

Final Official Statement Dated December 7, 2020

REFUNDING: Book-Entry-Only

RATINGS: S&P Global Ratings: "AA+"

In the opinion of Bond Counsel, assuming the accuracy of and compliance by the Town with its representations and covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), under existing statutes, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; the Bonds are not "private activity bonds"; and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax; interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendix B "Opinion of Bond Counsel and Tax Status - herein.")



Town of Southington, Connecticut

\$6,190,000

General Obligation Refunding Bonds, Issue of 2020, Series C

Dated: Date of Delivery

**Due: June 1, 2021-2030,
as shown below:**

Year	Principal	Coupon	Yield	CUSIP ¹	Year	Principal	Coupon	Yield	CUSIP ¹
2021	\$ 430,000	4.000%	0.170%	844402E29	2026	\$ 745,000	5.000%	0.370%	844402E78
2022	685,000	4.000%	0.200%	844402E37	2027	640,000	5.000%	0.450%	844402E86
2023	690,000	4.000%	0.220%	844402E45	2028	550,000	5.000%	0.570%	844402E94
2024	710,000	4.000%	0.240%	844402E52	2029	505,000	5.000%	0.700%	844402F28
2025	720,000	5.000%	0.260%	844402E60	2030	515,000	5.000%	0.800%	844402F36

The General Obligation Refunding Bonds, Issue of 2020, Series C (the "Bonds") will bear interest payable June 1, 2021 and semiannually thereafter on December 1 and June 1 in each year until maturity.

The Bonds are NOT subject to redemption prior to maturity as herein provided. See "Redemption Provisions" herein.

The Bonds will be general obligations of the Town of Southington, Connecticut (the "Town") and the Town will pledge its full faith and credit to pay the principal of and the interest on the Bonds when due. See "Security and Remedies" herein.

The Bonds are issuable only as fully-registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "Book-Entry-Only Transfer System" herein.

The Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Bonds will be U.S. Bank National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut 06103.

Piper Sandler & Co.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Day Pitney LLP, Bond Counsel, of Hartford, Connecticut. Phoenix Advisors, LLC, Milford, Connecticut has served as Municipal Advisor in connection with the issuance of the Bonds. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC in New York, New York on or about December 18, 2020.

¹ Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

No dealer, broker, salesman or other person has been authorized by the Town of Southington, Connecticut (the "Town") to give any information or to make any representations, other than those contained in this Official Statement; and if given or made, such other information or representation must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

Set forth in Appendix A – "2019 Financial Statements Excerpted from the Town's Comprehensive Annual Financial Report" hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor have the Bonds been registered under any state securities laws.

The Town deems this Official Statement to be "final" for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement contains a general description of the Bonds, the Town, and the plan of finance. A wide variety of other information, including financial information, concerning the Town is available from publications and websites of the Town and others. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted herein.

Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Town have remained unchanged after the date of this Official Statement.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

Bond Counsel is not passing on and does not assume any responsibility for the accuracy or completeness of the statements made in this Official Statement, (other than matters expressly set forth as its opinion in Appendix B "Opinion of Bond Counsel and Tax Status" herein), and makes no representation that it has independently verified the same.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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Bond Issue Summary

The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and the information herein is subject to change.

Issuer:	Town of Southington, Connecticut (the "Town").
Issue:	\$6,190,000 General Obligation Refunding Bonds, Issue of 2020, Series C (the "Bonds").
Dated Date:	Date of Delivery.
Principal and Interest Due:	Principal is due serially June 1, 2021 through June 1, 2030. Interest is due June 1 and December 1 in each year until maturity, commencing June 1, 2021.
Purpose:	The Bond proceeds will be used to refund State of Connecticut Clean Water Fund loans previously issued for various sewer and water projects.
Redemption:	The Bonds are NOT subject to redemption prior to maturity. See "Redemption Provisions" herein.
Security:	The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	The Bonds have been rated "AA+" by S&P Global Ratings.
Bond Insurance:	The Town does not expect to purchase a credit enhancement facility.
Tax Exemption:	See Appendix B - "Opinion of Bond Counsel and Tax Status".
Bank Qualification:	The Bonds shall NOT be designated by the Town as qualified tax-exempt obligations under the provision of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions of interest expense allocable to the Bonds.
Continuing Disclosure:	In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data and notices of certain events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent and Paying Agent:	U.S. Bank National Association, CityPlace I, 185 Asylum Street, 27 th Floor, Hartford, Connecticut 06103.
Municipal Advisor:	Phoenix Advisors, LLC of Milford, Connecticut. Telephone (203) 878-4945.
Legal Opinion:	Day Pitney LLP, of Hartford, Connecticut.
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about December 18, 2020. Delivery of the Bonds will be made against payment in Federal Funds.
Issuer Official:	Questions concerning the Official Statement should be addressed to Ms. Emilia C. Portelinha, Director of Finance, Town of Southington, Town Hall, 75 Main Street, Southington, Connecticut 06489. Telephone (860) 276-6222.

I. Bond Information

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Southington, Connecticut (the “Town”), in connection with the issuance and sale of \$6,190,000 General Obligation Refunding Bonds, Issue of 2020, Series C (the “Bonds”) of the Town.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. All quotations from and summaries and explanations of provisions of Statutes, Charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

U.S. Bank National Association will certify and act as Registrar, Transfer Agent, Paying Agent and Certifying Agent for the Bonds.

The presentation of information in this Official Statement is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town.

The Town deems this Official Statement to be “final” for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

Global Health Emergency Risk

CONSIDERATION FOR BONDHOLDERS

In making an investment decision with respect to Bonds, investors should consider carefully the information in this Official Statement and, in addition to those investment characteristics of fixed-rate municipal debt obligations, consider the following factor:

The COVID-19 Outbreak

The outbreak of COVID-19, a respiratory virus caused by a new strain of coronavirus, has been declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. The U.S. Centers for Disease Control and Prevention (CDC) has warned that some areas in the United States are experiencing community spread of COVID-19 and that widespread transmission of COVID-19 in the United States is likely to continue. The outbreak of the virus has affected travel, commerce and financial markets globally, and is widely expected to affect economic growth worldwide.

There can be no assurances that the ongoing impact of COVID-19 will not materially affect local, state, national, and global activity; increase public health emergency response costs; and materially adversely impact the financial condition of the Town. As the situation evolves, states, municipalities, businesses and individuals appear to have altered behaviors in manners that are having negative effects on global, national, state and local economies. The financial, stock and bond markets in the United States and globally have seen significant volatility attributed to COVID-19.

State and Local Efforts to Mitigate the Ongoing Impact of COVID-19

On March 10, 2020, the Connecticut Governor declared a state of emergency throughout the State of Connecticut as a result of the COVID-19 outbreak. State agencies have been directed to use all resources necessary to prepare for and respond to the outbreak. Initially, the Governor cancelled all public-school classes for all students, restricted social and recreational gatherings, suspended activity at the State Capitol and legislative office building, suspended non-exigent operations of the judicial branch, limited restaurants to take-out and delivery only, required all businesses and not-for-profit entities in the State to employ, to the maximum extent possible, any telecommuting or work from home procedures that they can safely employ and required closure of all non-essential businesses and not-for-profit entities. Additionally, by executive order, the Governor instituted a 60-day residential rent moratorium and extended the date for adoptions of municipal budgets which fell on or before May 15, 2020 by up to 30 days. The Governor has ordered a phased re-opening of the state, and various activities are in various stages of resumption.

On April 1, 2020, the Connecticut Governor issued Executive Order No. 7S, which, among other things, calls for Connecticut municipalities, including the Town of Southington, to offer to eligible taxpayers impacted by COVID-19 one or both of the following tax relief programs: a three (3) month Deferment Program or a three (3) month Low Interest Rate Program. Both programs are applicable to amounts payable or delinquent during the period from March 10, 2020 to and including July 1, 2020 and apply to taxes on real property, personal property or motor vehicles, and water, sewer and electric rates, charges and assessments. The Deferment Program provides for a three (3) month deferment from the time the amount becomes due and payable. However, financial institutions and mortgage servicers that hold property tax payments in escrow are required to continue to remit property taxes to the Town according to the regular timetable, so long as the borrower remains current on its mortgage or is in a mortgage forbearance or deferment program. The Low Interest Rate Program provides for a three percent (3%) cap on the interest rate due on the principal amount of delinquent payments. The low interest period runs for three (3) months from the date the payment is due and payable. With respect to payments delinquent on or prior to March 10, 2020, interest shall be capped at three percent (3%) for three (3) months from April 1, 2020. Following the three (3) month period, the interest rate may return to that previously established. Executive Order No. 7S required municipalities to select and implement one or both of the tax relief programs, and to notify the Secretary of the Office of Policy and Management no later than April 25, 2020, in which program or programs it is electing to participate.

The Southington Town Council held a meeting on April 13, 2020 and elected to participate in the three-month deferment program. Under this program eligible taxpayers, businesses, nonprofits, and residents could receive a three-month deferment on any taxes on real property, personal property or motor vehicles, sewer and waste charges and assessments from the time such taxes first became due and payable during the period beginning April 1, 2020 to and including July 1, 2020. The Town chose to offer this to all taxpayers, businesses, nonprofits, and residents without an attestation or documentation requirement that they have been significantly adversely affected by the COVID-19 pandemic.

The three-month deferment program did not apply to financial institutions, escrow agents, banks, or mortgage service agents. These parties were required to remit escrow payments to the Town for property Taxes irrespective of the Town's election of the three-month deferment program.

On April 10, 2020, the Governor issued Executive Order 7X ("Order 7X") requiring landlords to grant 60-day rent extensions to residential tenants for April (automatically) and May (by request due to loss of income). Landlords can satisfy the commensurate forbearance and income decline requirements for tax and other relief under Order 7S for residential properties simply by complying with Order 7X, and for the Deferment Program by confirming they will do so in an e-mail to the tax collector.

The potential long-term impact of the COVID-19 pandemic on the Town cannot be predicted at this time, the continued efforts to mitigate the spread of the outbreak and any prolonged effects on the national, State and local economy could have a materially adverse effect on the Town's finances. In Southington, all Town buildings were closed to the public as of March 23, 2020 and employees worked from home or staggered their shifts to avoid working in close proximity whenever possible. However, the Town continued to provide all basic and essential services. From mid-March through the end of May, only essential meetings were held. These meetings were noticed on the website and newspapers, held remotely via webex or telephone, and the public was provided with access to listen to or view the meeting, and participate during public comment sessions. On May 25, 2020 the Town brought all employees back to work at Town buildings instead of from home. Most of the Town offices opened to the public on June 8, 2020 with protective measures in place such as requiring social distancing (6 feet) and masks be worn by all. The Library and Senior Center opened later with limited capacities.

The COVID-19 pandemic poses unknown potential risks. Currently, however, the Town's finances and financial plans remain stable with General Fund Revenues of \$1.3 million over budget and the Town collecting 100.8% of budgeted property taxes for fiscal year 2020.

For fiscal year 2021, the Town budgeted receiving 14% of our revenue from the State per available information at the time of our budget adoption. As of October 1, 2020, the Town has not experienced significant negative impact as a result of the three-month deferment program called for by Executive Order No. 7S. As of that date the Town had collected 55.76% of current taxes, which is a little higher than the 55.05% collected at the same time last year. At this time, the Town is uncertain whether there will be material changes to State grants or tax revenues through the end of this fiscal year.

Government Response to COVID-19's Impact on the Economy

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provides in excess \$2 trillion of relief to industries and entities throughout the country, including state and local governments. Under the CARES Act, \$150 billion will be appropriated to states and other units of government for activities that are directly related to COVID-19; the amount paid to each state will be based on population with a minimum payment of \$1.25 billion. In addition, the CARES Act will provide \$454 billion to the Federal Reserve to purchase business, state or municipal securities in order to provide a level of liquidity to the municipal market. Other financial relief affecting states and local governments includes \$30.9 billion for education, \$10 billion for airports, \$25 billion for transit providers, and \$17 billion for housing, including \$5 billion for Community Development Block Grants for COVID-19 related services.

On March 28, 2020, President Trump approved the Connecticut Governor's request for a disaster declaration for the State of Connecticut. Under the declaration, it is expected that federal funding will be made available to state, tribal and eligible local governments and certain private nonprofit organizations for emergency protective measures, including direct federal assistance, for all areas of Connecticut impacted by COVID-19. The impacted agencies and towns will be reimbursed for 75 percent of the costs associated with their response and emergency protective measures.

The extent to which COVID-19 impacts the Town's operations and its financial condition will depend on future developments, which are uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others. The potential impact of the national, State and Town response to COVID-19 to date, and the continued spread of COVID-19 and the national, State and Town response thereto, cannot be predicted at this time, but could have a materially adverse effect on the economies of the State and its municipalities, including the Town, and the Town's finances, credit ratings and ability to pay debt service on its outstanding indebtedness in the future.

Municipal Advisor

Phoenix Advisors, LLC, of Milford, Connecticut serves as Municipal Advisor to the Town with respect to the issuance of the Bonds (the "Municipal Advisor"). The information in this Official Statement has been prepared by the Town of Southington, with the help of the Municipal Advisor. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement and the appendices hereto.

The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Description of the Bonds

The Bonds will mature on June 1, 2021 through June 1, 2030 in each of the years as set forth on the cover page hereof. The Bonds will be dated December 18, 2020 and bear interest at the rates per annum specified on the cover page, payable semiannually on December 1 and June 1 in each year until maturity, commencing June 1, 2021. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. Interest is payable to the registered owner as of the close of business on the fifteenth day of May and November in each year, or the preceding day if such day is not a business day, by check mailed to the registered owner; or so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, by such other means as DTC, the Paying Agent and the Town shall agree.

Redemption Provisions

The Bonds are not subject to redemption prior to maturity.

Authorization and Purpose

The Bonds are being issued pursuant to Title 7 of the General Statutes of the State of Connecticut, as amended, the Charter of the Town of Southington, and a \$30 million refunding resolution approved by the Town Council on September 28, 2020. The proceeds of the Bonds will be used to refund or defease all or a portion of the outstanding maturities of the Town's Clean Water Fund bonds originally issued in 2007, 2009, 2010 and 2011 as detailed in the "Plan of Refunding" below.

Plan of Refunding

The Bonds are being issued to refund at or prior to maturity all or a portion of the outstanding maturities of the Town's Clean Water Fund bonds as set forth below (the "Refunded Bonds"). The refunding is contingent upon delivery of the Bonds.

Issue	Dated Date	Maturity Date	Interest Rate	Par Amount	Redemption Date	Redemption Price
CWF 200202-C	06/30/2007	12/31/2026	2.320%	\$ 755,672	12/18/2020	100.00%
CWF 200201-C	08/03/2009	08/31/2028	2.210%	452,251	12/18/2020	100.00%
CWF 200201-CD1	05/31/2010	12/31/2026	2.320%	733,086	12/18/2020	100.00%
CWF 590-C	06/30/2011	06/30/2030	2.000%	5,446,928	12/18/2020	100.00%
Total				<u>\$ 7,387,936</u>		

Sources and Uses of Bond Proceeds:

Sources:

Par Amount of the Bonds	\$ 6,190,000.00
Original Issue Premium	<u>1,274,677.20</u>
Total Sources	\$ 7,464,677.20

Uses:

Payment of Refunded Bonds	\$ 7,395,609.39
Costs of Issuance	44,307.81
Underwriter's Discount	<u>24,760.00</u>
Total Uses	\$ 7,464,677.20

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Book-Entry-Only Transfer System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has S&P Global Ratings highest rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and Interest on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or its Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

DTC Practices

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Replacement Bonds

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the Town fails to identify another qualified securities depository for the Bond to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town will issue fully-registered Bond certificates directly to the Beneficial Owner. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

Security and Remedies

The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of the tax revenue which the Town would have received except for the limitation under certain of the statutes upon its power to tax dwelling houses of qualified elderly persons of low income.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation bonds and notes and a court of competent jurisdiction has power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have power in appropriate proceedings to order a payment of a judgment on such debt from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

***THE TOWN HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR
INTEREST ON ITS BONDS OR NOTES.***

Qualification for Financial Institutions

The Bonds shall NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for certain interest expense allocable to the Bonds.

Availability of Continuing Information

The Town prepares, in accordance with State law, annual independent audited financial statements and operating statements and files such annual reports with the State of Connecticut, Office of Policy and Management on an annual basis. The Town provides, and will continue to provide, Moody's Investors Service and S&P Global Ratings ongoing disclosure in the form of independent annual financial reports, adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the forms attached as Appendix C to this Official Statement ("Form of Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5) (the "Rule") (i) annual financial information and operating data with respect to the Bonds, (ii) timely notice of the occurrence of certain events not in excess of 10 business days after the occurrence of such events with respect to the Bonds, and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement with respect to the Bonds. The Underwriter's obligation to purchase the Bonds shall be conditioned upon it receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to the Rule. In the past five years, the Town has not failed to comply in any material respect with its undertakings under such agreements.

Ratings

The Bonds have been rated “AA+” by S&P Global Ratings (“S&P”). The Town furnished the rating agency certain information and materials, some of which may not have been included in this Official Statement. The rating, if obtained, will reflect only the views of the rating agency and an explanation of the significance of the rating may be obtained from such rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of the rating may have an effect on the market price of the Town’s bonds and notes, including the Bonds.

The Town expects to furnish the rating agency with certain information and materials that the agency may request. However, the Town may issue short-term or other debt for which a rating is not requested.

Underwriting

The Bonds are being purchased by Piper Sandler & Co. (the “Underwriter”) pursuant to a bond purchase agreement with the Town (the “Bond Purchase Agreement”). Pursuant to the Bond Purchase Agreement, the Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Town at the net aggregate purchase price of \$7,439,917.20 (consisting of the par amount of \$6,190,000.00 plus original issue premium of \$1,274,677.20, less underwriter’s discount of \$24,760.00). The Underwriter will be obligated to purchase all of the Bonds, if any such Bonds are purchased. The Underwriter intends to offer the Bonds to the public initially at the offering prices or yields set forth on the cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has entered into a distribution agreement (the “CS&Co. Distribution Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the CS&Co. Distribution Agreement, CS&Co. will purchase the Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Bond Insurance

The Town does not expect to purchase a credit enhancement facility for the Bonds.

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II. The Issuer



Description of the Municipality

The Town of Southington was originally settled in 1698 and incorporated in 1779. Southington, which has land area of approximately 36.9 square miles and a population of 43,834, is located in Hartford County. Located in the geographical center of the State, Southington lies approximately 20 miles west of Hartford, the state capital, and nine miles east of Waterbury. Other nearby cities include Meriden, New Britain, Bristol and New Haven.

Some of Connecticut's major highways provide access to the Town. Interstate 84 bisects Southington, and Route 691 leads directly to Interstate 91. Route 10 also runs through the Town.

Economic Development

The Town of Southington's October 1, 2019 Grand List grew by \$89 million or 2.18% to \$4,157,000,000. Real Estate made up the largest increase at \$40 million, while personal property increased by \$36 million.

The Town's growth remained strong throughout most of the 2019-2020 fiscal year. Significant growth emerged within existing companies in addition to the attraction of new businesses prior to the Covid-19 pandemic. The growth was broad-based, initially. The pandemic has caused contraction in many businesses and has adversely impacted the hospitality, amusement, travel, restaurant and business services sectors. The Town facilitated the closing of a portion of Center Street to accommodate outdoor dining in the street to benefit the restaurants within that area.

The Town's three main retail corridors continue to perform well with limited vacancy. Additionally, Plantsville and Southington downtown areas are experiencing near full occupancy with several new restaurants and service businesses. A new 64-unit apartment complex is under construction on Eden Ave, as changes occur within that area. Factory Square continues to attract entertainment venues joining WitchDoctor Brewing. These businesses include Escapism, Rosie's Royal Chocolates, Gamecraft Arcade and Bar, and Perkatory Coffee Roasters.

Juniper Lighting completed a \$2 million investment in its purchase and renovation of a beautiful mill-style building for its manufacturing facility to create and produce high-end lighting fixtures. The company relocated from Brooklyn New York adding 28 new jobs to the downtown area. In Plantsville, renovations and redevelopment of 57 West Main Street created new space attracting the Lion's Den Coffee Shop.

The Town continues to pursue the remediation of the former Beaton & Corbin Manufacturing Company site located at 318 North Main Street. In July 2020, the Town went out to bid and awarded the contract to AES Remedial Services, LLC. The company started demolition in August and conducted the removal of an underground gasoline storage tank, an above-ground oil storage tank, the boiler, and the boiler building in preparation for a planned 13,000 sf office building. Groundbreaking is scheduled for the second quarter of 2021.

The Town is working to foster a beneficial reuse of the former Lincoln College site and the former Ideal Forging property known as Greenway Commons.

The former 30 plus acre campus of Lincoln College recently was zoned for Age Restricted Cluster Housing Zone (ARCHZ). The zone change allows for the potential redevelopment of the site to accommodate eighty-three age 55 and up single family detached units.

The former Ideal Forging property known as Greenway Commons is currently under contract. The site is approved for building 245 residential units and 22,500 sf of retail.

