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

2019	\$	(1,361)
2020		(1,361)
2021		(1,361)
2022		(1,361)
2023		(1,361)
Thereafter		(10,480)

State Teachers Retirement Plan

A. Plan Description

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

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

B. Benefit Provisions

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

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

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits). There are three choices for coverage under the CTRB Sponsored Medicare Supplemental Plans. The choices and 2017 calendar year premiums charged for each choice are shown in the table below:

- Medicare Supplement with Prescriptions \$ 92
- Medicare Supplement with Prescriptions and Dental 136
- Medicare Supplement with Prescriptions, Dental, Vision & Hearing 141

Those participants electing vision, hearing and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the plan for these benefits.

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 Supplemental Plans, as long as they do not remarry.

C. Eligibility

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

Credited Service

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

Normal Retirement

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

Early Retirement

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

Proratable Retirement

Age 60 with 10 years of credited service

Disability Retirement

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

Termination of Employment

Ten or more years of Credited Service.

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

D. Contributions

State of Connecticut

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

Employer (School Districts)

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

Employees

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

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

At June 30, 2018, 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>3,486,396</u>
Total	\$	<u><u>3,486,396</u></u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as June 30, 2016. At June 30, 2018, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2018, the Town recognized OPEB expense and revenue of \$161,577 in Exhibit II for on-behalf amounts for the benefits provided by the State.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

F. Actuarial Assumptions

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

Inflation	2.75%
Health care costs trend rate	7.25% decreasing to 5.00% by 2022
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.56%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2018

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) over age 80. For disabled retirees, mortality rates were based on the RPH-2014 Disabled Mortality Table projected to 2017 using the BB improvement scale.

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

The long-term expected rate of return on plan assets is reviewed as part of the GASB 74 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 (0.04%).

G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination.

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

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

I. Other Information

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

11. RISK MANAGEMENT

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

12. CONTINGENT LIABILITIES

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

13. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Teachers Retirement

A. Plan Description

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

B. Benefit Provisions

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

Normal Retirement

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

Early Retirement

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

**TOWN OF MARLBOROUGH, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

Disability Retirement

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

C. Contributions

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

Employer (School Districts)

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

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

Employees

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

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

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

At June 30, 2018, 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>13,545,222</u>
Total	\$	<u><u>13,545,222</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at June 30, 2016. At June 30, 2018, the Town has no proportionate share of the net pension liability.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

For the year ended June 30, 2018, the Town recognized pension expense and revenue of \$1,728,364 in Exhibit II for on-behalf amounts for the benefits provided by the State.

E. Actuarial Assumptions

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

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

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

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

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

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

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

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

F. Discount Rate

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

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

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

H. Other Information

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

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

14. FUND BALANCE

The components of fund balance for the governmental funds at June 30, 2018 are as follows:

	General Fund	Major Special Revenue Funds			Nonmajor Governmental Funds	Total
		CNR	MWPCA Benefit Assessment	Miscellaneous Grants		
Fund balances:						
Nonspendable:						
Inventory	\$	\$	\$	\$	\$ 4,109	\$ 4,109
Restricted for:						
Road reconstruction		252,641				252,641
Open space recreation land		50,000				50,000
Unspent grant balances					547,179	547,179
Sewer operations			430,335			430,335
Committed to:						
Revaluation		55,664				55,664
Plan of Development		17,500				17,500
Town Hall Generator		7,489				7,489
Security Upgrades Town Facilities		5,481				5,481
Energy Improvements Town Hall		6,716				6,716
Police Vehicle		18,400				18,400
UTV Fire Equipment		125				125
Sewer Upgrades Blish Park		1,727				1,727
ADA Compliance - Blish Park		10,000				10,000
Water System Phase II Construction		50,000				50,000
Finley Hill Over Flat Brook Construction		239,500				239,500
Engineering-Fawn Brook Bridge		229,481				229,481
Design & Eng. Jones Hollow Bridge		265,475				265,475
Capital Design & Engineering		29,617				29,617
South Main St Repaving Proj. (LOTICIP Ph I)		29,643				29,643
Public Works Reserve		40,000				40,000
Used F150 Pickup Truck - Public Works		717				717
Metal Building Improvements - Public Works		120				120
Roof Replacement Plan (multi-year) - BOE		10,000				10,000
A/C Motors & Transformers for 3 rooms - BOE		189				189
Other Capital Projects		65,107				65,107
General government		129,514			83,027	212,541
Public works					416,677	416,677
Parks and recreation					62,045	62,045
Education					67,125	67,125
Assigned to:						
Subsequent year's budget	100,000					100,000
General government	19,247					19,247
Public safety	5,917					5,917
Public works	86,266					86,266
Health and welfare	1,409					1,409
Parks and recreation	250					250
Education	50,357					50,357
Unassigned	3,476,500					3,476,500
Total Fund Balances	\$ 3,739,946	\$ 1,515,106	\$ 430,335	\$ -	\$ 1,180,162	\$ 6,865,549