A brief summary of additional activities and projects include:

Fiscal Year 2019-2020

- Tops Market re-opening
- Long Horn Steakhouse near completion
- Polish Kitchen opened
- Hidden Valley batting cages removed and additional outdoor dining provided
- Perkatory Coffee Roasters opened in Factory Square
- Rosie's Royal Chocolates opened
- New Dunkin Donut on Meriden-Waterbury Road opened with new drive through lanes
- New Wendy's on Meriden-Waterbury Road opened
- Sav-Mor addition on Captain Lewis – built 8,000 sf
- Conexx/Carrier Construction on Birch St
- AHCO Affordable Conveyor – 2 new buildings built
- Titanium expanded to include event space
- Scruples Hair Salon redeveloped and expanded
- Cava expanded outdoor dining
- Marketing project moving forward with planned launch November, 2020
- Established Southington Long-Term Recovery Group
- Plan B restaurant on Queen Street opened
- Go Happy Gas Station redeveloped contaminated site and added a liquor store
- Juniper Lighting - 20,000 sf of manufacturing space located at 157 Water Street
- AES Remedial Contracting - 4,800 sf addition to its 10,000 sf facility

The Town will continue to be proactive with its approach to attract new business looking to create new opportunities as well as retain and strengthen existing businesses. The Town has recently embarked on a new marketing initiative to promote local businesses.

Form of Government

The Town of Southington is governed under the provisions of a charter and the Connecticut General Statutes. Southington has had a Council-Manager form of government since 1966. The Town Council, which is comprised of nine members who are elected for two-year terms, appoints the Town Manager. The Town Manager is responsible for the supervision and administration of all commissions, boards, departments, offices and agencies of the Town, except those elected by the people, appointed by the Council, or appointed by a regional, State or Federal authority.

The Town Manager's duties include executing laws and ordinances governing the Town, periodically reporting to the Council, preparing the annual report and the annual budget, and performing any other duties iterated in the Charter, Ordinances or Council Resolution.

The Director of Finance, who is appointed by the Manager, acts as purchasing agent for the Town. The Director assists the Manager in the preparation of the annual budget, processes bills for payment, and performs any additional duties detailed in the Charter.

The full-time professional staff of the Town includes a Town Manager, Assistant Town Manager, Director of Finance, Assistant Director of Finance, Treasurer, Director of Assessment and Revenue, Economic Development Coordinator, Director of Recreation, Director of Public Works, Director of Planning and Community Development, Building Inspector, Library Director, Town Clerk, Police Chief, and Fire Chief.

Town Officials

Office	Name	Manner of Selection	Term	Length Of Service
Council Member, Chair.....	Victoria Triano	Elected	11/19-11/21	24 years
Council Member, Vice Chair.....	Tom Lombardi	Elected	11/19-11/21	5 years
Council Member.....	William Dziedzic	Elected	11/19-11/21	3 years
Council Member.....	Christopher J. Palmieri	Elected	11/19-11/21	14 years
Council Member.....	Christopher J. Poulos	Elected	11/19-11/21	3 years
Council Member.....	Paul Chaplinsky, Jr.	Elected	11/19-11/21	1 year
Council Member.....	Michael Del Santo	Elected	11/19-11/21	1 year
Council Member.....	Valerie A. DePaolo	Elected	11/19-11/21	1 year
Council Member.....	Jim Morelli, Jr.	Elected	11/19-11/21	1 year
Town Manager.....	Mark Sciota	Appointed	2/18-1/21	2 years ¹
Director of Finance.....	Emilia Portelinha	Appointed	Indefinite	16 years
Assistant Finance Director.....	Christina Sivigny	Appointed	Indefinite	8 years
Treasurer.....	Joyce Williams	Appointed	Indefinite	7 years ²
Economic Dev. Coordinator.....	Louis A. Perillo	Appointed	Indefinite	14 years

¹ Mr. Sciota formerly served as Town Attorney/Assistant Town Manager in Southington for 11 years and officially took office on February 1, 2018 replacing Garry Brumback who served as Town Manager for 6 years.

² Ms. Williams formerly served as Assistant Finance Director of Windsor Locks, Connecticut and has 15 years of municipal finance experience.

Source: Town of Southington

Municipal Services

Police: The Southington Police Department has a sworn staff of 69 including a Chief, Deputy Chief, three Lieutenants, five Master Sergeants, nine Sergeants, seven Detectives, and forty-three Patrol Officers. The department provides 24 hour service to the community, consisting of Patrol, Detective and Crime Prevention Services. Other specialized divisions include: Traffic Division, K-9 officer, Emergency Response Team, Motorcycle Patrol, Support Services Division, Training Division, and the Bicycle Patrol.

Fire: Fire protection is provided by Southington's 34 career and 55 volunteer firefighters. The department, headed by the chief, consists of a central headquarters and 3 additional companies. The department's responsibilities, other than firefighting, include fire marshal inspections and responding to various emergencies.

Health: The Southington Health Department and Plainville Health Department combined to form the Plainville-Southington Health District. The District services Plainville, Southington and Middlefield is staffed with a full-time Director of Health, an emergency response coordinator, four professional sanitarians and an Administrative Assistant. The mission of the Health District is to protect and preserve the health of the communities through a number of programs of health promotion and disease prevention. The Director and staff are spending a significant amount of time training for and coordinating the response to the COVID 19 pandemic.

Senior Services: Calendar House is the Town of Southington's Senior Center and is staffed by an Executive Director, Program Coordinator, secretary, clerk typist and eleven bus drivers (2 full-time and 9 part-time). The Center's purpose is to serve as a resource center, providing a broad range of services and activities which meet the diverse social, physical, and intellectual needs of older adults. The Calendar House offers recreational and social services to seniors and disabled individuals. The Town completed a new \$9.4 million-dollar Senior Center Facility in 2018.

Youth Services: The Youth Services Department is staffed by a Director, two counselors, and a Youth Prevention Coordinator. The Department offers a variety of services to youth and families including confidential counseling, education, diversion and positive youth development programs.

Building: The Building Department issues all types of building permits and is responsible for the inspection and approval of all construction in the Town in accordance with state and local building codes. The Department is staffed by a Building Inspector, Assistant Building Inspector, Electrical Inspector, Plumbing Inspector, one secretary and one office assistant.

Planning & Zoning: The Planning and Zoning Department provides technical assistance to the Planning and Zoning Commission, Conservation Commission and Zoning Board of Appeals. The Department is staffed by a Director of Planning and Community Development, Assistant Town Planner, Zoning Enforcement Officer, and two secretaries.

Economic Development: The Economic Development Coordinator works closely with Planning & Zoning, other Town departments and the Chamber of Commerce in promoting the Town and providing information and services to prospective businesses as well as existing established businesses.

Engineering: The Engineering Department designs or reviews all projects requiring engineering services. The Department is headed by the Director of Public Works/Town Engineer and staffed by 2 Assistant Town Engineers, an Engineer Inspector, two Engineering Aides, a Survey Crew Chief and an Administrative Assistant.

Recreation: The Southington Recreation Department provides recreational, educational and entertaining programs and services for residents of all ages. Southington's Park facilities encompass over 500 acres of recreational area: Recreation Park (37.6 acres), Western Park (21.2 acres), Central Park (19 acres), Panthorn Park (139.1 acres), Jaycee Park (4.2 acres), Centennial Park (1.5 acres), Veterans Memorial Park (20.5 acres), Crescent Lake (223 acres), a hiking and biking trail (11.6 acres) and the old Southington Drive-In Theatre (40 acres).

Library & Museum: The Southington Public Library and Museum provides the following: Children's Services including over 142 pre-school story times, Summer reading, after-school programs; community services including afternoon movies, free lectures on topics from health to finance, adult services, large print materials; computer service, DVD and VHS film collections. Information services include computer classes on e-mail and applications, afternoon and evening book discussion groups. The Museum program provides tours of the museum, group visits, and special events such as a Taste of Southington.

Highway and Parks: The Highway and Parks Departments are supervised by the Director of Public Works, and is staffed by an Assistant Highway Superintendent, one General Foreman, one Park Foreman, two Crew Leaders, twenty-eight Crewmembers and a Secretary. The department is responsible for the maintenance and repair of 199 miles of roads and all the Town Recreational Facilities. Other duties include snow plowing, street sweeping, sightline improvements and operation of the Bulky Waste Transfer Station.

Water: The Southington Water Works Department has functioned as a semi-autonomous entity for over 50 years. The plant was built in 1993 and an additional reservoir was purchased in 1995, ensuring a comfortable water supply for the Town's future demand. In January of 2005 the Water Department completed and moved into their new headquarters. In 2011 the Town bonded two capital projects for the Water Department: (1) construction of a water main on West Center Street, West Street, and Welch Road; and (2) demolition of the water storage tank at the Mariondale Water Filtration Plant and its replacement. In 2014, the Town bonded three capital projects for the Water Department: (1) design, construction and installation of water mains; (2) design and construction of the East Side Pressure Zone, and (3) design and construction of a replacement well.

Sewer: The Water Pollution Control Department is staffed by a Superintendent, two foremen, one lab chemist and seven operators. A \$14.5 million Denitrification Plant was completed in 2011. The Town hired Tighe & Bond Inc. to put together a Facilities Plan to review the current systems in an effort to gain better efficiencies in the Sewer's Operations. This project also includes a WPC Facilities Upgrade, as well as process improvements such as phosphorus removal and sludge digestion. A \$5.2 million Water Pollution Control Facility Sludge Thickening Project was completed in 2016. The Department is mid-way through a \$57.1 million upgrade of the Water Pollution Control Facility.

Solid Waste and Recycling: Homeowners hire private contractors, who are licensed by the Town Engineer, to collect residential waste and recycling materials. The Town is participating with thirteen other cities and towns in a contract with Covanta Bristol, Inc. which was signed on December 21, 2012 and is for a period of twenty years. The Town pays a fee of \$67.01 per ton for fiscal year 2021 for the acceptable solid waste which is sent to the Covanta plant in Bristol, Connecticut.

Educational Services

The Southington school system services grades kindergarten through 12 and is governed by the local Board of Education. The nine members of the Southington Board of Education are elected for two year terms. The primary function of the Board is to establish policy. Some of the areas for which such policies are set include curriculum, budget requests submission, ensuring funds for education as appropriated by the Town are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

The Town has eleven schools for grades kindergarten through 12 comprising of: one senior high school, two middle schools, and eight elementary schools. Enrollment in grades pre-kindergarten through 12 as of October 1, 2020 was 6,298. The rated capacity of the system facilities is 8,070.

The Town has successfully reopened school for the 2020-21 school year while making accommodations for COVID-19. The elementary and middle school students are in school in person everyday while the high school students are utilizing a hybrid method and attend school in person every other day and on the off day they are learning remotely.

The Town did have close to 1,000 students elect to be remote learners and not attend school. The remote elementary students were assigned to Virtual Learning Academy and additional teachers were hired to teach them. Remote middle and high school students log in to their classes remotely and participate with the live instruction from the classroom teachers. The feedback has been very positive. The Town has closed the high school and gone full remote when necessary due to a positive case for contact tracing and substitute teacher shortage.

School Enrollment

School Year	Historical			Total
	Pre-K-5	6 - 8	9 - 12	
2011-2012	3,073	1,629	2,077	6,779
2012-2013	3,079	1,580	2,035	6,694
2013-2014	3,011	1,624	2,031	6,666
2014-2015	2,966	1,567	2,056	6,589
2015-2016	2,934	1,600	2,011	6,545
2016-2017	2,847	1,620	2,073	6,540
2017-2018	2,808	1,576	2,077	6,461
2018-2019	2,783	1,526	2,043	6,352
2019-2020	2,726	1,465	2,107	6,298
2020-2021	2,726	1,465	2,107	6,298
School Year	Projected			Total
	Pre-K	K - 8	9 - 12	
2021-2022	98	4,223	2,049	6,370
2022-2023	98	4,243	2,000	6,341
2023-2024	98	4,225	1,991	6,314
2024-2025	98	4,209	1,958	6,265
2025-2026	98	4,273	1,913	6,284

Source: Town of Southington, Board of Education

School Facilities

School	Grades	Date of Construction (Additions, Remodeling)	Number of Classrooms	10/1/2020 Enrollment ¹	Rated Capacity
Southington High					
and ASTE Building.....	9 - 12	1974 (1985,1987,1994,1995)	125	2,107	2,150
DePaolo Middle.....	6 - 8	1967 (1988, 2013)	63	713	1,015
Kennedy Middle.....	6 - 8	1964 (1988, 2013)	63	752	1,015
Derynoski.....	K-5	1950 (1958,1974,1993)	40	530	775
Flanders.....	K-5	1966	23	273	450
Hatton.....	PK-5	1953 (2001)	26	410	550
ALTA @ Pyne Center ²	9-12	1960	5	-	65
Oshana (formerly Plantsville)..	K-5	1961 (2008)	15	258	300
South End.....	K-5	1954 (2008 New Building)	14	239	300
Strong.....	K-5	1958 (1995,2001)	21	289	500
Thalberg.....	K-5	1959 (2001)	22	427	500
Kelley.....	K-5	1966	23	300	450
Total.....			440	6,298	8,070

¹ A total of 55 Special Education students are out-placed and are not included in the 10/1/2020 Enrollment by Building.

² ALTA or Alternative Education is now housed at the Pyne Center.

Source: Town of Southington, Board of Education

Employee Relations and Collective Bargaining Municipal Employees

	2020	2019	2018	2017	2016
General Government.....	255	235	238	237	238
Board of Education.....	1,062	1,014	994	988	1,001
Total.....	1,317	1,249	1,232	1,225	1,239

Source: Town of Southington

Employee Relations

Board of Education Groups	Positions Covered	Current Contract Expiration Date
Teachers (Southington Education Association).....	571	6/30/2022
Administrators (Southington Administrators Association).....	28	6/30/2023
Custodians, Maintenance (A.F.S.C.M.E.).....	48	6/30/2021
Secretaries, Food Service (A.F.S.C.M.E.).....	77	6/30/2021
Nurses (A.F.S.C.M.E.).....	19	6/30/2024
Occupational & Physical Therapists (UPSEU)	7	6/30/2023
Paraprofessional, ABA Therapist, EL Tutors (UPSEU)	283	6/30/2022
Total Unionized Board of Education Employees.....	1,033	
General Government		
Town Employees (UPSEU-Local 424, Unit 35).....	68	6/30/2019 ¹
Highway, WPCD & Parks (Local 1303-26 of Council #4 A.F.S.C.M.E.).....	41	6/30/2022
Supervisory (UPSEU - Local 424, Unit 11).....	16	6/30/2020 ¹
Police Department/Canine Officer (Law Enforcement of Southington L.E.A.S.)..	68	6/30/2021
Police Dispatchers (Local 1303-424 of Council #4 A.F.S.C.M.E.).....	12	6/30/2021
Fire Department (Local 2033 International Association of Firefighters).....	31	6/30/2021
Total Unionized General Government Employees.....	236	

¹ In negotiations.

Source: Town of Southington

Binding Arbitration

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide for a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject the arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. Effective October 1, 1997, for binding arbitration of teachers' contracts, in assessing the financial capability of a town, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any items subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

III. Economic and Demographic Information

Population and Density

Year	Population ¹	% Increase (Decrease)	Density ²
2018 ³	43,763	1.6%	1,186.0
2010	43,069	8.4%	1,167.2
2000	39,728	3.1%	1,076.6
1990	38,518	4.4%	1,043.8
1980	36,879	19.2%	999.4
1970	30,946	--	838.6

¹ 1970-2010, U.S. Department of Commerce, Bureau of Census

² Per square mile: 36.9 square miles

³ American Community Survey 2014-2018

Age Distribution of the Population

Age	Town of Southington		State of Connecticut	
	Number	Percent	Number	Percent
Under 5 years	2,175	5.0%	184,983	5.2%
5 to 9 years	2,512	5.7	201,006	5.6
10 to 14 years	2,644	6.0	224,135	6.3
15 to 19 years	2,890	6.6	247,182	6.9
20 to 24 years	1,978	4.5	245,490	6.9
25 to 34 years	4,207	9.6	439,848	12.3
35 to 44 years	5,242	12.0	427,023	11.9
45 to 54 years	6,883	15.7	522,138	14.6
55 to 59 years	2,978	6.8	266,170	7.4
60 to 64 years	3,027	6.9	235,949	6.6
65 to 74 years	5,249	12.0	327,414	9.1
75 to 84 years	2,645	6.0	170,979	4.8
85 years and over	1,333	3.0	89,187	2.5
Total.....	43,763	100.0%	3,581,504	100.0%
Median Age (Years) 2018.....	45.4		40.8	
Median Age (Years) 2010..... ¹	43.3		40.0	

¹ U.S. Department of Commerce, Bureau of Census, 2010.

Source: American Community Survey 2014-2018

Income Distribution

	Town of Southington		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	136	1.1%	26,021	2.9%
\$10,000 to \$14,999.....	112	0.9	16,472	1.8
\$15,000 to \$24,999.....	239	2.0	38,804	4.3
\$25,000 to \$34,999.....	462	3.8	50,215	5.6
\$35,000 to \$49,999.....	688	5.7	80,042	9.0
\$50,000 to \$74,999.....	1,576	13.1	127,676	14.3
\$75,000 to \$99,999.....	1,851	15.4	118,848	13.3
\$100,000 to \$149,999...	3,201	26.6	186,154	20.8
\$150,000 to \$199,999...	2,138	17.8	105,285	11.8
\$200,000 or more.....	1,636	13.6	143,423	16.1
Total.....	12,039	100.0%	892,940	100.0%

Source: American Community Survey 2014-2018

Income Levels

	<u>Town of Southington</u>	<u>State of Connecticut</u>
Per Capita Income, 2018.....	\$42,269	\$43,056
Per Capita Income, 2010.....	\$36,053	\$36,775
Median Family Income, 2018.....	\$110,950	\$97,310
Median Family Income, 2010.....	\$94,602	\$84,170

Source: U.S. Department of Commerce, Bureau of Census, 2010

Source: American Community Survey 2014-2018

Educational Attainment Years of School Completed Age 25 and Over

	<u>Town of Southington</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Less than 9th grade.....	585	4.2%	101,068	4.4%
9th to 12th grade, no diploma.....	1,406	5.8	134,758	6.1
High School graduate (inc. equivalency).....	8,854	26.7	670,519	27.5
Some college, no degree.....	5,495	18.1	416,267	17.8
Associate degree.....	3,072	8.7	190,869	7.4
Bachelor's degree.....	7,535	20.3	538,924	20.5
Graduate or professional degree.....	4,617	16.3	426,303	16.4
Total.....	31,564	100.0%	2,478,708	100.0%
Percent high school graduate or higher.....		93.7%		90.5%
Percent bachelor's degree or higher.....		38.5%		38.9%

Source: American Community Survey 2014-2018

Major Employers As of October 2020

<u>Employer</u>	<u>Type of Business</u>	<u>Approximate Number of Employees</u>
Town of Southington.....	Municipal Government	1,317
Hartford Health Care.....	Health Care Practice	1,020
Webster Bank.....	Banking	653
Economy Spring.....	Manufacturing	384
Connecticut On-Line Computer Company.....	IT	380
Southington YMCA.....	Health	362
Yarde Metals Inc.....	Manufacturing	336
Smith's Medical.....	Manufacturing	250
Home Depot.....	Retail	243
Lowe's.....	Retail	170

Source: Town of Southington Economic Development - 2020.

Employment by Industry
Employed Persons 16 Years and Over

Sector	Town of Southington		State of Connecticut	
	Number	Percent	Number	Percent
Agriculture, forestry, fishing and hunting, and mining.....	39	0.2%	7,195	0.4%
Construction.....	1,479	6.5	107,331	5.9
Manufacturing.....	2,410	10.6	190,995	10.5
Wholesale trade.....	690	3.0	44,714	2.5
Retail trade.....	2,220	9.7	191,939	10.6
Transportation warehousing, and utilities....	749	3.3	72,806	4.0
Information.....	682	3.0	41,839	2.3
Finance, insurance, real estate, and leasing..	2,355	10.3	164,607	9.1
Professional, scientific, management, administrative, and waste management.....	2,369	10.4	207,632	11.5
Education, health and social services.....	6,070	26.6	479,677	26.5
Arts, entertainment, recreation, accommodation and food services.....	1,671	7.3	150,852	8.3
Other services (except public admin.).....	1,036	4.5	83,686	4.6
Public Administration.....	1,058	4.6	67,172	3.7
Total Labor Force, Employed.....	22,828	100.0%	1,810,445	100.0%

Source: American Community Survey 2014-2018

Employment Data
By Place of Residence

Period	Town of Southington		Percentage Unemployed		
	Employed	Unemployed	Town of Southington	Hartford Labor Market	State of Connecticut
October 2020	23,340	1,084	4.4	5.7	5.8
Annual Average					
2019.....	24,123	775	3.1	3.8	3.7
2018.....	23,853	901	3.7	4.2	4.2
2017.....	23,608	969	3.9	4.8	4.7
2016.....	23,265	1,056	4.3	5.3	5.3
2015.....	23,177	1,117	4.6	5.6	5.6
2014.....	23,251	1,361	5.5	6.7	6.7
2013.....	22,625	1,582	6.5	7.9	7.9
2012.....	23,057	1,755	7.1	8.4	8.3
2011.....	22,854	1,834	7.4	8.9	8.8
2010.....	22,787	1,956	7.9	9.1	9.0

Source: Department of Labor, State of Connecticut

Age Distribution of Housing

Year Built	Town of Southington		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	2,014	11.1%	337,795	22.3%
1940 to 1969.....	6,005	33.2	533,321	35.3
1970 to 1979.....	3,323	18.4	201,360	13.3
1980 to 1989.....	2,865	15.8	191,306	12.6
1990 to 1999.....	1,681	9.3	115,459	7.6
2000 or 2009.....	1,810	10.0	103,632	6.9
2010 or later.....	394	2.2	29,432	1.9
Total Housing Units	18,092	100.0%	1,512,305	100.0%

Source: American Community Survey 2014-2018

Housing Inventory

Housing Units	Town of Southington		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached.....	12,882	71.2%	892,608	59.0%
1-unit, attached.....	1,096	6.1	80,684	5.3
2 units.....	1,247	6.9	123,908	8.2
3 or 4 units.....	461	2.5	130,948	8.7
5 to 9 units.....	735	4.1	84,021	5.6
10 to 19 units.....	589	3.3	57,153	3.8
20 or more units.....	606	3.3	130,872	8.7
Mobile home.....	476	2.6	11,734	0.8
Boat, RV, van, etc.....	-	-	377	0.0
Total Inventory.....	18,092	100.0%	1,512,305	100.0%

Source: American Community Survey 2014-2018

Owner Occupied Housing Values

Specified Owner-Occupied Units	Town of Southington		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	337	2.4%	21,254	2.3%
\$50,000 to \$99,999.....	457	3.2	29,211	3.2
\$100,000 to \$149,999.....	852	6.1	81,446	9.0
\$150,000 to \$199,999.....	1,770	12.6	139,715	15.4
\$200,000 to \$299,999.....	4,748	33.7	245,801	27.1
\$300,000 to \$499,999.....	4,954	35.2	240,706	26.5
\$500,000 to \$999,999.....	872	6.2	106,993	11.8
\$1,000,000 or more.....	85	0.6	42,008	4.6
Total.....	14,075	100.0%	907,134	100.0%
Median Value.....	\$271,900		\$270,100	

Source: American Community Survey 2014-2018

Building Permits

The following schedule of building permits and their estimated values (in thousands) over the last ten years:

<i>Fiscal Year</i>	<i>Residential</i>		<i>Comm./Industrial</i>		<i>Total</i>	
	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>	<i>No.</i>	<i>Value</i>
2020	78	\$ 7,152	13	\$ 6,808	91	\$ 13,960
2019	104	10,000	9	3,779	113	13,779
2018	76	7,423	20	7,611	96	15,034
2017	75	6,628	14	5,854	89	12,482
2016	76	7,409	13	12,711	89	20,120
2015	64	6,201	11	8,925	75	15,126
2014	104	9,265	15	4,556	119	13,821
2013	115	10,020	16	10,532	131	20,552
2012	75	5,954	14	6,897	89	12,851
2011	74	6,258	11	4,087	85	10,345

Source: Town of Southington, Building Official

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IV. Tax Base Data

Property Tax – Assessments

The Town of Southington had a full revaluation effective October 1, 2015. The Town's next revaluation will be as of October 1, 2020, which is currently in process. Under Section 12-62 of the Connecticut General Statutes, the Town must do a revaluation every five years based on generally accepted mass appraisal methods and a revaluation by physical inspection no later than ten years from the preceding physical inspection.

Prior to the completion of each revaluation, the Assessor shall conduct a field review. The maintenance of an equitable tax base, and the location and appraisal of all real and personal property within the Town for inclusion onto the Grand List are the responsibilities of the Town's Assessor's Office. The Grand List represents the total of assessed values for all taxable real and personal property and motor vehicles located with the Town on October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70 percent of the estimated market value at the time of the last general revaluation.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the latest revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management. Section 12-71b of the Connecticut General Statutes (CGS) provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the proration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October Grand List, the taxpayer is entitled to certain credits.

All business personal property (furniture, fixtures, equipment, computers, machinery and leased equipment) is assessed annually. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at 70% of present market value.

Section 12-124a of the Connecticut General Statutes permits a municipality, upon approval by its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at 6% per annum, or at such rate approved by the legislative body, at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien. The Town has not approved the use of this abatement provision to date.

All State of Connecticut permitted veterans and elderly tax relief programs are utilized.

Motor Vehicle Property Tax Cap: Connecticut General Statutes Section 12-71e creates a cap on the local property tax mill rate for motor vehicles. For the assessment year October 1, 2018 (the fiscal year ending June 30, 2020), and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 45 mills. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town or city in which such district or borough is located would result in a combined motor vehicle mill rate in excess of these mill rate caps. The Town's mill rate for motor vehicles for fiscal year ending June 30, 2021 is 30.63.

For the fiscal year ending June 30, 2020, motor vehicle property tax grants to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 39 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 39 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2013 (the fiscal year ending June 30, 2015), and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 39 mills. For the fiscal year ending June 30, 2019, and each fiscal year thereafter, motor vehicle property tax grants

to municipalities that impose mill rates on real property and personal property other than motor vehicles greater than 45 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 45 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year October 1, 2013, and the amount such levy would have been if the mill rate on motor vehicles for that assessment year was 45 mills.

Levy

Property taxes are levied on all assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. Real estate taxes are payable in two installments - July 1 and January 1. Real estate taxes and personal property taxes under \$100, and motor vehicle taxes are due in one installment in July. Supplemental motor vehicle taxes (those vehicles registered between October 2 and July 31) are due in one installment in January. Payments not received one month after the due date become delinquent. A margin against delinquencies, legal reductions, and Grand List adjustments, such as assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. A modest estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Interest is charged at the rate of one and one-half percent per month with a minimum charge of \$2.00. In accordance with State law, all interest is collected first and then taxes in the order of the oldest outstanding tax first. Real estate is lienied for delinquent taxes within one year after the tax due date.

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Comparative Assessed Valuations

Grand List As Of 10/1	Residential Real Property (%)	Commercial & Industrial Real Property (%)	Other Land (%)	Personal Property (%)	Motor Vehicles (%)	Gross Taxable Grand List	Exemptions, Veterans Relief and Disabled	Net Taxable Grand List	Percent Growth
2019	68.5	14.0	1.3	7.0	9.2	\$4,270,278,694	\$ 112,937,485	\$ 4,157,341,209	2.2%
2018	68.0	13.7	1.3	8.0	9.0	4,185,172,456	116,657,943	4,068,514,513	1.5%
2017	68.4	13.5	1.4	7.8	8.9	4,132,479,203	123,538,168	4,008,941,035	1.6%
2016	68.8	13.5	1.6	6.7	9.4	4,061,773,289	115,956,472	3,945,816,817	1.1%
2015 ¹	68.9	13.6	1.6	6.5	9.4	4,016,803,386	114,693,332	3,902,110,054	1.9%
2014	69.5	13.0	1.6	6.4	9.4	3,930,337,896	101,620,933	3,828,716,963	1.5%
2013	69.8	13.3	1.6	6.0	9.3	3,871,986,634	98,209,468	3,773,777,166	1.1%
2012	70.0	13.3	1.7	5.9	9.1	3,817,247,724	85,603,212	3,731,644,512	0.5%
2011 ¹	70.9	13.5	1.9	4.6	9.1	3,794,440,243	79,573,029	3,714,867,214	-8.6%
2010	70.9	14.1	2.1	4.9	7.9	4,141,712,530	78,495,213	4,063,217,317	1.2%

¹ Revaluation.

Source: Town of Southington, Assessor's Office.

Connecticut General Statutes Section 12-81(72) exempts new manufacturing equipment from property taxation by the Town. The State of Connecticut will directly reimburse the Town for 100% of the foregone taxes.

Exempt Property

Public	Assessed Value ¹
Regular Veterans.....	\$ 10,586,570
Additional Veterans.....	1,601,680
Additional Veterans (1/2).....	2,252,873
100% Disabled and Blind.....	286,780
Local Option Veterans (non-reimbursed).....	351,680
Solar Energy.....	-
Public buildings/property.....	166,106,493
Sub-Total Public.....	\$ 181,186,076
Private	
Agricultural or Horticultural.....	\$ 448,048
Manufacturing machinery.....	66,046,529
Enterprise zone.....	9,338,756
Solar Energy.....	16,259,702
PP loaned to Tax-Exempt Entity.....	-
PP leased to Southington.....	442,340
PP >10 Y/O and <\$250.....	6,795
Trucks for Hire 5 yr Exemption.....	4,432,630
Miscellaneous.....	754,332
Sub-Total Private.....	97,729,132
Total Exempt Property.....	\$ 278,915,208
Percent Compared to Net Taxable Grand List...	6.7%

¹ Based on the Net Taxable Grand List of October 1, 2019 of \$4,157,341,209.

Source: Town of Southington, Assessor's Office

Property Tax Levies and Collections

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Adjusted Annual Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/2020
2018	2020	\$4,068,514,513	30.64	\$ 125,644,153	<i>In Collection</i>		
2017	2019	4,008,941,035	30.48	123,134,141	99.2%	0.8%	0.8%
2016	2018	3,945,816,817	30.48	120,268,497	99.0%	1.0%	0.3%
2015 ¹	2017	3,902,110,054	29.64	116,198,486	98.9%	1.1%	0.1%
2014	2016	3,828,716,963	29.14	111,033,757	98.9%	1.1%	0.1%
2013	2015	3,773,777,166	28.36	106,321,669	98.8%	1.2%	0.0%
2012	2014	3,731,644,512	27.46	102,631,012	98.8%	1.2%	0.0%
2011 ¹	2013	3,714,867,214	27.48	101,573,140	98.6%	1.4%	0.0%
2010	2012	4,063,217,317	24.28	98,793,966	98.7%	1.3%	0.0%
2009	2011	4,016,169,429	24.02	96,373,738	98.7%	1.3%	0.0%

¹ Revaluation.

Source: Town of Southington, Tax Collector

Ten Largest Taxpayers

Name of Taxpayer	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List ¹
Eversource (Connecticut Light & Power)....	Public Utility	\$ 141,190,510	3.40%
45 Newell Street Associates.....	Metal Recycling	20,442,252	0.49%
Yankee Gas Service.....	Public Utility	23,838,830	0.57%
Home Depot.....	Real Estate	15,611,713	0.38%
RK Southington	Real Estate	11,770,230	0.28%
Southington /Route 10 Associates.....	Real Estate	11,383,400	0.27%
Target Corporation.....	Real Estate	10,905,070	0.26%
Exesouth KKF LLC (Lowes).....	Real Estate	10,035,950	0.24%
Olson Murial et al.....	Real Estate	9,318,330	0.22%
Briad Lodging Group (Homewood Suites)...	Real Estate	9,221,741	0.22%
Total.....		\$ 263,718,026	6.34%

¹ Based on the Net Taxable Grand List of October 1, 2019 of \$4,157,341,209.

Source: Town of Southington, Assessor's Office.

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V. Debt Summary
Principal Amount of Indebtedness
As of December 18, 2020
(Pro Forma)

Long-Term Debt:

Date	Purpose	Interest Rate %	Original Issue	Amount Outstanding ¹	Fiscal Year of Maturity
2014	General Purpose - Lot A.....	3.00-5.00	\$ 7,705,000	\$ 930,000	2022
2014	Schools - Lot A.....	3.00-5.00	15,000,000	1,580,000	2022
2014	Water - Lot B ²	3.00-5.00	5,870,000	590,000	2022
2015	General Purpose.....	2.00-4.00	6,720,000	4,760,000	2035
2015	Schools.....	2.00-4.00	15,000,000	11,840,000	2035
2015	Sewers.....	2.00-4.00	5,200,000	4,100,000	2035
2015	Refunding (General Purpose).....	1.00-5.00	2,408,000	1,210,000	2029
2015	Refunding (Schools).....	1.00-5.00	8,036,000	5,159,000	2029
2015	Refunding (Sewers).....	1.00-5.00	1,841,000	941,000	2028
2016	General Purpose.....	2.00-4.00	5,200,000	4,080,000	2036
2016	Schools.....	2.00-4.00	12,000,000	10,110,000	2036
2017	Water - DWSRF.....	2.00	4,073,690	3,545,752	2036
2018	General Purpose.....	2.25-3.00	8,515,000	7,960,000	2038
2018	Schools.....	2.25-3.00	300,000	240,000	2024
2019	Refunding (Schools).....	2.25-5.00	4,414,000	2,756,000	2031
2019	Refunding (Sewers).....	2.25-5.00	1,458,000	1,230,000	2031
2019	Refunding (Water).....	5.00	605,000	289,000	2022
2020	Sewer - CWF (651-DC).....	2.00	22,000,000	21,816,667	2030
2020	Refunding Series A (General Purpose).....	4.00	2,775,000	2,775,000	2026
2020	Refunding Series A (Schools).....	4.00	973,000	973,000	2026
2020	Refunding Series A (Sewer).....	4.00	1,212,000	1,212,000	2026
2020	Refunding Series B (General Purpose) - Taxable....	0.37-2.41	3,555,000	3,555,000	2034
2020	Refunding Series B (Schools) - Taxable.....	0.37-2.41	10,054,000	10,054,000	2034
2020	Refunding Series B (Water) - Taxable.....	0.37-2.41	3,726,000	3,726,000	2034
Total Outstanding Bonded Debt.....			\$ 148,640,690	\$ 105,432,420	

This Issue

2020	Refunding Series C (Sewer).....	4.00-5.00	\$ 4,495,000	\$ 4,495,000	2030
2020	Refunding Series C (Water).....	4.00-5.00	1,695,000	1,695,000	2029
Total This Issue.....			\$ 6,190,000	\$ 6,190,000	
Grand Total.....			\$ 154,830,690	\$ 111,622,420	

¹ Excludes refunded and defeased bonds and capital leases.

² Water debt is self-supporting.

Short-Term Debt
As of December 18, 2020
(Pro Forma)

Project	Amount Authorized	Maturing Notes Due: 1/27/21
2011 School Renov., Add., & Improvements	\$ 89,725,000	\$ 3,975,000
Total	\$ 89,725,000	\$ 3,975,000

The Town also has outstanding Interim Funding Obligations (“IFO”) for water and sewer projects as listed below:

<i>Date</i>	<i>Purpose</i>	<i>Interest Rate</i>	<i>Original Amount</i>	<i>Maturity</i>
03/04/19	CWF 651-DC ¹	2.00%	\$ 14,199,948	7/31/2022
04/24/19	DWSRF 2019-7080 (Water).....	2.00%	3,228,000	1/31/2021
06/30/20	DWSRF 2019-7076 (Water).....	2.00%	2,131,879	12/31/2020
Total.....			\$ 19,559,827	

¹ The original amount of the IFO was \$36,199,948. The Town has converted \$22,000,000 into a Permanent Loan Obligation, leaving the remaining amount of the IFO listed here.

Annual Bonded Debt Maturity Schedule As of December 18, 2020 (Pro Forma)

<i>Fiscal Year Ended 6/30</i>	<i>Principal Payments</i>	<i>Interest Payments</i>	<i>Total Debt Service</i>	<i>This Issue:</i>			<i>Total Principal</i>
				<i>Sewer</i>	<i>Water</i>	<i>Total</i>	
2021 ¹	\$ 6,397,980	\$ 1,381,954	\$ 7,779,933	\$ 280,000	\$ 150,000	\$ 430,000	\$ 6,827,980
2022	8,615,309	2,548,748	11,164,057	435,000	250,000	685,000	9,300,309
2023	8,204,060	2,197,561	10,401,621	440,000	250,000	690,000	8,894,060
2024	8,282,885	1,921,226	10,204,111	445,000	265,000	710,000	8,992,885
2025	7,871,791	1,717,167	9,588,957	450,000	270,000	720,000	8,591,791
2026	7,675,774	1,550,089	9,225,863	465,000	280,000	745,000	8,420,774
2027	6,974,838	1,388,780	8,363,618	475,000	165,000	640,000	7,614,838
2028	6,878,983	1,226,189	8,105,172	490,000	60,000	550,000	7,428,983
2029	6,638,214	1,064,854	7,703,068	500,000	5,000	505,000	7,143,214
2030	5,742,529	926,206	6,668,735	515,000	-	515,000	6,257,529
2031	5,511,932	784,320	6,296,252	-	-	-	5,511,932
2032	4,941,423	649,242	5,590,666	-	-	-	4,941,423
2033	4,926,008	523,899	5,449,906	-	-	-	4,926,008
2034	4,900,683	397,695	5,298,379	-	-	-	4,900,683
2035	3,720,454	270,905	3,991,359	-	-	-	3,720,454
2036	2,545,320	172,146	2,717,465	-	-	-	2,545,320
2037	1,679,238	108,675	1,787,913	-	-	-	1,679,238
2038	1,450,000	72,939	1,522,939	-	-	-	1,450,000
2039	1,100,000	39,503	1,139,503	-	-	-	1,100,000
2040	1,100,000	17,447	1,117,447	-	-	-	1,100,000
2041	275,000	917	275,917	-	-	-	275,000
Total.....	\$ 105,432,420	\$ 18,960,462	\$ 124,392,882	\$ 4,495,000	\$ 1,695,000	\$ 6,190,000	\$ 111,622,420

¹ Excludes principal payments of \$3,592,661 and interest payments of \$1,139,817 made between July 1, 2020 and December 18, 2020.

Overlapping/Underlying Debt

The Town of Southington does not have any overlapping or underlying debt.

**THE TOWN OF SOUTHINGTON HAS NEVER DEFAULTED IN THE PAYMENT OF
PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES**

Debt Statement
As of December 18, 2020
(Pro Forma)

Long-Term Debt Outstanding:

General Purpose.....	\$ 25,270,000
Schools	42,712,000
Sewers (Includes this issue).....	33,794,667
Water (Includes this issue).....	9,845,752
Total Long-Term Debt.....	111,622,420
Short-Term Debt (Includes Notes due: 1/27/21).....	23,534,827
Direct Debt.....	135,157,247
Underlying Debt.....	-
Total Overall Debt.....	135,157,247
Less: Self Supporting Water Debt (Long-Term and Short-Term).....	(15,205,631)
Sewer Fund Debt (As of June 30, 2020).....	(500,000)
Sewer Assessment Debt (As of June 30, 2020).....	(1,819,000)
Total Overall Net Debt.....	\$ 117,632,615

Current Debt Ratios
As of December 18, 2020
(Pro Forma)

Population (2018) ¹	43,763
Net Taxable Grand List (10/1/19)	\$ 4,157,341,209
Estimated Full Value (70%).....	\$ 5,939,058,870
Equalized Grand List (10/1/18) ²	\$ 6,275,864,930
Money Income per Capita (2010) ¹	\$ 36,053
Money Income per Capita (2018) ¹	\$ 42,269

	Total	
	Direct Debt /	Total Overall
	Overall Debt	Net Debt
	\$135,157,247	\$117,632,615
Per Capita.....	\$ 3,088.39	\$ 2,687.95
Ratio to Net Taxable Grand List.....	3.25%	2.83%
Ratio to Estimated Full Value.....	2.28%	1.98%
Ratio to Equalized Grand List.....	2.15%	1.87%
Debt per Capita to Money Income per Capita (2018).....	7.31%	6.36%
Debt per Capita to Money Income per Capita (2010).....	8.57%	7.46%

¹ American Community Survey 2014-2018

² Office of Policy and Management, State of Connecticut.

Bond Authorization

The Town has the power to incur indebtedness by issuing its bonds or notes as authorized by the General Statutes of the State of Connecticut subject to statutory debt limitations and the requirements of the Town Charter for the authorization of indebtedness. Pursuant to the Charter, upon recommendation of the Board of Finance, the Town Council authorizes borrowing. Such authorizations of \$1 million or more are subject to referendum, and all such authorizations are subject to referendum upon qualifying petition timely filed. The issuance of refunding bonds is authorized by a resolution adopted by the Town Council only.

Maturities

Except for refunding bonds that achieve net present value savings, general obligation (serial or term) bonds are required to be payable in maturities wherein a succeeding maturity may not exceed any prior maturity by more than 50%, or aggregate annual principal and interest payments must be substantially equal. The term of the issue may not exceed twenty years, except in the case of sewer and school bonds, which may mature in up to thirty years.

Temporary Financing

When General Obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed for an aggregate period of up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable and the legislative body schedules principal reductions by the end of the third year and each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer and school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years, or, for sewer and school projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than ten years from the initial borrowing date, except for sewer or school notes issued in anticipation of state and/or federal grants. If a written commitment exists, the municipality may renew the sewer or school notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the issuance of such notes (whichever is sooner), and in each year thereafter, the notes must be reduced by at least 1/15 of the total amount of the notes issued by funds derived from certain sources of payment. Temporary notes may be issued in one year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds which will cause aggregate indebtedness by class to exceed the following:

General Purposes:	2.25 times annual receipts from taxation
School Purposes:	4.50 times annual receipts from taxation
Sewer Purposes:	3.75 times annual receipts from taxation
Urban Renewal Purposes:	3.25 times annual receipts from taxation
Unfunded Past Pension Purposes:	3.00 times annual receipts from taxation

“Annual receipts from taxation” (the “base”) are defined as total tax collections including interest and penalties, late payment of taxes and state payments for revenue losses under Connecticut General Statutes Section 12-129d and 7-528. In no case shall total indebtedness exceed seven times the base.

The Connecticut General Statutes also provide for exclusion from the debt limit calculation debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, electric demand response, conservation and load management, distributed generation and renewable energy projects; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment

or for which allocation has been approved by the State Bond Commission or from a contract with the state, state agencies or another municipality providing for the reimbursement of costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects; and (vi) upon placement in an escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient to provide for the payment when due of principal of and interest on such bond, note or other evidence of indebtedness.