Encumbrances of \$163,446, \$20,728 and \$3,545 at June 30, 2018 are contained in the above table in the assigned categories of the General Fund, the restricted and committed categories of the CNR fund, and the committed category of the Nonmajor Governmental Funds, respectively.

**TOWN OF MARLBOROUGH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

15. JOINT VENTURES

Regional School District 8 Health and Medical Insurance Consortium

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

16. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

The following restatements were recorded to the beginning of net position of the governmental activities as a result of implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*:

Governmental Activities:

Net position at June 30, 2017, as previously reported	\$ 42,093,288
Adjustments:	
Eliminate net OPEB obligation reported per GASB No. 45	718,000
Record total OPEB liability per GASB No. 75	<u>(533,732)</u>
Net Position at July 1, 2017, as Restated	\$ <u>42,277,556</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, 2018**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Property taxes:				
Current year levy	\$ 20,220,233	\$ 20,220,233	\$ 20,401,228	\$ 180,995
Prior years' collection	110,000	110,000	132,928	22,928
Interest, lien fees and other	88,000	88,000	88,608	608
Total property taxes	<u>20,418,233</u>	<u>20,418,233</u>	<u>20,622,764</u>	<u>204,531</u>
Intergovernmental revenues:				
State of Connecticut:				
Homeowner tax relief	19,340	19,340		(19,340)
Veterans exemption	975	975	1,873	898
Disability exemption	665	665	702	37
Civil preparedness	2,500	2,500		(2,500)
In lieu of taxes on state property	17,738	17,738		(17,738)
Miscellaneous state grants	5,600	5,600	6,956	1,356
Mashantucket Pequot grant	18,732	18,732	18,541	(191)
Municipal stabilization grant			17,011	17,011
Municipal Revenue Sharing grant	188,665	188,665		(188,665)
Educational programs:				
Elementary and secondary school transportation	759,408	759,408		(759,408)
Educational cost sharing	1,849,972	1,849,972	2,736,404	886,432
Total intergovernmental revenues	<u>2,863,595</u>	<u>2,863,595</u>	<u>2,781,487</u>	<u>(82,108)</u>
Local revenues:				
Licenses, fees, permits and charges for services:				
Real estate conveyance tax	65,000	65,000	79,808	14,808
Conservation/farm land	2,500	2,500	2,225	(275)
Building permits	80,000	80,000	148,637	68,637
Recording fees and sports licenses	31,000	31,000	29,690	(1,310)
Photo copier fees	6,000	6,000	7,251	1,251
Miscellaneous	25,000	25,000	81,219	56,219
Telephone tax share	11,000	11,000	10,192	(808)
Total licenses, fees, permits and charges for services	<u>220,500</u>	<u>220,500</u>	<u>359,022</u>	<u>138,522</u>
Investment income	<u>15,000</u>	<u>15,000</u>	<u>43,942</u>	<u>28,942</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Transfers from other funds	<u>366,545</u>	<u>366,545</u>	<u>412,723</u>	<u>46,178</u>
Use of fund balance	<u>225,808</u>	<u>225,808</u>	<u>-</u>	<u>(225,808)</u>
Total	<u>\$ 24,109,681</u>	<u>\$ 24,109,681</u>	24,219,938	<u>\$ 110,257</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf pension contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			1,566,787	
State of Connecticut on-behalf OPEB contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			161,577	
The Town budgets for excess cost grant revenues as an offset to education expenditures, rather than revenue			92,437	
Capital lease issuance			126,338	