**Statement of Debt Limitation
As of December 18, 2020
(Pro Forma)**

Total Tax Collections (including interest and lien fees) received by the Treasurer for the year ended June 30, 2020 ¹	\$ 125,975,000
Reimbursement For Revenue Loss (Tax relief for elderly)	-
Base for Debt Limitation Computation	\$ 125,975,000

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 ¹ / ₄ times base	\$283,443,750	-	-	-	-
4 ¹ / ₂ times base	-	\$566,887,500	-	-	-
3 ³ / ₄ times base	-	-	\$472,406,250	-	-
3 ¹ / ₄ times base	-	-	-	\$409,418,750	-
3 times base	-	-	-	-	\$ 377,925,000
Total Debt Limitation	\$283,443,750	\$566,887,500	\$472,406,250	\$409,418,750	\$ 377,925,000
Indebtedness:					
Bonds Outstanding ²	25,270,000	42,712,000	29,299,667 ³	-	-
Bonds – This Issue	-	-	4,495,000	-	-
Notes	-	3,975,000	-	-	-
State of CT - CWF IFO Loan	-	-	14,199,948	-	-
Debt Authorized But Unissued ⁴	20,130,000	6,904,578	10,916,273	-	-
Total Indebtedness	45,400,000	53,591,578	58,910,888	-	-
Less:					
State School Grants Receivable	-	-	-	-	-
Self-Supporting Sewer Fund Debt	-	-	(500,000)	-	-
Sewer Assessment Debt	-	-	(1,819,000)	-	-
Total Net Indebtedness	45,400,000	53,591,578	56,591,888	-	-
DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS	\$238,043,750	\$ 513,295,922	\$ 415,814,362	\$409,418,750	\$ 377,925,000

¹ Subject to audit.

² Excludes \$8,150,752 in outstanding bonds, \$1,695,000 refunding bonds included in this issue of self-supporting water debt.

³ Includes Clean Water Fund Project Loan Obligation.

⁴ Excludes \$6,400,000 of authorized but unissued water debt.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$881,825,000

**Authorized but Unissued Debt
As of December 18, 2020
(Pro Forma)**

Project	Amount Authorized	Previously Bonded/ CWF Loan	Appropriations, Transfers & Grants Received & Paydowns	Maturing Notes Due: 1/27/21	CWF IFO Loan	Authorized but Unissued
New South End Elementary School	\$ 16,860,000	\$ 9,502,000	\$ 6,176,839	-	-	\$ 1,181,161
2011 School Renov., Add., & Improvements	89,725,000	42,000,000	39,661,365	3,975,000	-	4,088,635
Land Acquisition	2,000,000	1,000,000	-	-	-	1,000,000
Senior Center Facility	9,400,000	3,500,000	5,000,000	-	-	900,000
Road and Bridge Improvements (2014)	11,000,000	8,200,000	-	-	-	2,800,000
WPCF Facilities Upgrade-Engineering	960,000	683,387	276,192	-	-	421
WPCF Facilities Upgrade	57,100,000	22,000,000	10,234,200	-	14,199,948	10,665,852
South End Pump Station	900,000	650,000	-	-	-	250,000
Back-up Well (2A) for Well #2	2,200,000	-	-	-	-	2,200,000
New Mill St Water Storage Tank & Comm. Tower	4,200,000	-	-	-	-	4,200,000
Road Improvement (2019)	900,000	-	-	-	-	900,000
Open Space Acquisition 2018	2,000,000	400,000	-	-	-	1,600,000
2019 John Weichsel Municipal Center Acq.	2,930,000	-	-	-	-	2,930,000
Southington High School Roof Replacement	2,600,000	-	965,218	-	-	1,634,782
Road and Bridge Improvements Project (2020)	10,000,000	-	-	-	-	10,000,000
Total	\$ 212,775,000	\$ 87,935,387	\$ 62,313,814	\$ 3,975,000	\$14,199,948	\$ 44,350,851

Principal Amount of Outstanding Debt ¹
Last Five Fiscal Years
(000s)

Long-Term Debt	2020	2019	2018	2017	2016
Bonds.....	\$ 77,770	\$ 86,565	\$ 95,040	\$ 94,775	\$ 102,354
CWF	5,684	6,252	6,822	7,389	7,958
Sub-Total Long-Term Debt.....	83,454	92,817	101,862	102,164	110,312
Short-Term Debt					
Bond Anticipation Notes.....	3,975	3,975	16,000	8,000	6,000
CWF IFO.....	26,022	6,010	-	-	-
Sub-Total Short-Term Debt.....	29,997	9,985	16,000	8,000	6,000
Grand Total.....	\$ 113,451	\$ 102,802	\$ 117,862	\$ 110,164	\$ 116,312

¹ Does not include Water debt, compensated absences or capital lease obligations.

Source: Town of Southington Audited Financial Reports. 2020 Subject to Audit.

Ratios of Net Long-Term Debt to Valuation, Population, and Income

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Net Long-Term Debt ¹	Ratio of Net Long-Term Debt to Assessed Value (%)	Ratio of Net Long-Term Debt to Estimated Full Value (%)	Population ²	Net Long-Term Debt per Capita	Ratio of Net Long-Term Debt per Capita to Per Capita Income ³
2020	\$4,157,341,209	\$ 5,939,058,870	\$101,862,000	2.45%	1.72%	43,763	2,327.58	5.51%
2019	4,068,514,513	5,812,163,590	102,164,000	2.51%	1.76%	43,763	2,334.48	5.52%
2018	4,008,941,035	5,727,058,621	101,862,000	2.54%	1.78%	43,763	2,327.58	5.51%
2017	3,945,816,817	5,636,881,167	102,164,000	2.59%	1.81%	43,763	2,334.48	5.52%
2016	3,902,110,054	5,574,442,934	110,312,000	2.83%	1.98%	43,763	2,520.67	5.96%

¹ Long-Term debt does not include Water debt, compensated absences, or capital lease obligations.

² Bureau of Census.

³ American Community Survey (2014-2018), Money Income Per Capita \$42,269.

Source: Town of Southington Audited Financial Reports. 2020 Subject to Audit.

**Ratio of Total General Fund Debt Service Expenditures
To Total General Fund Expenditures and Transfers Out
Last Ten Fiscal Years**

Fiscal Year Ended 6/30	Principal	Interest	Total Debt Service	Total General Fund Expenditures ¹	Ratio of General Fund Debt Service To General Fund Expenditures
2020	\$ 8,561,959	\$ 2,619,272	\$ 11,181,231	\$ 171,039,000	6.54%
2019	7,936,309	2,947,422	10,883,731	154,121,000	7.06%
2018	7,902,369	2,667,680	10,570,049	163,378,000	6.47%
2017	6,759,791	2,719,394	9,479,185	159,552,000	5.94%
2016	6,000,463	2,404,960	8,405,423	149,232,000	5.63%
2015	5,732,791	2,616,890	8,349,681	159,331,000	5.24%
2014	5,032,305	1,940,702	6,973,007	140,540,000	4.96%
2013	5,839,337	2,148,607	7,987,944	135,501,000	5.90%
2012	6,092,768	2,268,503	8,361,271	133,934,000	6.24%
2011	5,030,434	2,026,354	7,056,788	128,909,000	5.47%

¹ Includes transfers out.

Source: Town of Southington Finance Department. 2020 Subject to Audit.

VI. Financial Administration

Fiscal Year

The Town's fiscal year begins July 1 and ends June 30.

Basis of Accounting

See footnote number 1 in "Notes to Financial Statements" of Appendix A.

Budget Procedure

Annually, the Town Manager presents the budget to the Board of Finance. After required hearings, the Board of Finance, which administers the budget, recommends its budget to the Town Council. At the annual budget meeting held in April, the Council may, by the required number of votes, reduce or increase the proposed estimated expenditures. After completing such action, the Council adopts the budget by resolution. The Board of Finance then calculates a rate of taxation on the most recent Grand List, which will produce the revenue required to preserve a balance between estimated receipts and expenditures, net of provisions for other estimated revenue and cash surplus or deficit.

Subject to the provisions of Chapter VII of the Town Charter, the Town Council, on recommendation of the Board of Finance, may appropriate at any time any unappropriated and unencumbered appropriation balance, or portion thereof, between general classifications of expenditures within an office, department or agency, up to a maximum of \$500. The Town Council must approve any transfer over \$500 from one office, department or agency to another to meet a pressing need for public expenditure. The Board of Finance and the Town Council may review the budget after recommendation by the Town Manager and certification by the Director of Finance that sufficient funds exist.

The budget is prepared on a modified accrual basis of accounting, except for the accrual of payroll. Encumbrances that are outstanding at year-end are not recorded as budgetary expenditures. The Town Council approves those items as continued appropriations in the following year's budget. Authorized continuing appropriations are presented as reservation of fund balance since the commitments will be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities for generally accepted accounting principles or budgetary purposes. The control level on which expenditures may not legally exceed appropriation is the department level.

Capital Improvement Plan - Summary

The Town expects to finance the projects as set out in the following table.

Project	Fiscal 2020-21	Fiscal 2021-22	Fiscal 2022-23	Fiscal 2023-24	Fiscal 2024-25	Total
Town.....	\$ 16,582,500	\$ 5,585,600	\$ 4,099,905	\$ 4,619,680	\$ 13,654,359	\$ 44,542,044
Waste Pollution Control Dept.....	980,000	2,980,000	980,000	924,000	-	5,864,000
Board of Education.....	308,472	6,823,495	2,227,876	2,093,240	130,460	11,583,543
Total	\$ 17,870,972	\$ 15,389,095	\$ 7,307,781	\$ 7,636,920	\$ 13,784,819	\$ 61,989,587

Funding Sources	Fiscal 2020-21	Fiscal 2021-22	Fiscal 2022-23	Fiscal 2023-24	Fiscal 2024-25	Total
G.F. Appropriations.....	\$ 1,870,972	\$ 3,302,298	\$ 2,849,295	\$ 2,696,165	\$ 1,779,819	\$ 12,498,549
Bond/Note Proceeds.....	10,980,000	10,206,797	2,478,486	2,935,755	10,000,000	36,601,038
Grants.....	530,000	530,000	530,000	530,000	530,000	2,650,000
Use of Fund Balance.....	4,490,000	1,350,000	1,450,000	1,475,000	1,475,000	10,240,000
Total Funding Sources.....	\$ 17,870,972	\$ 15,389,095	\$ 7,307,781	\$ 7,636,920	\$ 13,784,819	\$ 61,989,587

Audit

The Town, pursuant to local ordinance and provisions of the Connecticut General Statutes, is required to undergo an annual audit by an independent public accountant. The auditor is required to conduct the audit under the guidelines outlined by the State of Connecticut Office of Policy and Management, which also receives a copy of the audit report. For the fiscal year ended June 30, 2019, the financial statements of the various funds of the Town were audited by Blum Shapiro & Company, P.C. of West Hartford, Connecticut.

Liability Insurance

See Note number 8 in “Notes to Financial Statements” of Appendix A.

Pensions

Municipal Employees’ Retirement System

All Town of Southington full-time employees, except teachers who are eligible to participate in the State of Connecticut Teachers’ Retirement System, participate in the Municipal Employees’ Retirement Fund (MERF), a cost sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission. MERF is considered to be a part of the State of Connecticut financial reporting entity and is included in the State’s financial reports as a pension trust fund.

Funding Policy - Plan members are required by State Statute to contribute 2-1/4% of earnings upon which Social Security tax is paid plus 5% of earnings on which no Social Security tax is paid. Each participating municipality is required to contribute at an actuarially determined rate. The rate for the year ending June 30, 2020 was 13.73%, and the rate for the year ending June 30, 2019 was 11.74% of annual covered payroll. The Town’s MERF contribution (rounded) for the fiscal years June 30, 2020 was \$5,813,000, and June 30, 2019 was \$4,770,000, and June 30, 2018 was \$4,686,000, and the budgeted amount for the fiscal year ending June 30, 2021 is \$6,384,615; all of which are equal to the required contributions for that year.

Teachers’ Retirement

All Town of Southington Teachers participate in the State of Connecticut Teachers’ Retirement System under Chapter 167a of the General Statutes of the State of Connecticut.

The Board of Education withholds 8.25% (7% +1.25% health insurance) of all teachers’ annual salaries and transmits the funds to the State Teachers’ Retirement Board.

The retirement system for teachers is funded by the State based upon the recommendation of the Teachers’ Retirement Board. Such contribution includes amortization of the actuarially computed unfunded liability. The Town does not have any liability for teacher pensions.

The State of Connecticut Teachers’ Retirement System is considered to be a part of the State of Connecticut financial reporting entity and is included in the State’s financial reports as a pension trust fund.

For more information, see Note number 12 in “Notes to Financial Statements” of Appendix A.

Other Post Employment Benefits (OPEB)

GASB Statement 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, generally requires that state and local governmental employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions.

Statement 75 also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time.

The Town and Board of Education do not offer retirees any post-employment benefits. They do, however, allow retirees to remain on the Health Self-Insurance plan as long as they pay the full COBRA rates. The only exception to the no post-employment benefits would be for those employees who have retired under Heart & Hypertension and have negotiated these benefits. See Note number 11 in “Notes to Financial Statements” of Appendix A.

These other post-employment benefits (OPEB) for former employees are currently funded on a pay-as-you-go basis out of the Self-Insurance Fund and the Heart and Hypertension Department in the General Fund. As of June 30, 2020, the Town has not established a trust fund to segregate assets to fund the liability associated with these benefits. As of June 30, 2020, the Total OPEB Liability is \$48,873,249

Schedule of Changes in Total OPEB Liability (000's)

	<u>2020</u>
Total OPEB Liability:	
Service Cost.....	\$ 608
Interest.....	1,442
Differences Between Expected and	
Actual Experience.....	(4,535)
Changes of Assumptions and Other Inputs.....	11,567
Benefit Payments.....	<u>(1,359)</u>
Net Change in Total OPEB Liability.....	7,723
Total OPEB Liability - Beginning.....	41,150
Total OPEB Liability - Ending.....	\$ 48,873
Covered Payroll.....	\$ 77,942
Total OPEB Liability as a Percentage of	
Covered Payroll.....	62.70%

Investment Policy

The Town Charter and Sections 7-400 and 7-402 of the Connecticut General Statutes govern the investments the Town is permitted to acquire. Generally, the Town may invest in certificates of deposits, municipal notes and bonds, obligations of the United States of America, including joint and several obligations of the United States of America, joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government, mutual funds and money market mutual funds.

The Town's investment practices have been to invest in certificate of deposits, obligations of the United States of America, the State of Connecticut Short-Term Investment Fund (STIF). The Town Treasurer has followed these investment practices and the Town's short term operating funds and capital funds are currently invested in money markets with Connecticut banks.

General Fund Revenues and Expenditures
Four Year Summary of Audited Revenues and Expenditures (GAAP Basis),
Estimated Actuals and Adopted Budget (Budgetary Basis)
(In thousands)

	Adopted Budget ¹ 2020-21	Estimated Actual ¹ 2019-20	Actual 2018-19	Actual 2017-18	Actual 2016-17	Actual 2015-16
Revenues:						
Property Taxes	\$ 127,855	\$ 125,999	\$ 123,664	\$ 121,570	\$ 117,338	\$ 111,979
Intergovernmental	22,322	43,135	28,297	38,324	40,266	33,321
Income on Investments	683	1,455	1,803	1,033	561	491
Other (including Charges for Services)	2,893	4,338	3,838	4,068	3,773	4,316
Total Revenues	153,753	174,927	157,602	164,995	161,938	150,107
Expenditures:						
General government	4,637	4,211	4,123	4,188	4,203	4,545
Public Safety	14,557	13,855	13,128	13,108	12,776	12,278
Public Works	6,362	5,821	6,091	4,933	5,144	4,693
Health and Welfare	718	683	686	673	662	643
Human Services	920	865	950	909	891	876
Parks & Recreation	423	385	408	1,443	1,569	1,917
Public Library	1,594	1,552	1,474	1,472	1,515	1,517
Planning and Development	1,222	1,063	1,077	1,036	1,027	1,037
Miscellaneous	47	63	-	-	80	-
Employee Fringe Benefits	10,615	9,921	9,042	9,007	10,160	9,519
Education	100,302	117,707	102,563	111,170	109,312	99,479
Debt Service	10,946	11,181	10,914	10,570	9,480	8,405
Capital Outlays	-	-	56	-	106	493
Contingencies	1,098	-	-	-	-	-
Total Expenditures	153,441	167,307	150,512	158,509	156,925	145,402
Revenues over (under) expenditures	312	7,620	7,090	6,486	5,013	4,705
Other Financing Sources Uses:						
Refunding Bonds Issued	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-
Premium on Bonds	-	-	-	-	-	-
Issuance of Capital Leases	-	-	-	-	106	493
Operating Transfers In	-	-	24	329	-	40
Operating Transfers (Out)	(4,802)	(3,732)	(3,609)	(4,869)	(2,627)	(3,830)
Total other Financing Sources (uses)	(4,802)	(3,732)	(3,585)	(4,540)	(2,521)	(3,297)
Revenues and other financing sources over (under) expenditures and other financing (uses)						
	N/A	\$ 3,888	\$ 3,505	\$ 1,946	\$ 2,492	\$ 1,408

¹ Budgetary basis, subject to audit.

Municipal General Budget Expenditures Cap

Connecticut General Statutes Section 4-661 creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management ("OPM") must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality's percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality's population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded.

Under the Act, municipal spending does not include expenditures: (1) for debt service, special education, costs to implement court orders or arbitration awards; (2) budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities; (3) associated with a major disaster or emergency declaration by the President or disaster emergency declaration issued by the Governor under the civil preparedness law; or (4) for any municipal revenue sharing grant the municipality disburses to a special taxing district. In addition, if budget expenditures exceed the 2.5% cap, but are proportional to population growth from the previous year, the municipal revenue sharing grant will not be reduced.

Analysis of General Fund Balance

	Adopted Budget ¹ 2020-21	Estimated Actual ¹ 2019-20	Actual 2018-19	Actual 2017-18	Actual 2016-17	Actual 2015-16
Nonspendable.....	N/A	\$ 39	\$ 27	\$ 25	\$ 36	\$ 33
Committed.....	N/A	-	-	-	67	146
Assigned.....	N/A	8,347	3,113	2,222	2,764	598
Unassigned.....	N/A	23,960	25,318	22,706	20,140	19,738
Total Fund Balance.....	N/A	\$ 32,346	\$ 28,458	\$ 24,953	\$ 23,007	\$ 20,515

¹ Budgetary basis, subject to audit.

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VII. Legal and Other Information

Litigation

During the normal course of business, claims against the Town arise from personal injury suits, contract disputes, property damage claims, and other normal type claims related to a municipality. It is the opinion of the Town's attorney that the ultimate liability of the Town for these cases currently pending will not have a materially adverse effect upon the Town's financial position.

Concluding Statement

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the Town from official and other sources and is believed by the Town to be reliable, but such information other than that obtained from official records of the Town has not been independently confirmed or verified by the Town and its accuracy is not guaranteed.

This Official Statement has been duly prepared and delivered by the Town, and executed for and on behalf of the Town by the following officials:

TOWN OF SOUTHLINGTON, CONNECTICUT

By: /s/ *Mark Sciota*

Mark Sciota, *Town Manager*

By: /s/ *Emília Portelinha*

Emília Portelinha, *Director of Finance*

By: /s/ *Joyce Williams*

Joyce Williams, *Treasurer*

Dated: December 7, 2020

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Appendix A

2019 Financial Statements Excerpted from the Town's Comprehensive Annual Financial Report

The following includes the General Purpose Financial Statements of the Town of Southington, Connecticut for the fiscal year ended June 30, 2019. The supplemental data that was a part of that report has not been reproduced herein. A copy of the complete report is available upon request from Matthew A. Spoerndle, Senior Managing Director, Phoenix Advisors, 53 River Street, Suite 1, Milford, Connecticut 06460. Telephone (203) 878-4945.

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Independent Auditor's Report

To the Board of Finance
Town of Southington, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Southington, Connecticut (the Town) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town'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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Southington, Connecticut as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, net position of the Sewer Operating Fund and Business-Type Activities have been restated to correct an error in previously issued financial statements. Our opinions are 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 Discussion and Analysis, budgetary comparison information and the pension and OPEB related schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual fund financial statements and other 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 fund financial statements and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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's internal control over financial reporting and compliance.

RSM VS LLP

New Haven, Connecticut
December 16, 2019

**TOWN OF SOUTHTON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

As management of the Town of Southington, Connecticut (the Town) we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, as well as the Town's basic financial statements that follow this section.

Financial Highlights

- On a government-wide basis, the assets and deferred outflows of the Town exceeded its liabilities and deferred inflows resulting in total net position at the close of the fiscal year of \$205.4 million. Total net position for governmental activities at fiscal year-end were \$143.7 million and total net position for business-type activities were \$61.7 million.
- On a government-wide basis, during the year, the Town's net position decreased by \$5.1 million or 2.4% from \$210.5 million (as restated) to \$205.4 million. Net position decreased by \$10.4 million for governmental activities and increased by \$5.3 million for business-type activities.
- During the year, Governmental activities exceeded revenues by \$10.4 million. This is primarily the result of increases in the deferred inflows/outflows related to the increase in the Town's proportionate share of MERS pension liabilities.
- In the Town's business-type activities revenues increased \$4.5 million or 64.1% and expenses increased \$383 thousand or 6.6%. The revenue increase is mostly due to the larger contribution of capital from the governmental activities of \$5.7 million this year versus \$1.5 million last year.
- At the close of the year, the Town's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$34.7 million, a decrease of \$1.3 million from the prior fiscal year (Exhibit IV).
- At the end of the current fiscal year, the total fund balance for the General Fund alone was \$28.5 million, an increase of \$3.5 million from the prior fiscal year. Of the total fund balance \$25.3 million represents unassigned fund balance. The unassigned General Fund balance at year-end represents 16.1% of total General Fund revenues (\$157.6 million), an increase of 2.3% from last year. This is mostly due to the State's reduction in net TRB pension and OPEB contributions.
- The tax collection rate was 99.01% of the current levy, slightly lower than last year's rate of 99.03%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information and a statistical section.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business. All of the resources the Town has at its disposal are shown, including major assets such as buildings and infrastructure. A thorough accounting of the cost of government is rendered because the statements present all costs, not just how much was collected and disbursed. They provide both long-term and short-term information about the Town's overall financial status.