Cancellation of prior year encumbrances are recognized as budgetary revenue			(23,285)	
Dog license fund revenues are not budgeted			<u>3,870</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>\$ 26,147,662</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General government:				
Selectmen	\$ 1,800	\$ 1,800	\$ 1,774	\$ 26
Town Clerk	19,700	19,700	18,364	1,336
Tax Collector	18,540	23,193	20,909	2,284
Treasurer	12,335	12,335	11,527	808
Election expenses	9,770	9,224	6,283	2,941
Town Counsel	77,000	103,662	103,662	-
Assessor	14,920	15,466	15,254	212
Appointed personnel	1,563,201	1,536,539	1,388,114	148,425
Town Hall	78,686	78,686	77,020	1,666
Administrative expenses	170,307	170,307	160,690	9,617
Land Use Department	59,740	55,087	34,778	20,309
Library Building	38,034	38,034	35,928	2,106
Senior Center Building	32,916	34,712	30,197	4,515
Commission on Aging Operating	50	50		50
Economic Development Committee	5,625	5,625	2,145	3,480
Board of Finance	14,750	14,750	13,828	922
Board of Assessment Appeal	480	480	480	-
Lake Study Advisory	14,250	14,250	13,938	312
Contingency	47,000	47,000		47,000
Capital Region Council on Governments	7,263	7,263	7,263	-
Connecticut Conference of Municipalities	3,836	3,836	3,836	-
Connecticut Conference of Small Towns	825	825	825	-
Total general government	<u>2,191,028</u>	<u>2,192,824</u>	<u>1,946,815</u>	<u>246,009</u>
Public safety:				
Fire Commissioners	38,867	38,867	37,952	915
Fire Department	127,926	127,926	115,967	11,959
Firehouse #2	35,765	35,765	31,475	4,290
Public Safety	371,217	371,217	237,495	133,722
Civil Preparedness	7,615	7,615	6,221	1,394
Emergency Dispatch 911	12,860	12,860	12,860	-
Paramedic Service - Middlesex Hospital	12,860	12,860	1,904	10,956
North Central CT EMS Council	5,534	5,534	5,533	1
Total public safety	<u>612,644</u>	<u>612,644</u>	<u>449,407</u>	<u>163,237</u>
Public works:				
Town Garage	828,040	843,040	781,591	61,449
General maintenance roads	169,000	169,000	134,622	34,378
Snow removal and sanding	175,000	169,076	166,707	2,369
Tree Warden	16,000	21,924	21,134	790
Contracted services operating	112,555	112,555	99,797	12,758
Sanitation/landfill	196,764	196,764	176,930	19,834
Total public works	<u>1,497,359</u>	<u>1,512,359</u>	<u>1,380,781</u>	<u>131,578</u>

(Continued on next page)

TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Health and welfare:				
Health services	\$ 448	\$ 448	\$ 448	\$ -
Agent for the Aged	24,280	22,484	10,085	12,399
Food Bank	5,713	5,713	5,626	87
Chatham Health District	69,252	69,252	69,252	-
Cemeteries	1,500	1,500	1,500	-
AHM	77,554	77,554	77,554	-
Total health and welfare	<u>178,747</u>	<u>176,951</u>	<u>164,465</u>	<u>12,486</u>
Parks and recreation:				
Parks and Recreation				
Commission	99,031	84,031	81,588	2,443
Memorial day	900	900	900	-
Salmon River Watershed Partnership	5,000	5,000	5,000	-
Total parks and recreation	<u>104,931</u>	<u>89,931</u>	<u>87,488</u>	<u>2,443</u>
Education:				
Elementary Education	7,286,938	7,286,938	7,286,938	-
Transfer to Regional School				
District #8	8,978,503	8,978,503	8,978,502	1
Total education	<u>16,265,441</u>	<u>16,265,441</u>	<u>16,265,440</u>	<u>1</u>
Libraries:				
Richmond Memorial Library	341,668	341,668	341,668	-
Debt service:				
Principal	1,772,105	1,772,105	1,737,433	34,672
Interest	385,620	385,620	365,655	19,965
Total debt service	<u>2,157,725</u>	<u>2,157,725</u>	<u>2,103,088</u>	<u>54,637</u>
Total expenditures	<u>23,349,543</u>	<u>23,349,543</u>	<u>22,739,152</u>	<u>610,391</u>