The statement of net position presents information on all of Southington's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as net position. One can think of the Town's net position - the difference between assets and liabilities - as one way to measure the Town's financial health or financial position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Town is improving or deteriorating. It speaks to the question of whether or not the Town, as a whole, is better or worse off as a result of this year's activities. Other nonfinancial factors will need to be considered, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the overall health of the Town.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period, for example uncollected taxes and earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by property taxes, charges for services and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town encompass the Town's basic services and include governmental and community services, administration, public safety, health and welfare, and education. The business-type activities of the Town include the Sewer Operating Fund.

The government-wide financial statements (statement of net position and statement of activities) can be found on Exhibits I and II of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has three kinds of funds:

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 28 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Capital Projects Fund which are considered to be major funds. Data from the other 26 governmental funds are combined into a single, aggregated presentation as other non-major governmental funds.

Individual fund data for each of these nonmajor governmental funds is provided in the combining balance sheet and in the combining statement of revenues, expenditures and changes in fund balances on Exhibit B-1 and B-2.

The basic governmental fund financial statements (balance sheet and statement of revenues, expenditures and changes in fund balances) can be found on Exhibits III and IV of this report.

Proprietary Funds. The Town maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Southington uses an enterprise fund to account for its Sewer Fund. Internal service funds are an accounting device used to accumulate and allocate certain costs internally among the Town of Southington's various functions. The Town uses an internal service fund to account for its Employee Health Self-Insurance Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Enterprise Fund and the Health Insurance Internal Service Fund.

The proprietary fund financial statements can be found on Exhibits VI-VII of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to provide services to the Town's constituency. The Town has three agency funds: the Student Activity Fund, the Escrow Deposit Fund and the C-Pace Program Fund. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on Exhibit VIII.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 through 62 of this report.

Certain required supplementary information is reported concerning the Town's progress in funding its obligations to provide pension benefits and other post-employment benefits to its employees. This information can be found on pages 76 through 82 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position and an important determinant of its ability to finance services in the future. The Town's total assets and deferred outflows exceeded liabilities and deferred inflows by \$205.4 million on June 30, 2019. Governmental activities assets exceeded liabilities by \$143.7 million.

Business-type activities assets exceeded liabilities by \$61.7 million.

	Net Position (In Thousands)					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 69,113	\$ 73,909	\$ 10,149	\$ 8,223	\$ 79,262	\$ 82,132
Capital assets, net of accumulated depreciation	284,194	288,321	52,711	48,315	336,905	336,636
Total assets	353,307	362,230	62,860	56,538	416,167	418,768
Deferred outflows of resources	36,991	10,041	843	178	37,834	10,219
Long-term debt outstanding	222,144	191,490	1,272	587	223,416	192,077
Other liabilities	20,924	24,744	666	516	21,590	25,260
Total liabilities	243,068	216,234	1,938	1,103	245,006	217,337
Deferred inflows of resources	3,521	1,978	44	38	3,565	2,016
Net position:						
Net investment in capital assets	168,142	172,521	52,711	48,315	220,853	220,836
Restricted	625	726	-	-	625	726
Unrestricted (deficit)	(25,058)	(19,188)	9,010	7,260	(16,048)	(11,928)
Total net position	\$ 143,709	\$ 154,059	\$ 61,721	\$ 55,575	\$ 205,430	\$ 209,634

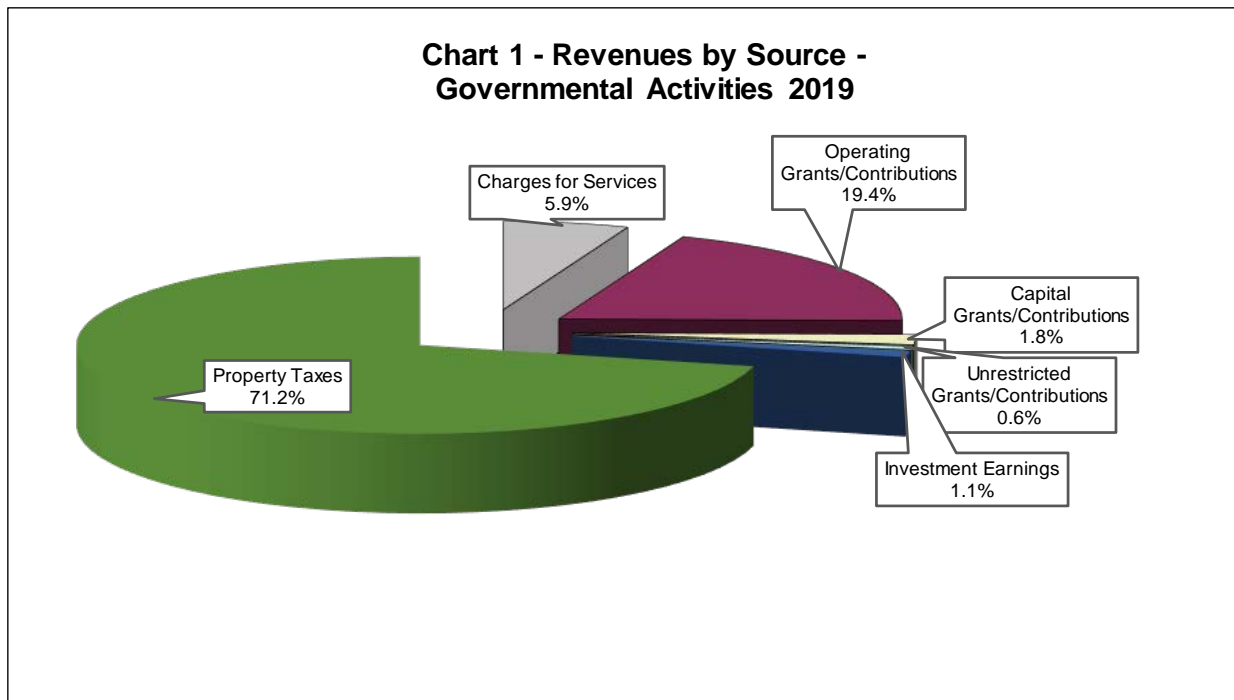
By far the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Changes in Net Position (In Thousands)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 10,272	\$ 9,687	\$ 5,706	\$ 5,501	\$ 15,978	\$ 15,188
Operating grants and contributions	33,663	42,675			33,663	42,675
Capital grants and contributions	3,210	6,270	-	1,471	3,210	7,741
General revenues:						
Property taxes	123,664	121,341	-	-	123,664	121,341
Grants and contributions not restricted to specific purposes	1,074	1,318	-	-	1,074	1,318
Unrestricted investment earnings	1,903	1,049	-	-	1,903	1,049
Total revenues	173,786	182,340	5,706	6,972	179,492	189,312
Program expenses:						
General government	5,324	6,054	-	-	5,324	6,054
Public safety	35,113	23,502	-	-	35,113	23,502
Public works	10,912	11,659	-	-	10,912	11,659
Health and welfare	782	790	-	-	782	790
Human services	1,738	1,592	-	-	1,738	1,592
Parks and recreation	1,110	3,506	-	-	1,110	3,506
Public library	495	2,007	-	-	495	2,007
Planning and development	2,949	1,460	-	-	2,949	1,460
Education	116,831	125,783	-	-	116,831	125,783
Interest on long-term debt	3,144	2,887	-	-	3,144	2,887
Sewer	-	-	6,187	5,804	6,187	5,804
Total program expenses	178,398	179,240	6,187	5,804	184,585	185,044
Transfers	(5,738)	-	5,738	-	-	-
(Decrease) increase in net position	(10,350)	3,100	5,257	1,168	(5,093)	4,268
Net position - beginning of year	154,059	150,959	55,575	54,407	209,634	205,366
Restatement (Note 14)	-	-	889	-	889	-
Net position - end of year	\$ 143,709	\$ 154,059	\$ 61,721	\$ 55,575	\$ 205,430	\$ 209,634

The Town's net position decreased by \$5.1 million during the fiscal year, with net position of governmental activities decreasing \$10.4 million and business-type activities increasing by \$5.3 million. The total cost of all programs and services was \$190.3 million. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

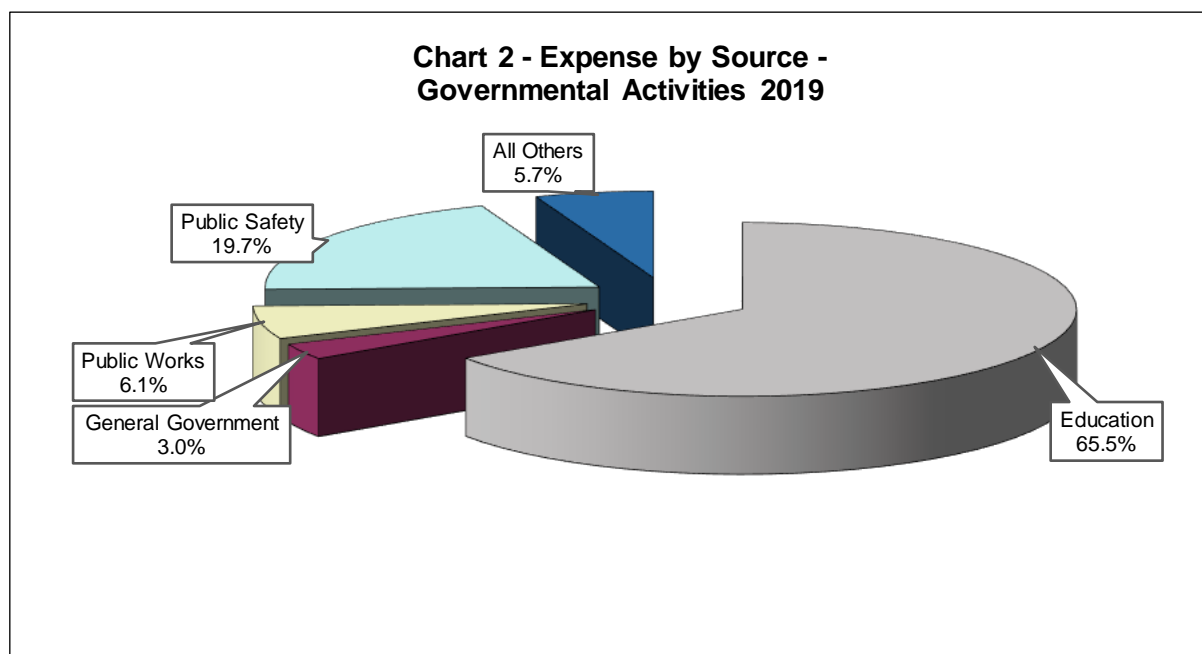
Approximately 71.2% of the revenues were derived from property taxes, followed by 19.4% from operating grants and contributions, 5.9% from charges for services, 1.8% from capital grants and contributions, 1.1% from investment earnings, and .6% from unrestricted grants and contributions.



Major revenue factors include:

- Property tax revenue increased by \$2.3 million or 1.91% over last year. The increase is attributable to a 1.60% increase in the grand list (\$63.1 million), and an increase in prior year's tax collections and interest on taxes.
- Operating Grants and Contributions decreased by \$9.0 million or 21.1% from \$42.7 million in fiscal year 2018 to \$33.7 million in fiscal year 2019. The major factor is the \$11.8 million decrease in the State of Connecticut's on behalf payments to the Connecticut State Teacher's Pension and OPEB Retirement System.
- Capital Grants and Contributions decreased by \$3.1 million or 48.8% from \$6.3 million in fiscal year 2018 to \$3.2 million in fiscal year 2019. Most of the decrease is due to the receipt of \$4.1 million of the Calendar House Grant in fiscal year 2018.

For governmental activities, 65.5% of the Town's expenses related to education. Public safety accounted for 19.7%, public works accounted for 6.1% and general government accounted for 3.0% of expenses. The remaining 5.7% related to health and welfare, human services, parks and recreation, public library, planning and development and interest on long-term debt.

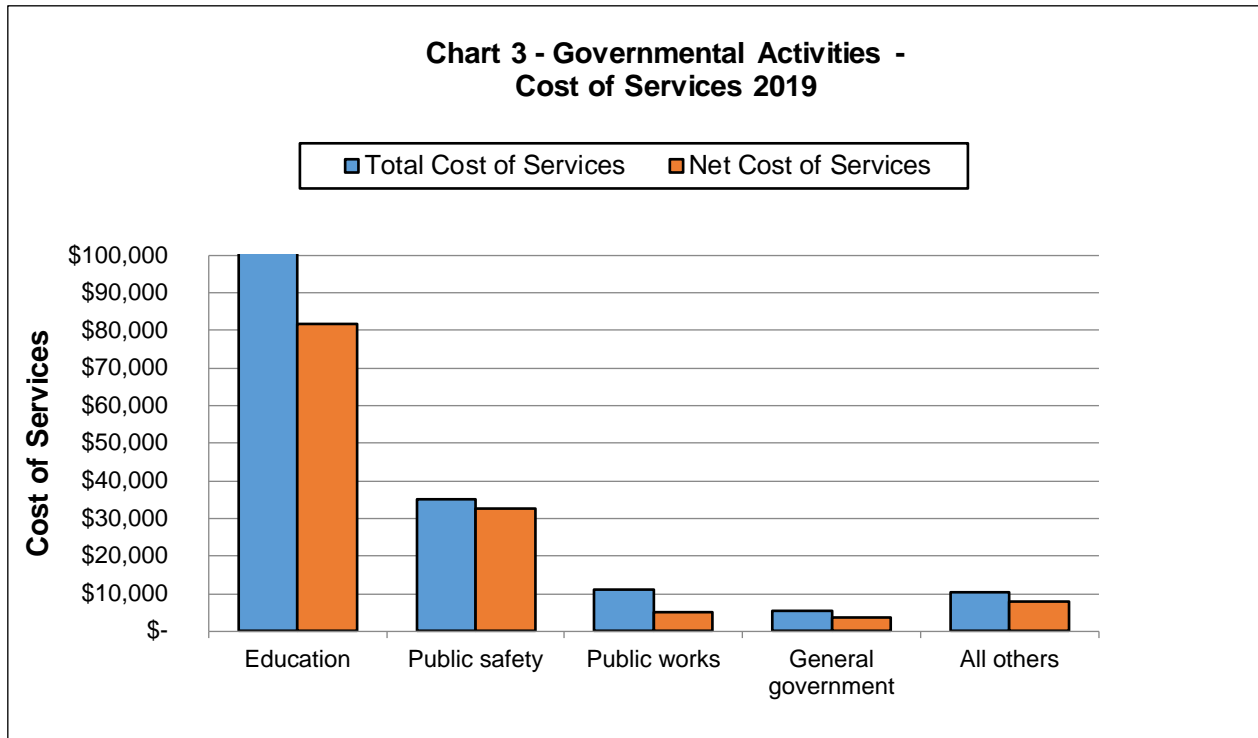


Major expense factors include:

- The cost of education services decreased by a net \$9.0 million or 7.1%. The \$11.8 decrease in the State of Connecticut's on behalf payments to the Connecticut State Teacher's Pension and OPEB Retirement System was partially offset by additional BOE costs of \$2.9 million. The State of Connecticut's on-behalf payments are reflected in the total cost of service, but also reduce the net cost of service.
- Public Safety costs increased \$11.6 million or 49.4% mostly due to increased Town's MERS Pension Liability.

Chart 3 presents the cost of each of the Town's largest programs – education, public safety, public works and general government – 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 the functions.

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Education	\$ 116,831	\$ 125,783	\$ (81,570)	\$ (76,509)
Public safety	35,113	23,502	(32,697)	(21,366)
Public works	10,912	11,659	(5,201)	(8,618)
General government	5,324	6,054	(3,731)	(4,251)
All others	10,218	12,242	(8,054)	(9,864)
Totals	\$ 178,398	\$ 179,240	\$ (131,253)	\$ (120,608)



Business-Type Activities

Business-type activities (see Table 2) increased the Town's net position by \$5.3 million primarily due to the \$5.7 million in capital assets paid for and transferred from the Governmental Activities in fiscal year 2019, which is reflected on Table 2 as a Capital transfer to the Business-Type Activities.

Financial Analysis of the Town's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on the near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the Town's financing requirements.

As of June 30, 2019, the Town's governmental funds reported combined ending fund balances of \$34.7 million, a decrease of \$1.3 million from last year's fund balance of \$36.0 million.

General Fund

The General Fund is the primary operating fund of the Town. As of June 30, 2019, unassigned fund balance increased by \$2.6 million to \$25.3 million in the General Fund, while total fund balance increased \$3.5 million to \$28.5 million.

Key factors that contributed to the financial outcome are as follows:

- Property tax revenues exceeded budget estimates by approximately \$1.3 million. The surplus is due to an increased collection rate, brought on by a Tax Sale and the successful efforts of the Town to collect on delinquent taxes.
- Several departments had aggregate cost savings creating \$3.4 million expenditure under budget. Of this amount, \$586 thousand was appropriated to a BOE Non-Lapsing account and \$662 thousand was assigned to fiscal year 2020 for purchases on order.

Capital Projects

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects. The major sources of revenues for this fund are capital grants and the proceeds from the issuance of general obligation bonds. As of June 30, 2019, the fund balance in the Capital Projects Fund decreased by \$4.0 million to a deficit of \$1.0 million. G O Bonds will be issued in the Spring of 2020 to eliminate the deficit.

During the fiscal year, \$11.2 million was expended for asset acquisition and improvements, mostly for the WPCF Improvements, South End Pump Station, Senior Center Facility, bridge and road improvements, and various other projects. The Town received intergovernmental grants of \$3.2 million, received capital lease proceeds of \$668 thousand, and transferred \$3.4 million in from the General Fund to fund these projects.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position of the Sewer Fund at year-end totaled \$61.7 million. Unrestricted net position was \$9.0 million, an increase of \$1.7 million. The Sewer Fund experienced a gain of \$5.3 million mostly due to the \$5.7 million of capital assets contributed from the Capital Fund.

Net position of the Health Insurance Fund was \$5.7 million. The Internal Service Fund's unrestricted net position increased by \$849 thousand, from \$4.9 million. The Town's medical claims and fees came in \$740 thousand lower than budgeted.

General Fund Budgetary Highlights

The Town's adopted General Fund budget for 2018 - 2019 was \$149.1 million (\$147.2 million for expenditures plus \$1.0 million for contingency due to state budget uncertainty, and \$900 thousand for other contingency appropriations). In addition to the \$1.1 million which was appropriated from the Contingency Account, the Town appropriated \$764 thousand to the expenditure budget with corresponding revenue budget increases, and \$1.1 million was appropriated fiscal year 2018 purchases on order, for a total amended budget of \$151.0 million.

The following lists the key changes to the budget during the year:

- \$1.1 million was appropriated for the amount of Fund Balance Assigned for Purchases on order at the end of fiscal year 2018.
- \$513 thousand was appropriated to the Board of Education Operations for preschool and special education outside tuitions and rent revenues received.
- \$147 thousand additional was appropriated to the Snow & Ice Department for overtime, and program supplies due to the frequent icing events this winter season.
- Savings from various departments, excess revenues, and the \$1 million contingency due to state uncertainty, were combined to cash fund \$1.8 thousand of future capital costs on the FY 2019-2020 CIP Plan:
- \$391 thousand to fund the Public Safety Radio System lease payment
- \$187 thousand for a Police Body Camera System.
- \$150 thousand for the Fire Department – Air Conditioning, Security and Communication Systems.
- \$241 thousand for Board of Education Phase III Building Project, SHS Boiler Replacement & Heating Project.
- \$250 thousand for Park Improvements/ Playscape.
- \$250 thousand for Repair/Replacement of Sidewalks.
- \$159 thousand for Road Widen, Resurface and Drainage.
- \$187 thousand to for Vehicle Replacements, Highway/Parks Equipment and Library Architectural Fees.

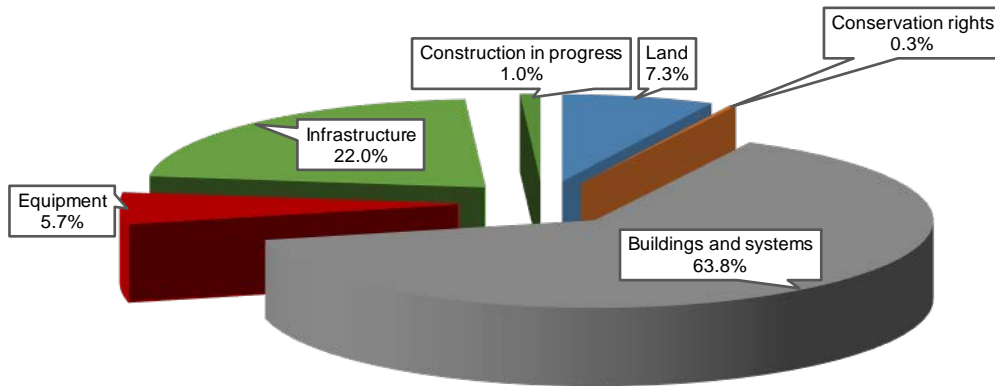
Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019 totaled to \$336.9 million, net of accumulated depreciation. This investment in capital assets includes land, conservation rights, buildings, vehicles and equipment, roads and sewer lines. This amount represents a net increase (including additions and deductions) of \$300 thousand or a 0.1% increase from last year.