(Continued on next page)

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Transfers to other funds:				
CNR	\$ 739,465	\$ 739,465	\$ 739,465	\$ -
Dog Fund	12,500	12,500	8,500	4,000
Probate Court	8,173	8,173	8,173	-
Total transfers to other funds	<u>760,138</u>	<u>760,138</u>	<u>756,138</u>	<u>4,000</u>
Total	\$ <u>24,109,681</u>	\$ <u>24,109,681</u>	23,495,290	\$ <u>614,391</u>
Budgetary expenditures are different than GAAP revenues because:				
State of Connecticut on-behalf pension contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			1,566,787	
State of Connecticut on-behalf OPEB contributions to the Connecticut State Teachers' Retirement System for Town teachers are not budgeted			161,577	
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			86,302	
The Town budgets for excess cost grant revenues as an offset to education expenditures, rather than revenue			92,437	
Capital lease issuance			126,338	
Payroll recorded on a cash basis for budgetary purposes - change in accrual			550	
Transfers to the Dog Fund are budgetary other financing uses, but are eliminated for financial reporting purposes as the Dog Fund is consolidated with the General Fund			(8,500)	
Dog Fund expenditures are not budgeted			<u>15,100</u>	
Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds - Exhibit IV			\$ <u>25,535,881</u>	

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

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Town's proportion of the net pension liability	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>
Total	<u>\$ 10,061,640</u>	<u>\$ 10,899,807</u>	<u>\$ 14,290,313</u>	<u>\$ 13,545,222</u>
Town's covered-employee payroll	\$ 3,797,276	\$ 4,002,228	\$ 3,937,913	\$ 4,039,864
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	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%

Notes to Schedule

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

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

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

	<u>2018</u>
Town's proportion of the net OPEB liability	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>
Total	<u>\$ 3,486,396</u>
Town's covered payroll	\$ 4,039,864
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	<p>The discount rate was increased from 3.01% to 3.56% to reflect the change in the Municipal Bond Index Rate.</p> <p>Changes were made to the assumed initial per capita health care costs, rates of health care inflation used to project the per capita costs, and the rates of Plan participation based upon recent experience and current expectations.</p> <p>As a result of the experience study for the five-year period ended June 30, 2015, the payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase. Last, the salary growth assumption, the payroll growth rate, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.</p>
Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	30 years, open
Asset valuation method	Market value of assets
Investment rate of return	4.25%, net of investment related expense including price inflation

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

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

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 18,264
Interest	19,474
Changes of benefit terms	
Differences between expected and actual experience	1,572
Changes of assumptions and other inputs	(20,218)
Benefit payments	<u>(16,247)</u>
Net change in total OPEB liability	2,845
Total OPEB liability - beginning	<u>533,732</u>
 Total OPEB Liability - Ending	 \$ <u><u>536,577</u></u>
 Covered payroll	 \$ 4,084,506
 Total OPEB liability as a percentage of covered-employee payroll	 13.14%