Capital Assets at Year-End (Net of Depreciation) (In Millions)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 24.5	\$ 24.5	\$ -	\$ -	\$ 24.5	\$ 24.5
Conservation rights	1.0	1.0	-	-	1.0	1.0
Buildings and systems	163.0	160.3	51.9	47.9	214.9	208.2
Equipment	18.5	19.0	0.7	0.4	19.2	19.4
Infrastructure	74.0	72.8	-	-	74.0	72.8
Construction in progress	3.3	10.7	-	-	3.3	10.7
Totals	\$ 284.2	\$ 288.3	\$ 52.7	\$ 48.3	\$ 336.9	\$ 336.6

**Chart 4 - Capital Assets
June 30, 2019**



Major capital asset events during the current fiscal year included the following:

Governmental Activities:

- Infrastructure Improvements of West Center St Bridge, and various Road Rehabilitation & Reconstruction Projects of \$2.7 million.
- Completion of the Senior Center Facility Construction of \$430 thousand.
- Vehicle and Equipment Replacements of \$1.6 million including \$667 thousand of School System Wide Computers, a Dump Truck, a Calendar House Bus, and replacement of fifteen vehicles.

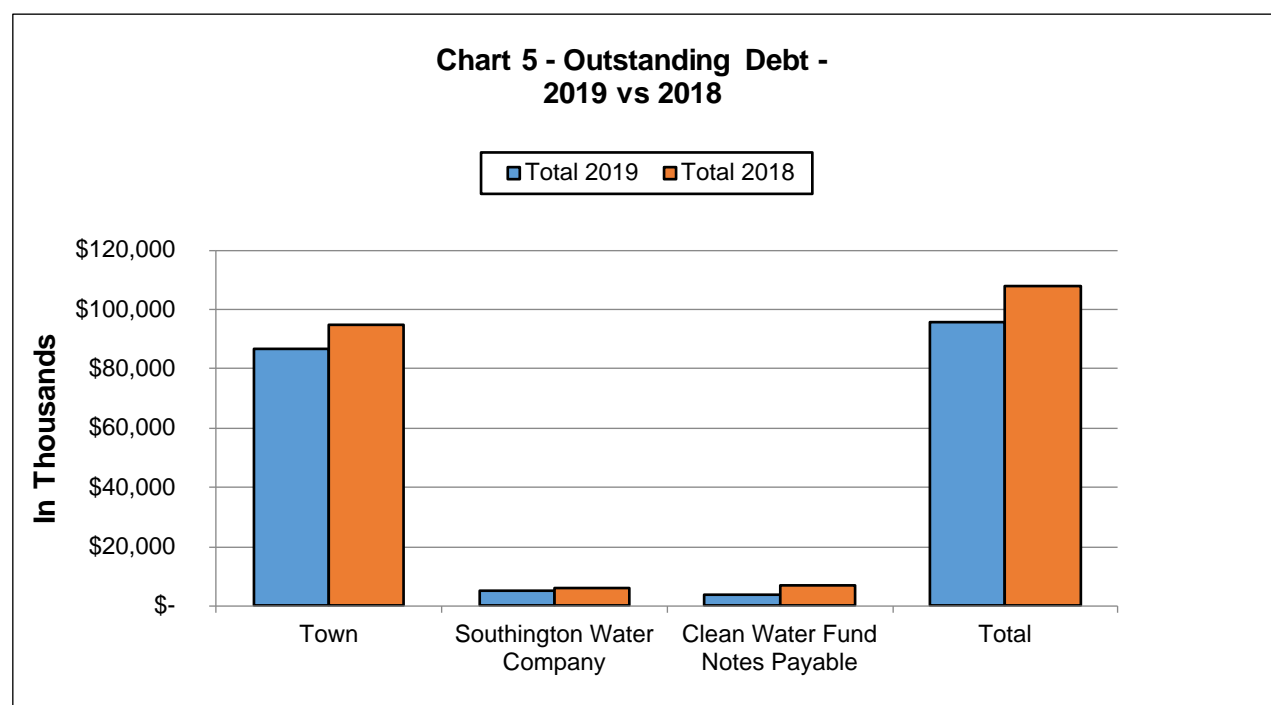
Business-Type Activities:

- Water Pollution Control Facility Improvements of \$5.2 million
- South End Pump Station Replacement of \$885 thousand.

The Town's fiscal year 2019 – 2020 Capital Budget includes \$34.5 million for the following capital projects: WPCF Improvements (\$195 million), Replacement of Two Bridges, New Fire Pumper Truck (20), a Highway/Parks Dump Truck, Park Improvements, Public Safety Radio System, Town wide IT infrastructure, Vehicle Replacements and Parking Lot, Road and Sidewalk Projects.

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

Long-Term Debt. At the end of the current fiscal year, the Town had total outstanding long-term debt of \$95.7 million, of which total Town bonded debt outstanding was \$86.6 million. All the bonded debt is backed by the full faith and credit of the Town government.



		Outstanding Debt, At Year-End (In Thousands)					
		Governmental Activities		Business-Type Activities		Total	
		2019	2018	2019	2018	2019	2018
General obligation bonds:							
Town		\$ 86,565	\$ 95,040	\$ -	\$ -	\$ 86,565	\$ 95,040
Southington Water Company		5,335	6,030	-	-	5,335	6,030
Clean Water Fund Notes Payable		3,754	6,822	-	-	3,754	6,822
Total		\$ 95,654	\$ 107,892	\$ -	\$ -	\$ 95,654	\$ 107,892

The Town of Southington's total debt outstanding decreased by \$12.2 million or 11.3% during the 2018-2019 fiscal years due to scheduled debt payments. On May 3, 2019, the Town issued \$6,825 of general obligation refunding bonds, of which, the proceeds were used to current refund the outstanding principal amounts of the general obligation bonds of the Town dated 2010 and 2011 (the "Refunded Bonds"). The Refunding netted the Town a cash savings of \$561 thousand over the life of the refunding bonds.

In April 2019, Standard and Poor's Rating Agency reaffirmed Southington's rating at AA+/Stable Outlook. Within the report, S&P referenced the Towns "Strong management with good financial policies and practices", "Strong budgetary flexibility", "Very strong economy" and "Very strong liquidity" among the factors influencing the Town's high credit rating. The "AA+" rating is only one notch away from the highest bond rating (AAA) awarded by S&P.

As a result of the Moody's rating recalibration to a "Global Scale" in May of 2010, the Town's underlying rating has been officially changed to Aa2 from A1. (The recalibration is not a change in credit rating, but rather a change from a municipal scale to a global scale).

The overall statutory limit for the Town is equal to 7 times annual receipts from taxation, or \$851.7 million. As of June 30, 2019, the Town recorded long-term debt of \$146.3 million, well below the statutory debt limits.

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

Other obligations include vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Town's unemployment rate at June 30, 2019 was 3.10%, a 0.80% decrease from the same time last year. The Town's unemployment rate compares favorably to the 3.7% for both the State of Connecticut and the National rate.

As previously stated, the General Fund total fund balance increased from \$24.9 million at June 30, 2018 to \$28.5 million at June 30, 2019. Of this \$28.5 million General Fund balance, \$26 thousand was nonspendable due to form (inventory accounts), \$1.2 million was assigned for purchases on order, and \$1.9 million was assigned for subsequent year's appropriations, leaving an unassigned fund balance of \$25.3 million in the General Fund at June 30, 2019. The Town feels that the \$25.3 million in the unassigned fund balance places the Town in a strong position to withstand unexpected events. All the Municipalities in the State, including the Town of Southington, are facing budgetary challenges due to the State's unknown municipal grant cutbacks and possible shift in Teachers Retirement System employer contributions.

Elected and appointed officials considered these factors, among others, when setting the fiscal year 2019 – 2020 General Fund budget and tax rates.

The Town adopted a General Fund budget of \$153.0 million for fiscal year 2019 – 2020 compared to the adopted budget of \$149.0 million for fiscal year 2018 - 2019. This budget is \$4.0 million or 2.64 % higher than the 2018 – 2019 budget. Of this amount, the Board of Education budget increased \$3.0 million or 3.13% over the 2018 - 2019 budget.

Costs of the Town's business-type activities, accounted for in the Sewer Operating Fund, are expected to remain at \$5.5 million for fiscal year 2019 – 2020. After the sewer rate changes of July 2014, the fund is generating sufficient revenue to cover the expenditures of the fund, so the sewer fixed rates remained unchanged.

The Town hired Tighe & Bond Inc. to put together a Facilities Plan to review the current systems in an effort to gain better efficiencies in the Sewer's Operations. This project includes upgrading the plant, as well as process improvements such as phosphorus removal and sludge digestion, upgrading the pump stations, as well as a sewer rate plan.

Town residents approved the \$57.1 million dollar Bond Ordinance for Water Pollution Control Facility Upgrade at referendum on November 2016. The project engineering has been completed and construction is well under way. Construction completion of this major upgrade is projected for the middle of 2021.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Emilia C. Portelinha, Finance Director, Town of Southington, P.O. Box 610, 75 Main Street, Southington, Connecticut 06489 or visit Southington's website at www.Southington.org.

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Basic Financial Statements

Statement of Net Position
June 30, 2019
(In Thousands)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 35,130	\$ 7,658	\$ 42,788
Investments	15,535	-	15,535
Receivables, net	18,385	2,491	20,876
Inventories and prepaids	63	-	63
Capital assets:			
Assets not being depreciated	28,780	39	28,819
Assets being depreciated, net	255,414	52,672	308,086
Total assets	353,307	62,860	416,167
Deferred outflows of resources:			
Deferred charge on refunding	1,204	-	1,204
Deferred outflows related to pension	33,870	843	34,713
Deferred outflows related to OPEB	1,917	-	1,917
Total deferred outflows of resources	36,991	843	37,834
Liabilities			
Accounts and other payables	9,408	567	9,975
Loan payable	6,010	-	6,010
Other current liabilities	235	99	334
Bond anticipation notes	3,975	-	3,975
Unearned revenue	1,296	-	1,296
Noncurrent liabilities:			
Due within one year	13,484	-	13,484
Due in more than one year	208,660	1,272	209,932
Total liabilities	243,068	1,938	245,006
Deferred inflows of resources:			
Advance tax collections	1	-	1
Deferred inflows related to pension	1,693	44	1,737
Deferred inflows related to OPEB	1,827	-	1,827
Total deferred inflows of resources	3,521	44	3,565
Net position:			
Net investment in capital assets	168,142	52,711	220,853
Restricted for:			
Scholarships	527	-	527
Trust purposes:			
Expendable	88	-	88
Nonexpendable	10	-	10
Unrestricted (deficit)	(25,058)	9,010	(16,048)
Total net position	\$ 143,709	\$ 61,721	\$ 205,430

See notes to financial statements.

Town of Southington, Connecticut

Exhibit II

Statement of Activities
For the Year Ended June 30, 2019
(In Thousands)

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	Business-type Activities	Total
Governmental activities:							
General government	\$ 5,324	\$ 1,579	\$ 14	\$ -	\$ (3,731)	\$ -	\$ (3,731)
Public safety	35,113	2,316	100	-	(32,697)	-	(32,697)
Public works	10,912	2,527	71	3,113	(5,201)	-	(5,201)
Health and welfare	782	-	494	-	(288)	-	(288)
Human services	1,738	138	215	-	(1,385)	-	(1,385)
Recreation	1,110	389	64	-	(657)	-	(657)
Public library	495	16	15	-	(464)	-	(464)
Planning and development	2,949	833	-	-	(2,116)	-	(2,116)
Education	116,831	2,474	32,690	97	(81,570)	-	(81,570)
Interest on long-term debt	3,144	-	-	-	(3,144)	-	(3,144)
Total governmental activities	178,398	10,272	33,663	3,210	(131,253)	-	(131,253)
Business-type activities:							
Sewer	6,187	5,706	-	-	-	(481)	(481)
Total	\$ 184,585	\$ 15,978	\$ 33,663	\$ 3,210	(131,253)	(481)	(131,734)
General revenues:							
Property taxes					123,664	-	123,664
Grants and contributions not restricted to specific programs					1,074	-	1,074
Unrestricted investment earnings					1,903	-	1,903
Total general revenues					126,641	-	126,641
Transfer					(5,738)	5,738	-
Change in net position					(10,350)	5,257	(5,093)
Net position at beginning of year, as restated (Note 14)					154,059	56,464	210,523
Net position at end of year					\$ 143,709	\$ 61,721	\$ 205,430

See notes to financial statements.

Balance Sheet - Governmental Funds
June 30, 2019
(In Thousands)

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 15,872	\$ 3,787	\$ 8,239	\$ 27,898
Investments	15,526	-	9	15,535
Receivables, net	2,213	8,222	1,963	12,398
Inventories and prepaids	27	-	36	63
Total assets	\$ 33,638	\$ 12,009	\$ 10,247	\$ 55,894
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)				
Liabilities:				
Accounts and other payables	\$ 3,382	\$ 2,361	\$ 896	\$ 6,639
Loan payable	-	6,010	-	6,010
Bond anticipation notes payable	-	3,975	-	3,975
Unearned revenue	-	658	638	1,296
Other liabilities	-	-	235	235
Total liabilities	3,382	13,004	1,769	18,155
Deferred inflows of resources:				
Advance property tax collections	1	-	-	1
Unavailable revenue - property taxes	1,797	-	-	1,797
Unavailable revenue - charges for services	-	-	73	73
Unavailable revenue - special assessments	-	-	1,134	1,134
Total deferred inflows of resources	1,798	-	1,207	3,005
Fund balances (deficits):				
Nonspendable	27	-	46	73
Restricted	-	-	659	659
Committed	-	-	6,566	6,566
Assigned	3,113	-	-	3,113
Unassigned (deficit)	25,318	(995)	-	24,323
Total fund balances (deficits)	28,458	(995)	7,271	34,734
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 33,638	\$ 12,009	\$ 10,247	\$ 55,894

See notes to financial statements.

Balance Sheet - Governmental Funds (Continued)
June 30, 2019
(In Thousands)

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different because of the following:		
Fund balances - total governmental funds	\$	34,734
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	\$	433,356
Less accumulated depreciation		(149,162)
Net capital assets		284,194
Other long-term assets and deferred outflows are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:		
Property tax receivables greater than 60 days		1,797
Interest receivable on property taxes		610
Assessments receivable greater than 60 days		1,134
Interest receivable on assessments		42
Other receivables greater than 60 days		73
Deferred amount in refunding		1,204
Long term receivable		5,335
Deferred outflows related to pension		33,870
Deferred outflows related to OPEB		1,917
Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position		
		5,711
Long-term liabilities and deferred inflows, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Deferred Inflows related to pension		(1,693)
Deferred inflows related to OPEB		(1,827)
Bonds and notes payable		(98,152)
MERS prior service costs		(11)
Premium on issuance		(3,754)
Interest payable on bonds and notes		(1,248)
Compensated absences		(6,993)
Capital lease		(11,375)
Total OPEB liability		(41,150)
Heart and hypertension		(8,772)
Landfill post closure		(262)
Net pension liability		(51,675)
Net position of governmental activities (Exhibit I)	\$	143,709

See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) - Governmental Funds
For the Year Ended June 30, 2019
(In Thousands)

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 123,664	\$ -	\$ -	\$ 123,664
Intergovernmental	28,297	3,210	6,198	37,705
Charges for services	3,681	-	6,514	10,195
Income on investments	1,803	-	34	1,837
Other revenues	157	-	184	341
Total revenues	157,602	3,210	12,930	173,742
Expenditures:				
Current:				
General government	4,123	-	23	4,146
Public safety	13,128	-	2,333	15,461
Public works	6,091	-	2,332	8,423
Health and welfare	686	-	8	694
Human services	950	-	305	1,255
Recreation	408	-	465	873
Public library	1,474	-	26	1,500
Planning and development	1,077	-	-	1,077
Employee fringe benefits	9,042	-	-	9,042
Education	102,563	-	7,241	109,804
Debt and sundry	10,914	78	1,290	12,282
Capital outlay	56	11,183	-	11,239
Total expenditures	150,512	11,261	14,023	175,796
Excess (deficiency) of revenues over expenditures	7,090	(8,051)	(1,093)	(2,054)
Other financing sources (uses):				
Capital lease proceeds	-	668	-	668
Payment to escrow	-	-	(7,203)	(7,203)
Issuance of refunding bonds	-	-	6,825	6,825
Premium on refunding bonds	-	-	473	473
Transfers in	24	3,403	207	3,634
Transfers out	(3,609)	-	(25)	(3,634)
Total other financing sources (uses)	(3,585)	4,071	277	763
Net change in fund balances	3,505	(3,980)	(816)	(1,291)
Fund balances at beginning of year	24,953	2,985	8,087	36,025
Fund balances (deficits) at end of year	\$ 28,458	\$ (995)	\$ 7,271	\$ 34,734

See notes to financial statements.

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019
(In Thousands)**

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)	\$ (1,291)
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	5,958
Depreciation expense	(10,042)
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.	
	(43)
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:	
Long term receivable receipts	(695)
Property tax receivable - accrual basis change	50
Property tax interest and lien revenue - accrual basis change	16
Sewer assessment receivable-accrual basis change	(85)
Sewer assessment interest and lien revenue - accrual basis change	(11)
Other revenue- accrual basis change	71
Changes in deferred outflows related to pension	25,235
Changes in deferred outflows related to OPEB	1,917
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 premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:	
Issuance of refunding bonds	(6,825)
Premiums on long term debt	(473)
Deferred charge on refunding	119
Issuance of capital leases	(493)
Bond principal payments	15,995
Note principal payments	570
Capital lease principal payments	643
Accrued interest	135
Amortization of prior service costs	3
Amortization of deferred charge on refunding	(319)
Amortization of bond premiums	538
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	612
Net pension liability	(38,192)
Total OPEB liability	(2,675)
Heart and hypertension	(95)
Landfill post closure care and settlement	(262)
Changes in deferred inflows related to pension	(1,508)
Changes to deferred inflows related to OPEB	(52)
Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.	
	849
Change in net position of governmental activities (Exhibit II)	\$ (10,350)

See notes to financial statements.

Statement of Net Position - Proprietary Funds
June 30, 2019
(In Thousands)

	Business-Type Activities Sewer Enterprise Fund	Governmental Activities Internal Service Fund
Assets		
Current:		
Cash and cash equivalents	\$ 7,658	\$ 7,232
Accounts and other receivables	2,491	-
Total current assets	10,149	7,232
Capital assets, net	52,711	-
Total assets	62,860	7,232
Deferred outflows of resources:		
Deferred outflows related to pensions	843	-
Liabilities		
Current:		
Accounts and other payables	567	1,521
Other accrued liabilities	99	-
Current liabilities	666	1,521
Noncurrent liabilities:		
Net pension liability	1,272	-
Total liabilities	1,938	1,521
Deferred inflows of resources:		
Deferred inflows related to pension	44	-
Net position:		
Investment in capital assets	52,711	-
Unrestricted	9,010	5,711
Total net position	\$ 61,721	\$ 5,711

See notes to financial statements.

Statement of Revenues, Expenditures and Changes in Net Position - Proprietary Fund
For the Year Ended June 30, 2019
(In Thousands)

	Business-Type Activities Sewer Enterprise Fund	Governmental Activities Internal Service Fund
Operating revenues:		
Fund premiums	\$ -	\$ 23,200
Charges for services	5,706	-
Total operating revenues	5,706	23,200
Operating expenses:		
Plant	3,740	-
Benefits	342	21,510
Depreciation	1,832	-
Administration and other	273	842
Total operating expenses	6,187	22,351
(Loss) income before capital grants and contributions	(481)	849
Capital contributions	5,738	-
Change in net position	5,257	849
Net position at beginning of year, as restated (Note 14)	56,464	4,862
Net position at end of year	<u>\$ 61,721</u>	<u>\$ 5,711</u>

See notes to financial statements.

Statement of Cash Flows - Proprietary Fund
For the Year Ended June 30, 2019
(In Thousands)

	Business-Type Activities Sewer Enterprise Fund	Governmental Activities Internal Service Fund
Cash flows from operating activities:		
Cash received from customers and granting agencies	\$ 5,600	\$ -
Cash received for premiums - Town departments and agencies	-	23,205
Cash payments to suppliers for goods and services	(3,942)	-
Cash payments to providers of benefits	(236)	(21,584)
Cash payments for service fees	-	(842)
Net cash provided by operating activities	1,422	779
Cash flows from capital financing activities:		
Acquisition of capital assets	(490)	-
Net cash used in capital financing activities	(490)	-
Net increase cash and cash equivalents	932	779
Cash and cash equivalents at beginning of year	6,726	6,453
Cash and cash equivalents at end of year	<u>\$ 7,658</u>	<u>\$ 7,232</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (481)	\$ 849
Depreciation	1,832	-
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
(Increase) decrease in accounts receivable	(106)	5
Increase (decrease) in accounts payable and accrued liabilities	151	(75)
Change in net pension liability and related deferrals	26	-
Net cash provided by operating activities	\$ 1,422	\$ 779
Noncash capital financing activities:		
Capital assets transferred from governmental funds	<u>\$ 5,738</u>	<u>\$ -</u>

See notes to financial statements.

Statement of Fiduciary Net Position - Fiduciary Funds
June 30, 2019
(In Thousands)

	Agency Funds
Assets	
Cash and cash equivalents	\$ 2,107
Investments	<u>127</u>
Total assets	<u><u>\$ 2,234</u></u>
Liabilities	
Fiduciary deposits	<u><u>\$ 2,234</u></u>

See notes to financial statements.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Southington, Connecticut (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.

Reporting entity: Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable and other organizations that by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded.

Accounting standards adopted in the current year:

GASB Statement No. 83, *Certain Asset Retirement Obligations*, was effective for the Town beginning with its year ending June 30, 2019. The objective of this Statement is to set guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The adoption of this statement did not impact the Town financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was effective for the Town beginning with its year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The adoption of GASB Statement No. 88 did not impact the Town financial position or results of operations

Related organizations: The Town of Southington Water Company (the Water Company) operates the only water system in the Town. The operations of the Water Company benefit primarily Town residents. The Water Company is an agency that is independent from the Town in all administrative, operational and financial matters. The Board of Water Commissioners is elected by the voters of the Town independently from the Town Council and they do not report nor answer to the Town Council. The Water Company may independently issue its own debt. In prior years, the Town included the Water Company in their general obligation debt only for the purposes of obtaining a lower interest rate for the Water Company. In 2001, legal counsel determined that the Water Company is legally capable of issuing its own debt and it is the Town's option to include them in their debt issuance at their discretion.

The Southington Housing Authority, Inc., a body corporate and politic, provides services primarily to Town residents. Although the Town appoints the governing body, the Town does not have the ability to significantly influence the programs, projects, activities or level of services performed or provided by the Housing Authority. The Southington Housing Authority, Inc. is not fiscally dependent on the Town.

Government-wide and fund financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Measurement focus, basis of accounting and financial statement presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. 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. Intergovernmental revenues are considered to be available if they are collected within 18 months of the end of the fiscal period. All other revenue items are considered to be measurable and available only when cash is received. 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, pension obligations, other post-employment benefits, landfill post-closure monitoring, and claims and judgments, are recorded only when payment is due.

Property taxes when levied for, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

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 **Capital Projects Fund** accounts for the financial resources to be used for the acquisition or construction of major capital facilities.

The Town reports the following as a major proprietary fund:

The **Sewer Fund** accounts for the activities of the government's sewer operations.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 1. Summary of Significant Accounting Policies (Continued)

Additionally, the Town reports the following fund types:

The **Internal Service Fund** accounts for health benefits program for Town employees.

The **Agency Funds** include the student activities, the escrow deposits and C-Pace program. They are custodial in nature and do not involve measurement of results of operation.

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's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

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.

Investments for the Town are reported at fair value.

Fair value: The Town uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 1. Summary of Significant Accounting Policies (Continued)

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

The Town's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

The three categories within the hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, credit spreads, and market-corroborated inputs.

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgement.

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.

The Town's property tax is levied each July 1 on the assessed value as of the prior October 1 for all real property, motor vehicles and commercial personal property located in the Town. Assessed values are established by the Town Assessment Board at 70% of estimated market value. A revaluation of all real property is required to be completed no less than every ten years. The Town performed a revaluation with full inspections as of October 1, 2015. The Town's next statistical revaluation will be on October 1, 2020. The assessed value for the Grand List of October 1, 2017, upon which the fiscal 2019 levy was based, was \$4.0 billion. A 30.48 mill rate was applied to the Grand List.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 1. Summary of Significant Accounting Policies (Continued)

Taxes are due in two equal installments on the July 1 and January 1 following the levy date, although a 30-day grace period is provided. Current tax collections for the years ended June 30, 2019 and 2018 were 99.01% and 99.03%, respectively, of the adjusted tax levy. Uncollected property taxes are recorded as receivables, net of an allowance for estimated uncollectible accounts. Unpaid taxes are lienied on or before June 30 following the due date.

Inventories and prepaid items: All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets: Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Assets	Years
Buildings	50
Building improvements	25
Public domain infrastructure	35-70
System infrastructure	15
Vehicles	7
Office equipment	7
Computer equipment	7

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 for advance property tax collections in the government-wide statement of net position. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner. For governmental funds, the advance property tax collections which represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated. For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

Compensated absences: A limited amount of vacation earned may be accumulated by certain employees until termination of their employment, at which time they are paid for accumulated vacation. Sick leave may be accumulated by Fire Department and AFSCME employees in accordance with union contracts until retirement, termination or death, at which time they are paid for a percentage of their accumulated sick leave.

The Town's accounting and financial reporting policy for compensated absences is based on GASB Statement No. 16. Compensated absences are accrued at current salary rates and paid by the General Fund.

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

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 1. Summary of Significant Accounting Policies (Continued)

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. The Town has not set aside any resources to pay OPEB liabilities.

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

In the 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.

Fund equity and net position: In the government-wide financial statements and in proprietary fund types, net position is classified in the following categories:

Net investment in capital assets: This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduces this category.

Restricted net position: This category represents the net position of the Town which is restricted by externally imposed constraints placed on net position by granters, contributors or laws and regulations of other governments.

Unrestricted net position: This category represents the net position of the Town which is not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The five categories, and their general meanings, are as follows:

Nonspendable fund balance: This represents amounts that cannot be spent due to form (e.g., inventories, prepaid amounts and endowments).

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

Committed fund balance: This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town Council). A resolution approved by the Board of Finance is required to modify or rescind a fund balance commitment.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 1. Summary of Significant Accounting Policies (Continued)

Assigned fund balance: This represents 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. The Finance Director is authorized to assign fund balances through the carry forward of appropriations to a subsequent year pending approval from the Board of Finance.

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.

The Town has adopted a written fund balance policy which states that the Town shall strive to maintain during the year and specifically at fiscal year-end a level of general fund unassigned fund balance, also known as accumulated surplus or the rainy day fund at 10% of actual year end general fund revenues. The 10% shall be known as the Town's "floor".

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

Note 2. Stewardship, Compliance and Accountability

Budgetary information: Chapter VII of the Town Charter governs the financial provisions of the Town. The Town Manager presents the budget to the Board of Finance. After required hearings, the Board of Finance recommends its budget to the Town Council. At the annual budget meeting held in May, the Council may adopt the recommended budget or may reduce or increase the proposed estimated expenditures, by the required number of votes. After completing such action, the Town Council shall adopt the budget by resolution and notify the Board of Finance, the Board of Education and the Town Manager.

The Board of Finance shall, upon adoption of the budget by the Town Council, fix a rate of taxation on the last Grand List, sufficient to produce the required revenue to preserve a balanced relation between estimated receipts and expenditures, net of provision for other estimated revenue and cash surplus or deficit.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 2. Stewardship, Compliance and Accountability (Continued)

Additional appropriations and transfers: The control level on which expenditures may not legally exceed appropriations is the object level. Each department must seek approval from the Board of Finance and/or the Town Council for any appropriations or transfers. The Town Council, on the recommendation of the Board of Finance, may appropriate at any time, subject to the other provisions of Chapter VII, any unappropriated and unencumbered cash balance in the Town treasury. The Board of Finance may at any time transfer any unencumbered appropriation balance, or portion thereof, between general classifications of expenditures within an office, department or agency, not to exceed \$500 (amount not rounded). Transfers in excess of \$500 (amount not rounded) within departments, and all transfers between departments must be approved by the Town Council. Through a charter revision question passed on November 5, 2013, the Town Manager has authorization to transfer within a department, not to exceed \$1,000. During the last three months of the fiscal year, the Town Council may, upon the recommendation of the Board of Finance, by resolution transfer any unencumbered appropriation balance, or portion thereof, from one office, department or agency to another to meet a pressing need for public expenditure. No money shall be expended, or obligation for such expenditure incurred, by any department, office, board, commission or agency of the Town, except in accordance with an appropriation by the Town Council.

The budget is prepared on a modified accrual basis of accounting except for the accrual of payroll. In addition, the Town BOE professional staff benefit from on-behalf payments for pension and health benefits which are not budgeted for. All appropriations lapse at the end of the budget year to the extent that they have not been expended or lawfully encumbered. Encumbrances outstanding at the end of the year are reappropriated as continued appropriations. Encumbrances are established by adoption of the Town Council (continuing appropriations). Authorized continuing appropriations are presented as assignments of fund balance since the commitments will be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities for accounting principles generally accepted in the United States of America or budgetary purposes. Only the General Fund has a legally adopted annual budget.

Budgeted amounts are as originally adopted or as amended by the Town Council. During the year, \$1,901 of supplemental budgetary appropriations from the General Fund were made, \$764 from revised revenue estimates, and \$1,137 from continued appropriations from the prior year.

Note 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 do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 3. Cash, Cash Equivalents and Investments (Continued)

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$40,491 of the Town's bank balance of \$41,371 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 36,442
Uninsured and collateral held by the pledging trust department, not in the Town's name	4,049
Total amount subject to custodial credit risk	<u>\$ 40,491</u>

Cash equivalents: At June 30, 2019, the Town's cash equivalents amounted to \$5,164. The following table provides a summary of the Town's cash equivalents excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

	Standard & Poor's
National Financial Services*	
State Short-Term Investment Fund (STIF)	AAAm

* Not rated

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 3. Cash, Cash Equivalents and Investments (Continued)

Investments: As of June 30, 2019, the Town had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)				
			Less Than 1	1 - 5	5-10	More Than 10	
Interest-bearing investments:							
Certificates of deposit	*	\$ 14,801	\$ -	\$ 14,801	\$ -	\$ -	
U.S. Government backed securities	Aaa	725	-	725	-	-	
Total		15,526	\$ -	\$ 15,526	\$ -	\$ -	
Other investments:							
Common stock	N/A	9					
Total investments		\$ 15,535					

* Subject to coverage by Federal Depository Insurance and collateralization.

Interest rate risk: The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk – investments: As indicated above, State Statutes limit the investment options of cities and towns. The Town has no investment policy that would further limit its investment choices.

Concentration of credit risk: The Town's investment policy does not allow for an investment in any one issuer that is in excess of 5% of the Town's total investments.

Custodial credit risk: Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2019, the Town had \$9 of uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 3. Cash, Cash Equivalents and Investments (Continued)

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2019:

	June 30, 2019	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:				
U.S. Government agencies	\$ 725	\$ 725	\$ -	\$ -
Common stock	9	9	-	-
Total investments by fair value level	<u>\$ 734</u>	<u>\$ 734</u>	<u>\$ -</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Note 4. Receivables

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

	General	Capital Projects	Sewer Enterprise	Nonmajor and Other Funds	Total
Receivables:					
Taxes **	\$ 2,144	\$ -	\$ -	\$ -	\$ 2,144
Accounts *	41	-	2,491	681	3,213
Special assessments	-	-	-	1,135	1,135
Intergovernmental	162	8,222	-	147	8,531
Interest **	-	-	-	-	-
Gross receivables	<u>2,347</u>	<u>8,222</u>	<u>2,491</u>	<u>1,963</u>	<u>15,023</u>
Less allowance for uncollectibles	<u>134</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134</u>
Net total receivables	<u>\$ 2,213</u>	<u>\$ 8,222</u>	<u>\$ 2,491</u>	<u>\$ 1,963</u>	<u>\$ 14,889</u>

* Does not include amount due from Southington Water Company for bonds of \$5,335

** Does not include accrued interest on proper taxes and assessments receivable of \$610 and \$42, respectively.

Town of Southington, Connecticut

Notes to Financial Statements
(In Thousands)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 24,539	\$ -	\$ -	\$ 24,539
Conservation restrictions and development rights	975	-	-	975
Construction in progress	10,734	6,842	(14,310)	3,266
Total capital assets not being depreciated	36,248	6,842	(14,310)	28,780
Capital assets being depreciated:				
Buildings	240,442	8,619	-	249,061
Machinery and equipment	37,596	1,639	(1,802)	37,433
Infrastructure	114,913	3,168	-	118,081
Total capital assets being depreciated	392,951	13,426	(1,802)	404,576
Less accumulated depreciation for:				
Buildings	80,154	5,948	-	86,102
Machinery and equipment	18,635	2,106	(1,758)	18,983
Infrastructure	42,089	1,988	-	44,077
Total accumulated depreciation	140,878	10,042	(1,758)	149,162
Total capital assets being depreciated, net	252,073	3,384	(43)	255,414
Governmental activities capital assets, net	\$ 288,321	\$ 10,226	\$ (14,353)	\$ 284,194
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 39	\$ -	\$ -	\$ 39
Capital assets being depreciated:				
Buildings and system	85,699	5,738	-	91,437
Machinery and equipment	1,946	490	(62)	2,374
Total capital assets being depreciated	87,645	6,228	(62)	93,811
Less accumulated depreciation for:				
Buildings and system	37,800	1,697	-	39,497
Machinery and equipment	1,569	134	(62)	1,641
Total accumulated depreciation	39,369	1,832	(62)	41,139
Total capital assets being depreciated, net	48,276	4,396	-	52,672
Business-type activities capital assets, net	\$ 48,315	\$ 4,396	\$ -	\$ 52,711

Capital assets of \$5,738 were transferred from the governmental activities to the business-type activities during the fiscal year.

Town of Southington, Connecticut

Notes to Financial Statements
(In Thousands)

Note 5. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 447
Public safety	886
Public works	2,165
Human services	209
Planning and development	18
Parks and recreation	194
Library	26
Education	6,097
Total depreciation expense - governmental activities	<u>\$ 10,042</u>

The Town has active construction projects as of June 30, 2019. The projects include roads, bridges, water and sewer lines, and school building improvements. At year-end, the Town's commitments with contractors are as follows:

	Spent-to-Date	Remaining Commitment
Rails to Trails Phase IV	\$ 274	\$ 5
WPCF Improvements	5,150	37,963
South End Pump Station Upgrade	451	53
Marion Ave Bridge Replacement	23	21
SHS Roof Replacement	11	3
West St & Jude Intersection	19	545
Farmington Heritage Canal	68	583
Spring St Bridge	93	231
Total	<u>\$ 6,089</u>	<u>\$ 39,404</u>

The commitments are being financed primarily funded by Town general obligation bonds.

Note 6. Transfers

The transfers that occurred during the year are as follows:

	Transfers in			
	General Fund	Capital Projects Fund	Non-major Governmental	Total Transfers Out
Transfers out:				
General fund	\$ -	\$ 3,403	\$ 206	\$ 3,609
Non-major governmental	24		1	25
Total transfers in	<u>\$ 24</u>	<u>\$ 3,403</u>	<u>\$ 207</u>	<u>\$ 3,634</u>

The interfund transfers were used to fund various capital improvement projects.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 7. Long-Term Debt

Changes in long-term liabilities: Long-term liability activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds:					
Town	\$ 95,040	\$ 6,220	\$ 14,695	\$ 86,565	\$ 8,795
Southington Water Company	6,030	605	1,300	5,335	630
Premium on bonds	3,819	473	538	3,754	-
State of Connecticut - serial note	6,822	-	570	6,252	568
Total bonds and notes payable	111,711	7,298	17,103	101,906	9,993
Compensated absences	7,605	1,186	1,798	6,993	1,751
Capital leases	11,525	493	643	11,375	1,149
Total OPEB liability	38,475	4,097	1,422	41,150	-
Net pension liability	13,483	38,192	-	51,675	-
Prior service costs	14	-	3	11	-
Heart and hypertension	8,677	627	532	8,772	582
Landfill closure and post closure	-	262	-	262	9
Total governmental activities:	79,779	44,857	4,398	120,238	3,491
Long-term liabilities	\$ 191,490	\$ 52,155	\$ 21,501	\$ 222,144	\$ 13,484
Business-type activities:					
Net pension liability	\$ 587	\$ 685	\$ -	\$ 1,272	\$ -

In prior years, the General Fund has typically been used to liquidate the net pension liability and the total OPEB liability.

2019 General Obligation Refunding Bond- In-Substance Defeasance: On May 3, 2019, the Town issued \$6,825 of general obligation refunding bonds with an average interest rate of 3.58%, of which the proceeds were used to current refund the outstanding principal amounts of the general obligation bonds of the Town dated 2010 and 2011 (the Refunded Bonds). Net proceeds of \$7,203 (after payment of expenses of \$95), was placed in an irrevocable trust under an Escrow Agreement dated May 3, 2019 between the Town and the Escrow Holder. The Escrow Holder used the proceeds to purchase a portfolio of primarily non-callable direct obligations of the United States of America (Government Obligations). The Government Obligations will have maturities and interest rates sufficient to pay principal and interest payments and redemption prices of the Refunded Bonds on the date the payments are due.

The Town current refunded the above bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$508, and a cash savings of \$561 between the old debt payments and the new debt payments.

At June 30, 2019, there was \$5,296 in escrow. The balance of the defeased bonds was approximately \$5,200 at June 30, 2019. As a result, the refunded bonds are considered defeased and the liability has been removed from the basic financial statements.

Town of Southington, Connecticut

**Notes to Financial Statements
(In Thousands)**

Note 7. Long-Term Debt (Continued)

Bonds payable at June 30, 2019 are comprised of the following issues:

	Date of Issue	Original Issue	Interest Rate (%)	Date of Maturity	Principal Outstanding June 30, 2019
General purpose bonds:					
General purpose	2011	1,713	2.50-4.25	08/01/30	\$ 215
Refunding (general purpose)	2011	6,042	2.00-5.00	02/01/24	2,373
Refunding (general purpose)	2012	3,106	2.00-4.00	11/01/25	1,522
General purpose	2014	7,705	3.00-4.00	01/15/34	4,950
General purpose	2015	6,720	2.00-4.00	01/15/35	5,250
Refunding (general purpose)	2015	2,408	1.00-5.00	09/01/28	1,594
General purpose	2016	5,200	2.00-4.00	01/15/36	4,455
General purpose	2018	8,515	2.25-5.00	04/15/38	8,515
Refunding (general purpose)	2019	348	2.25-5.00	08/01/30	348
					<u>29,222</u>
School bonds:					
Schools	2011	6,902	2.50-4.25	08/01/30	500
Refunding (Schools)	2011	745	2.00-5.00	02/01/24	294
Refunding (Schools)	2012	1,958	2.00-4.00	11/01/25	1,115
Schools	2014	15,000	3.00-4.00	01/15/34	11,840
Schools	2015	15,000	2.00-4.00	01/15/35	12,630
Refunding (Schools)	2015	8,036	1.00-5.00	09/01/28	6,493
Schools	2016	12,000	2.00-4.00	01/15/36	10,740
Schools	2018	300	2.25-5.00	04/15/24	300
Refunding (Schools)	2019	4,414	2.25-5.00	08/01/30	4,414
					<u>48,326</u>
Sewer bonds:					
Sewers	2011	3,330	2.50-4.25	08/01/30	200
Refunding (Sewers)	2011	1,958	2.00-5.00	02/01/24	773
Refunding (Sewers)	2012	1,851	2.00-4.00	11/01/25	993
Sewers	2015	5,200	2.00-4.00	01/15/35	4,375
Refunding (Sewers)	2015	1,841	1.00-5.00	09/01/28	1,218
Refunding (Sewers)	2019	1,458	2.25-5.00	08/01/30	1,458
State of Connecticut serial notes payable:					
Clear Water Fund Loan 590-C	2011	11,068	2.00	06/30/30	6,252
					<u>15,269</u>
Water bonds:					
Water	2011	3,410	2.50-4.25	08/01/21	335
Water	2014	5,870	3.00-4.00	01/15/31	4,395
Refunding (Water)	2019	605	2.25-5.00	08/01/30	605
					<u>5,335</u>
					<u>\$ 98,152</u>

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 7. Long-Term Debt (Continued)

The annual requirements to amortize bond and notes principal and interest are as follows:

Due during fiscal years ending June 30:	Principal	Interest
2020	\$ 9,993	\$ 3,168
2021	9,134	2,844
2022	8,124	2,478
2023	7,623	2,140
2024	7,738	1,831
2025-2029	31,567	6,209
2030-2034	19,693	2,486
2035-2039	4,280	224
	<u>\$ 98,152</u>	<u>\$ 21,380</u>

All bonds are general obligation bonds secured by the general revenue raising powers of the Town. Payment will be provided by General Fund revenues for general purpose bonds and user fees charged by the Southington Water Company, an independent entity, for water bonds. The Town issued debt on behalf of the Southington Water Company. At June 30, 2019, \$5,335 is recorded as amounts to be provided by other entities in the government-wide financial statements. The Town does not have any overlapping debt.

The Town is subject to the General Statutes of the State of Connecticut, which limit the amount of debt outstanding at June 30, 2019. In no case shall total indebtedness exceed seven times annual receipts from taxation. The maximum debt amount permitted under this formula would be approximately \$851.7 million. Bonds authorized but unissued as of June 30, 2019 are \$53,500, which are net of all expected grant revenue.

Compensated absences: Employees can accumulate additional amounts of unused vacation and sick leave time (as determined by individual union contracts) until termination of their employment. At termination, pay-out provisions as determined by individual union contract provides for payments to vested employees.

The following is a summary of management's estimate of the vested liability for lump-sum payments to employees as of June 30, 2019:

Town	\$ 1,186
Board of Education	5,807
	<u>\$ 6,993</u>

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 7. Long-Term Debt (Continued)

Capital leases: The Board of Education has entered into a several lease agreements as lessee for financing the acquisition of computer equipment and the Town has entered into an equipment lease purchase agreement for energy improvements made to Town and Board of Education buildings. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The net undepreciated value of assets purchased by capital lease approximates the principal balance payable of \$11,375 at June 30, 2019. The following is a summary of capital lease commitments as of June 30, 2019:

Years ending June 30:	
2020	\$ 1,448
2021	1,188
2022	1,037
2023	1,074
2024	1,098
Thereafter	<u>7,316</u>
	13,161
Less interest	<u>1,786</u>
Principal balance	<u><u>\$ 11,375</u></u>

Bond anticipation notes: The Town uses bond anticipation notes during the construction period of various public projects prior to the issuance of bonds at the completion of the project. The Town has issued the following bond anticipation notes during the year ended June 30, 2019:

Outstanding, July 1, 2018	\$ 16,000
Repayments	(16,000)
Net borrowings	<u>3,975</u>
Outstanding June 30, 2019	<u><u>\$ 3,975</u></u>

The bond anticipation notes outstanding on June 30, 2019 mature on April 28, 2020 and bear interest at 2.75%.