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

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 3,936,841	\$ 2,958,013
Property taxes receivable, net of allowance for doubtful accounts of \$50,570 in 2018 and \$49,390 in 2017	179,151	176,642
Other accounts receivable	79,651	65,549
Due from other governments		2,055
Due from other funds	<u>24,142</u>	<u>345,062</u>
Total Assets	<u>\$ 4,219,785</u>	<u>\$ 3,547,321</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued liabilities	\$ 225,861	\$ 186,259
Due to other funds	<u>32,817</u>	<u>16,500</u>
Total liabilities	<u>258,678</u>	<u>202,759</u>
Deferred inflows of resources:		
Unavailable revenue - property taxes	<u>221,161</u>	<u>216,397</u>
Fund balance:		
Assigned	263,446	456,721
Unassigned	<u>3,476,500</u>	<u>2,671,444</u>
Total fund balance	<u>3,739,946</u>	<u>3,128,165</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 4,219,785</u>	<u>\$ 3,547,321</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2018**

Grand List	Uncollected Taxes July 1, 2017	Lawful Corrections		Transfers To Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2018
		Additions	Deductions			Taxes	Interest	Total	
2016	\$ 20,590,070	\$ 28,737	\$ 66,594	\$ 10,698	\$ 20,541,515	\$ 20,405,343	\$ 59,135	\$ 20,464,478	\$ 136,172
2015	156,420	3,413	2,329	4,885	152,619	104,553	20,031	124,584	48,066
2014	30,931	95	1,563	3,507	25,956	7,709	2,858	10,567	18,247
2013	19,181	1	94	1,449	17,639	2,944	1,193	4,137	14,695
2012	10,129	7	92	4,065	5,979	1,277	750	2,027	4,702
2011	3,859		187	1,250	2,422	249	469	718	2,173
2010	3,272		163		3,109	114	177	291	2,995
2009	454		82		372				372
2008	512				512				512
2007	206		1		205				205
2006	722	2			724				724
2005	443				443				443
2004	800	1			801				801
2003	(450)	1			(449)				(449)
2002	63				63				63
	<u>\$ 20,816,612</u>	<u>\$ 32,257</u>	<u>\$ 71,105</u>	<u>\$ 25,854</u>	<u>\$ 20,751,910</u>	<u>\$ 20,522,189</u>	<u>\$ 84,613</u>	20,606,802	<u>\$ 229,721</u>
			Liens and penalties					996	
			Suspense collections					7,179	
			Total Collections					<u>\$ 20,614,977</u>	

TOWN OF MARLBOROUGH, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2018

	Special Revenue Funds							
	Small Cities	Board of Education User Fees	Special Purpose Fund	Town Aid Road	Recycling	Cafeteria	Parks and Recreation	
ASSETS								
Cash and cash equivalents	\$ 65,750	\$ 3,545	\$ 51,423	\$ 410,416	\$ 58,042	\$ 50,845	\$ 85,139	\$ 11
Accounts receivable	369,226				640	12,735	2,898	
Due from other funds			32,495					
Inventory						4,109		
Total Assets	\$ 434,976	\$ 3,545	\$ 83,918	\$ 410,416	\$ 58,682	\$ 67,689	\$ 88,037	\$ 11
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$	\$	\$	\$	\$ 1,384	\$	\$ 3,566	\$
Due to other funds					10,000		2,627	11
Unearned revenue	12,405		500				19,799	
Total liabilities	12,405	-	500	-	11,384	-	25,992	11
Deferred Inflows of Resources:								
Unavailable revenue - special assessments								
Unavailable revenue - CDBG loans receivable	369,226							
Total deferred inflows of resources	369,226	-	-	-	-	-	-	-
Fund Balances:								
Nonspendable						4,109		
Restricted	53,345		83,418	410,416				
Committed		3,545			47,298	63,580	62,045	
Total fund balances	53,345	3,545	83,418	410,416	47,298	67,689	62,045	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 434,976	\$ 3,545	\$ 83,918	\$ 410,416	\$ 58,682	\$ 67,689	\$ 88,037	\$ 11

(Continued on next page)

TOWN OF MARLBOROUGH, CONNECTICUT
 NONMAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET (CONTINUED)
 JUNE 30, 2018

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Land Acquisition and Improvement	Educational Grants	Sub-Division	WPCA Operations and Maintenance	Probate Court	Marlborough Municipal Water Fund	
ASSETS							
Cash and cash equivalents	\$ 42,838	\$ 7,531	\$ 228,388	\$ 180,778	\$ 10,030	\$ 29,414	\$ 1,224,150
Accounts receivable				5,565		4,136	395,200
Due from other funds				322			32,817
Inventory							4,109
Total Assets	\$ 42,838	\$ 7,531	\$ 228,388	\$ 186,665	\$ 10,030	\$ 33,550	\$ 1,656,276
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$	\$	\$	\$ 32,559	\$ 1,894	\$ 1,497	\$ 40,900
Due to other funds				50			12,688
Unearned revenue		7,531					40,235
Total liabilities	-	7,531	-	32,609	1,894	1,497	93,823
Deferred Inflows of Resources:							
Unavailable revenue - special assessments				13,065			13,065
Unavailable revenue - CDBG loans receivable							369,226
Total deferred inflows of resources	-	-	-	13,065	-	-	382,291
Fund Balances:							
Nonspendable							4,109
Restricted							547,179
Committed	42,838		228,388	140,991	8,136	32,053	628,874
Total fund balances	42,838	-	228,388	140,991	8,136	32,053	1,180,162
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 42,838	\$ 7,531	\$ 228,388	\$ 186,665	\$ 10,030	\$ 33,550	\$ 1,656,276

**TOWN OF MARLBOROUGH, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds							
	Small Cities	Board of Education User Fees	Special Purpose Fund	Town Aid Road	Recycling	Cafeteria	Parks and Recreation	Sewer
Revenues:								
Intergovernmental revenues	\$	\$	\$	\$ 212,363	\$	\$ 45,467	\$	\$ 44,831
Charges for services					30,995	113,146	95,326	
Income on investments								
Miscellaneous	46,138		55,089		40,041			
Total revenues	<u>46,138</u>	<u>-</u>	<u>55,089</u>	<u>212,363</u>	<u>71,036</u>	<u>158,613</u>	<u>95,326</u>	<u>44,831</u>
Expenditures:								
Current:								
General government	4,204							
Public safety			470					
Public works				150,566	38,436			
Health and welfare	967		13,009					
Parks and recreation			400				94,325	
Sewer operations								
Education						153,036		
Capital outlay								26,291
Total expenditures	<u>5,171</u>	<u>-</u>	<u>13,879</u>	<u>150,566</u>	<u>38,436</u>	<u>153,036</u>	<u>94,325</u>	<u>26,291</u>
Excess (Deficiency) of Revenues over Expenditures	<u>40,967</u>	<u>-</u>	<u>41,210</u>	<u>61,797</u>	<u>32,600</u>	<u>5,577</u>	<u>1,001</u>	<u>18,540</u>
Other Financing Sources (Uses):								
Clean water fund note issuance								2,343,844
Transfers in								
Transfers out					(10,000)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>2,343,844</u>
Net Change in Fund Balances	40,967	-	41,210	61,797	22,600	5,577	1,001	2,362,384
Fund Balances at Beginning of Year	<u>12,378</u>	<u>3,545</u>	<u>42,208</u>	<u>348,619</u>	<u>24,698</u>	<u>62,112</u>	<u>61,044</u>	<u>(2,362,384)</u>
Fund Balances at End of Year	<u>\$ 53,345</u>	<u>\$ 3,545</u>	<u>\$ 83,418</u>	<u>\$ 410,416</u>	<u>\$ 47,298</u>	<u>\$ 67,689</u>	<u>\$ 62,045</u>	<u>\$ -</u>

(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, 2018**

	Special Revenue Funds					Marlborough Municipal Water Fund	Total Nonmajor Governmental Funds
	Land Acquisition and Improvement	Educational Grants	Sub-Division	WPCA Operations	Probate Court		
Revenues:							
Intergovernmental revenues	\$	\$ 216,231	\$	\$ 322,490	\$ 39,788	\$ 19,011	\$ 518,892
Charges for services			61,720				682,476
Income on investments							
Miscellaneous							141,268
Total revenues	<u>-</u>	<u>216,231</u>	<u>61,720</u>	<u>322,490</u>	<u>39,788</u>	<u>19,011</u>	<u>1,342,636</u>
Expenditures:							
Current:							
General government	1,250				47,220		52,674
Public safety							470
Public works							189,002
Health and welfare							13,976
Parks and recreation							94,725
Sewer operations				249,657		28,510	278,167
Education		216,231					369,267
Capital outlay							26,291
Total expenditures	<u>1,250</u>	<u>216,231</u>	<u>-</u>	<u>249,657</u>	<u>47,220</u>	<u>28,510</u>	<u>1,024,572</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(1,250)</u>	<u>-</u>	<u>61,720</u>	<u>72,833</u>	<u>(7,432)</u>	<u>(9,499)</u>	<u>318,064</u>
Other Financing Sources (Uses):							
Clean water fund note issuance							2,343,844
Transfers in					8,173		8,173
Transfers out				(26,545)			(36,545)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,545)</u>	<u>8,173</u>	<u>-</u>	<u>2,315,472</u>
Net Change in Fund Balances	(1,250)	-	61,720	46,288	741	(9,499)	2,633,536
Fund Balances at Beginning of Year	44,088	-	166,668	94,703	7,395	41,552	(1,453,374)
Fund Balances at End of Year	<u>\$ 42,838</u>	<u>\$ -</u>	<u>\$ 228,388</u>	<u>\$ 140,991</u>	<u>\$ 8,136</u>	<u>\$ 32,053</u>	<u>\$ 1,180,162</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
AGENCY FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	<u>Student Activity</u>	<u>Performance Bond</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	\$ <u>18,787</u>	\$ <u>53,634</u>	\$ <u>72,421</u>
Liabilities:			
Deposits held for others	\$ <u>18,787</u>	\$ <u>53,634</u>	\$ <u>72,421</u>

**TOWN OF MARLBOROUGH, CONNECTICUT
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
Performance Bond Account				
Assets:				
Cash and cash equivalents	\$ <u>69,368</u>	\$ <u>9,260</u>	\$ <u>24,994</u>	\$ <u>53,634</u>
Liabilities:				
Due to student and other groups	\$ <u>69,368</u>	\$ <u>9,260</u>	\$ <u>24,994</u>	\$ <u>53,634</u>
Student Activity Fund				
Assets:				
Cash and cash equivalents	\$ <u>28,099</u>	\$ <u>48,380</u>	\$ <u>57,692</u>	\$ <u>18,787</u>
Liabilities:				
Due to student and other groups	\$ <u>28,099</u>	\$ <u>48,380</u>	\$ <u>57,692</u>	\$ <u>18,787</u>
Total All Funds				
Assets:				
Cash and cash equivalents	\$ <u>97,467</u>	\$ <u>57,640</u>	\$ <u>82,686</u>	\$ <u>72,421</u>
Liabilities:				
Due to student and other groups	\$ <u>97,467</u>	\$ <u>57,640</u>	\$ <u>82,686</u>	\$ <u>72,421</u>

TOWN OF MARLBOROUGH, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
JUNE 30, 2018
(In Thousands)

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

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2-1/4 times base	\$ 44,843	\$	\$	\$	\$
4-1/2 times base		89,685			
3-3/4 times base			74,738		
3-1/4 times base				64,773	
3 times base					59,790
	<u>44,843</u>	<u>89,685</u>	<u>74,738</u>	<u>64,773</u>	<u>59,790</u>
Total debt limitation					
Indebtedness:					
Bonds outstanding	1,996	1,814	8,566		
Bonds authorized unissued			383		
Overlapping debt:					
Regional School District #8		<u>3,820</u>			
Total indebtedness	<u>1,996</u>	<u>5,634</u>	<u>8,949</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Outstanding and Authorized Debt	<u>\$ 42,847</u>	<u>\$ 84,051</u>	<u>\$ 65,789</u>	<u>\$ 64,773</u>	<u>\$ 59,790</u>

Note 1: In no case shall total indebtedness exceed \$139,510 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, 2018, the District has bonds outstanding of \$12,260,000. The Town of Marlborough's share is approximately 32%. These are general obligations of Regional School District #8 and its member towns.