Note 8. 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; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks did not exceed commercial insurance coverage during the years ended June 30, 2019, 2018 or 2017. Town insurance can be described as follows:

Employee health insurance: The Medical Claims Fund (the Fund), which has been recorded as an Internal Service Fund, was established to account for the medical claims activity of the Town's employees as well as the related funding. Anthem Blue Cross/Blue Shield of Connecticut administers the plan for which the Fund pays a fee.

The Fund establishes claims liabilities based on estimates of claims that have been incurred but not reported; accordingly, the Fund recorded an additional liability at June 30, 2019 of \$1,513.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 8. Risk Management (Continued)

Premium payments are reported as quasi-external interfund transactions for Town entities, and accordingly, they are treated as operating revenues of the Self-Insurance Fund and operating expenditures of the participating funds.

A schedule of changes in the claims liability for the years ended June 30, 2019 and 2018 is presented below:

Fiscal Year	Accrued Liability Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Accrued Liability Claim Payments	Accrued Liability End of Fiscal Year
2018-2019	\$ 1,596	\$ 21,519	\$ 21,602	\$ 1,513
2017-2018	1,605	21,206	21,215	1,596

Interlocal risk pool: The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies that was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7479a et. seq. of the Connecticut General Statutes.

The Town participates in CIRMA's Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. CIRMA currently has 220 members in the Workers' Compensation Pool. The coverage is subject to an incurred loss retrospective rating plan and losses incurred in coverage period 2018-19 will be evaluated at 18, 30 and 42 months after the effective date of coverage. The deposit contribution (premium) paid during fiscal year ended June 30, 2019 for the Town and Board of Education was \$1,390. The contribution (premium) is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains up to \$1 million per occurrence. Claims over \$1 million are reinsured.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 9. Fund Equity

The components of fund balance at June 30, 2019 are as follows:

	General Fund	Capital Projects	Non-major Governmental Funds	Total
Fund balances (deficits):				
Nonspendable:				
Inventory	\$ 26	\$ -	\$ 36	\$ 62
Prepays	1	-	-	1
Trust	-	-	10	10
Restricted for:				
Grants	-	-	44	44
Trust	-	-	88	88
Scholarships	-	-	527	527
Committed to:				
Debt service	-	-	2,758	2,758
Cafeteria operations	-	-	702	702
Animal control	-	-	30	30
Police services	-	-	988	988
Town services	-	-	561	561
Apple Harvest Festival	-	-	171	171
Community services	-	-	245	245
Drive in Theater	-	-	53	53
Brownfield Project	-	-	110	110
Turf field	-	-	196	196
Museum restoration	-	-	101	101
Recreation	-	-	204	204
Sewer assessments	-	-	434	434
Barnes Museum	-	-	13	13
Assigned to: Purchases on order:				
General Government	145	-	-	145
Public Safety	3	-	-	3
Public Works	8	-	-	8
Library	8	-	-	8
Planning and Development	85	-	-	85
Education	970	-	-	970
Miscellaneous	29	-	-	29
Subsequent year's appropriations	1,865	-	-	1,865
Unassigned	25,318	(995)	-	24,323
Total fund balances (deficits)	\$ 28,458	\$ (995)	\$ 7,271	\$ 34,734

Subsequent year's appropriations are being reported as assigned fund balance in the general fund at \$1,865 and encumbrances for general government, public safety, public works, planning and development, education and debt service are being reported as assigned fund balance in the general fund at \$1,248.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 10. Other Post-Employment Benefits

Town plan:

Overview: The Town and Board of Education do not offer retirees any post-employment benefits. They do, however, allow retirees to remain on the Health Self-Insurance plan as long as they pay the full COBRA rates. The only exception to the no post-employment benefits would be for those employees who have retired under Heart and Hypertension and have negotiated these benefits. There are no stand-alone financial statements available for the plan.

Employees covered by benefit terms: Membership in the plan consisted of the following at July 1, 2017, the date of the last actuarial valuation.

Inactive employees currently receiving benefit payments	136
Active employees	1,174
	<u>1,310</u>

Total OPEB liability: The Town's total OPEB liability of \$41,150 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017.

Actuarial assumptions and other inputs: The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.75%
Salary increases	2.75%, average, including inflation
Discount rate	3.51%
Healthcare cost trend rates	7.5 % for 2017, decreasing 0.5% per year to an ultimate rate of 4.75% for 2023 and later years
Retirees' share of benefit related costs	100% of projected health insurance premiums for retirees

The discount rate was based on the published Bond Buyer GO 20-Bond Municipal Index.

Mortality rates were based on RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.

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 assumptions and other inputs reflect a change in the interest rate from 4.00% to 3.58%, salary increases projected at 2.75% versus 3.00%, inflation rate changes from 3.00% to 2.75%, as well as updated mortality tables.

Town of Southington, Connecticut

Notes to Financial Statements
(In Thousands)

Note 10. Other Post-Employment Benefits (Continued)

Changes in the total OPEB liability:

Balance, of July 1, 2018	\$ 38,475
Changes for the year:	
Service cost	538
Interest on total OPEB liability	1,486
Difference between expected and actual experience	(210)
Changes in assumptions or other inputs	2,072
Benefit payments	(1,211)
Net changes	2,675
Balance, June 30, 2019	\$ 41,150

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 or 1 percentage-point higher than the current discount rate:

	1% Decrease 2.51%	Current Discount Rate 3.51%	1% Increase 4.51%
Total OPEB Liability	\$ 47,902	\$ 41,150	\$ 35,780

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 or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease (6.5% Decreasing to 3.75%)	Healthcare Cost Trend Rates (7.5% Decreasing to 4.75%)	1% Increase (8.5% Decreasing to 5.75%)
Total OPEB Liability	\$ 35,064	\$ 41,150	\$ 48,801

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 10. Other Post-Employment Benefits (Continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB: For the year ended June 30, 2019, the Town recognized OPEB expense of \$1,927. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (407)
Change of assumptions or other inputs	1,917	(1,420)
Total	<u>\$ 1,917</u>	<u>\$ (1,827)</u>

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

Years ending June 30:	
2020	\$ (4)
2021	(4)
2022	(4)
2023	(4)
2024	(4)
Thereafter	110

Teachers' Retirement Plan

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

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

Benefit provisions (not rounded): 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.

Town of Southington, Connecticut

**Notes to Financial Statements
(In Thousands)**

Note 10. Other Post-Employment Benefits (Continued)

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

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare 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.

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.

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 Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 10. Other Post-Employment Benefits (Continued)

Contributions:

State of Connecticut: Per Connecticut General Statutes Section 10-1832, 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.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB: At June 30, 2019, 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	28,343
	<u>\$ 28,343</u>

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

For the year ended June 30, 2019, the Town recognized OPEB expense and (revenue) of \$(9,415) in Exhibit II for on-behalf amounts for the benefits provided by the State.

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

Inflation	2.75%
Health care costs trend rate	5.95% decreasing to 4.75% by 2022
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2019

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

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 10. Other Post-Employment Benefits (Continued)

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

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

Discount rate: The discount rate used to measure the total OPEB liability was 3.87%. 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.

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.

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.

Note 11. Employee Retirement Systems

Municipal employees' retirement system:

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

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 11. Employee Retirement Systems (Continued)

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

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

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

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

Disability retirement - service connected: Employees who are totally and permanently disabled and such disability has arisen out of and in the course of employment with the municipality. Disability due to heart and hypertension in the case of fire and police, is presumed to have been suffered in the line of duty. Benefits are calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including worker's compensation benefits) of 50% of compensation at the time of disability. Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

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

Death benefit: Employees who are eligible for service, disability or early retirement and married for at least 12 months preceding death. Benefits are calculated based on the average of the three highest paid years of service and creditable service at date of death, payable to the spouse. Benefit is equal to 50% of the average of the life annuity allowance and reduced 50% joint and survivor allowance.

Contributions:

Member - Contributions for members not covered by social security are 5% of compensation; for members covered by social security, 2%% of compensation up to the social security taxable wage base plus 5%, if any, in excess of such base.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 11. Employee Retirement Systems (Continued)

Employer - Participating employers make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment, which covers the liabilities of MERS not met by member contributions.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2019, the Town reports a total liability of \$52,946 (\$51,675 for government-wide in Exhibit I and \$1,272 for the Sewer Fund in Exhibit V) for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2019, the Town's proportion was 20.40%. The increase in proportion from June 30, 2018 is 14.73%.

For the year ended June 30, 2019, the Town recognized pension expense of \$4,527 in Exhibit II and \$99 in Exhibit VI. At June 30, 2019, the Town reported deferred inflow of resources and deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Town contributions after the measurement date	\$ 5,648	\$ -
Net difference between projected and actual earning on pension plan investments	3,082	-
Differences between expected and actual experience	5,996	(1,063)
Change in assumption	17,955	-
Change in proportionate share	1,189	(630)
	<u>\$ 33,870</u>	<u>\$ (1,693)</u>
	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Town contributions after the measurement date	\$ 144	\$ -
Net difference between projected and actual earning on pension plan investments	77	-
Differences between expected and actual experience	181	-
Change in assumption	433	-
Change in proportionate share	8	(44)
	<u>\$ 843</u>	<u>\$ (44)</u>

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

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 11. Employee Retirement Systems (Continued)

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

Governmental activities:

2020	\$	8,434
2021		7,180
2022		5,033
2023		5,882
	\$	<u>26,529</u>

Business-type activities:

2020	\$	195
2021		167
2022		136
2023		157
	\$	<u>655</u>

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

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

Mortality rates: For the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP- 2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire.

For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used. The static projection produces sufficient margin in the mortality rates to reflect future improvement in our judgement.

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2017.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 11. Employee Retirement Systems (Continued)

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	16.00%	5.80%
Developed non-U.S. equities	14.00%	6.60%
Emerging markets (Non-U.S.)	7.00%	8.30%
Core fixed income	8.00%	1.30%
Inflation linked bond fund	5.00%	1.00%
Emerging market bond	8.00%	3.70%
High yield bonds	14.00%	3.90%
Real estate	7.00%	5.10%
Private equity	10.00%	7.60%
Alternative investments	8.00%	4.10%
Liquidity fund	3.00%	0.40%
	<u>100.00%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 11. Employee Retirement Systems (Continued)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the Town's proportionate share of the net pension liability, calculated using the discount rate of 8.00%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Government wide:			
Town's proportionate share of the net pension liability	\$ 103,543	\$ 51,675	\$ 45,713
Sewer fund:			
Town's proportionate share of the net pension liability	\$ 1,715	\$ 1,272	\$ 757

Payable to MERS: The Town has also recorded \$11 as a long-term payable to MERS at June 30, 2019.

Teachers' retirement:

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

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

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

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

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

Contributions: Per Connecticut General Statutes Section 10-1832 (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.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 11. Employee Retirement Systems (Continued)

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.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2019, 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	141,779
	<u>\$ 141,779</u>

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

For the year ended June 30, 2019, the Town recognized pension expense and revenue of \$15,912 in Exhibit II for on-behalf amounts for the benefits provided by the State.

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

Inflation	2.75%
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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 11. Employee Retirement Systems (Continued)

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%.

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	21.00%	5.80%
Developed non-U.S. equities	18.00%	6.60%
Emerging markets (Non-U.S.)	9.00%	8.30%
Real estate	7.00%	5.10%
Private equity	11.00%	7.60%
Alternative investments	8.00%	4.10%
Core fixed income	7.00%	1.30%
High yield bonds	5.00%	3.90%
Emerging market bond	5.00%	3.70%
Inflation linked bonds	3.00%	1.00%
Cash	6.00%	0.40%
	<u>100.00%</u>	

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 11. Employee Retirement Systems (Continued)

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.

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.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

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.

Note 12. Summary Disclosure of Significant Contingencies

The Town's Old Turnpike Road (Old Southington) Landfill, which was closed in 1967, was placed on the United States Environmental Protection Agency (EPA) Superfund List for cleanup in the early 1990s. Three hundred and twenty five parties, including the Town, were identified by the EPA as potentially responsible parties (PRPs) for the cleanup costs. The Town, per agreement with the EPA, is responsible for \$4.4 million of the costs for constructing a cap at the site. However, the EPA granted the Town credit of \$3.2 million for landfill costs paid by the Town since 1989, leaving the Town with a net liability of approximately \$1.2 million. This amount was authorized for bonding at referendum in May of 1998. Construction of the cap was completed during fiscal year 2000-01. The Town paid approximately \$840 thousand of its \$1.2 million net share for the cap during 2000-01, which was bonded on May 15, 2001.

In December 2006, EPA issued a final Record of Decision. As a result of that, a passive groundwater remedy has been selected rather than an active remedy. The remedy will consist of institutional controls and fairly extensive groundwater monitoring. The effect of these items on future budgets will be very small. The Town has added a long-term liability of \$262 thousand to our financials for landfill closure and post closure costs to be paid at \$9 thousand per year over the next 30 years. The funds will pay for monitoring, inspection and reporting costs for the DePaolo Drive Landfill Site.

In 2019, the Town hired an engineer to estimate the post-closure groundwater monitoring which amounted to \$261,500.

The Town and its employees are defendants in numerous claims and legal actions. It is the opinion of Town officials that such pending litigation will not be finally determined so as to result individually, or in the aggregate, in a final judgment against the Town that would materially adversely affect its financial position.

Town of Southington, Connecticut

Notes to Financial Statements (In Thousands)

Note 12. Summary Disclosure of Significant Contingencies (Continued)

The Town participates in a number of federal and state assisted grant programs. These programs are subject to financial and compliance audits by the granters or their representatives. The audits of certain of these programs for or including the year ended June 30, 2019 have not yet been conducted. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

Note 13. Governmental Accounting Standards Board (GASB) Statements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements.

GASB Statement No. 84, *Fiduciary Activities*, is effective for reporting periods beginning after December 15, 2018. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Town is aware of this statement and will assess its impact to ensure timely implementation.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset, which should result in the recognition and reporting of leased assets and the liability associated with subsequent lease payments, which have historically been classified as operating leases of the current reporting period only. The new statement requires a Lessee to recognize a lease liability and an intangible right-to-use lease asset, with the lessor required to recognize a lease receivable and a deferred inflow of resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. Management is currently evaluating the impact of the adoption of this statement on the Town's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*. In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The Town is not an issuer of conduit debt; therefore, this Statement will have no effect on its financial statements.

Town of Southington, Connecticut

Notes to Financial Statements
(In Thousands)

Note 14. Restatement

The following restatement was recorded to the beginning net position of the sewer enterprise fund and business-type activities due to an error in recording unbilled revenues:

	Sewer Enterprise Fund	Business-Type Activities
Net position at June 30, 2018, as previously reported	\$ 55,575	\$ 55,575
Adjustments:		
Record unbilled revenue	889	889
Net position at July 1, 2018, as restated	<u>\$ 56,464</u>	<u>\$ 56,464</u>

**Required Supplementary
Information—*unaudited***

Required Supplementary Information-Unaudited
Schedule of Revenues and Other Financing Sources - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Property taxes, interest and lien fees:				
Taxes	\$ 121,665	\$ 121,665	\$ 122,989	\$ 1,324
Suspense taxes	30	30	19	(11)
Interest and lien fees	633	633	656	23
Total property taxes, interest and lien fees	122,328	122,328	123,664	1,336
Licenses, fees and permits:				
Building	800	800	802	2
Police	45	45	32	(13)
Library	18	18	13	(5)
Parking	1	1	1	-
Miscellaneous	15	29	32	3
Total licenses, fees and permits	879	893	880	(13)
Intergovernmental revenues:				
Educational cost sharing	20,348	20,348	20,182	(166)
Public Emergency Response Planning	15	15	-	(15)
AgriScience Tech Ed	373	373	373	-
Children/youth services	23	23	24	1
Youth service/drug free	47	47	43	(4)
Non-public health services	22	22	24	2
Pequot/Mohegan grant	7	7	7	-
Telecommunications fund grant	70	70	60	(10)
Local capital improvement grant	-	-	4	4
In lieu of taxes:				
Hospital	94	94	94	-
Veterans' exemption	55	55	55	-
State properties	7	7	7	-
Disability exemption	5	5	4	(1)
Distressed municipalities	-	-	1	1
Miscellaneous	15	22	25	3
Traffic enforcement grant	-	4	4	-
Municipal revenue sharing	821	821	821	-
E-911 State Grant	73	73	72	(1)
Total intergovernmental revenues	21,975	21,986	21,800	(186)

(Continued)

Required Supplementary Information-Unaudited
Schedule of Revenues and Other Financing Sources - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund (Continued)
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Investment income	\$ 668	\$ 880	\$ 1,803	\$ 923
Charges for services:				
Town Clerk	1,251	1,251	1,481	230
Police services	50	50	-	(50)
Recreation	40	40	33	(7)
Planning and zoning	55	55	57	2
Fire Department services	25	30	33	3
Engineering services	3	3	3	-
Assessors returns	1	1	1	-
School tuition and fees	-	513	513	-
School building rentals	14	14	14	-
Miscellaneous	581	583	666	83
Total charges for services	2,020	2,540	2,801	261
Other revenues:				
Sale/lease of town property	2	2	7	5
Loss/damage to town property	1	1	1	-
Prior year appropriated funds returned	2	2	3	1
Recycling rebates	50	50	58	8
Miscellaneous	20	26	64	38
Leases/Easements	24	24	24	-
Fund balance utilized	1,085	1,085	-	(1,085)
Total other revenues	1,184	1,190	157	(1,033)
Transfers in	-	-	24	24
Total revenues and other financing sources	\$ 149,054	\$ 149,817	151,129	\$ 1,312

Budgetary revenues are different than GAAP revenues because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers ' Pension and OPEB Retirement System for Town teachers are not budgeted

6,497

**Total revenues and other financing sources as
reported on the Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficits) - General Fund Exhibit IV**

\$ 157,626

Required Supplementary Information-Unaudited
Schedule of Expenditures and Other Financing Uses - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
General government				
Town Council:				
Personnel service	\$ 10	\$ 10	\$ 10	\$ -
Contractual services	18	18	16	2
Program supplies	7	7	4	3
Professional charges	27	27	27	-
Total	62	62	57	5
Town manager:				
Personnel service	236	236	236	-
Contractual services	23	16	2	14
Materials and supplies	8	8	6	2
Fixed charges	5	5	4	1
Total	272	265	248	17
Board of finance:				
Personnel service	4	4	4	-
Contractual services	2	2	2	-
Fixed charges	1	1	1	-
Total	7	7	7	-
Finance department:				
Personnel service	534	533	533	-
Materials and supplies	12	11	10	1
Fixed charges	2	2	1	1
Total	548	546	544	2
Town clerk:				
Personnel service	307	303	297	6
Contractual services	19	18	16	2
Materials and supplies	11	10	8	2
Fixed charges	3	2	2	-
Total	340	333	323	10
Human Resources Department:				
Personnel service	78	66	65	1
Contractual services	40	36	33	3
Materials and supplies	1	-	1	(1)
Fixed charges	2	1	1	-
Continued Appropriations	-	1	1	-
Total	121	104	101	3

(Continued)

Required Supplementary Information-Unaudited
Schedule of Expenditures and Other Financing Uses - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund (Continued)
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Tax Department:				
Personnel service	\$ 226	\$ 225	\$ 221	\$ 4
Contractual services	5	6	6	-
Materials and supplies	44	43	36	7
Fixed charges	2	1	1	-
Total	277	275	264	11
Assessor:				
Personnel service	334	325	323	2
Contractual services	105	100	4	96
Materials and supplies	12	12	12	-
Fixed charges	6	5	4	1
Continued Appropriations	-	97	47	50
Total	457	539	390	149
Board of Assessment Appeals:				
Personnel service	2	2	2	-
Contractual services	1	1	-	1
Total	3	3	2	1
Information Technology:				
Personnel service	181	181	181	-
Contractual services	684	664	629	35
Fixed charges	43	42	40	2
Capital outlay	69	69	69	-
Total	977	956	919	37
Probate Court:				
Fixed charges	11	11	11	-
Town Attorney/Legal:				
Contractual services	155	135	44	91
Total	155	135	44	91

(Continued)

Required Supplementary Information-Unaudited
Schedule of Expenditures and Other Financing Uses - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund (Continued)
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Elections Department:				
Personnel service	\$ 130	\$ 125	\$ 124	\$ 1
Contractual services	12	9	9	-
Materials and supplies	25	27	26	1
Fixed charges	2	1	1	-
Continued Appropriations	-	3	1	2
Total	169	165	161	4
Insurance:				
Fixed charges	1,176	1,116	1,019	97
Annual Audit:				
Fixed charges	35	35	35	-
Total general government	4,608	4,550	4,123	427
Public Safety:				
Police Department:				
Personnel service	6,952	6,826	6,778	48
Contractual services	205	219	180	39
Materials and supplies	198	207	204	3
Fixed charges	314	317	308	9
Capital outlay	185	187	186	1
Total	7,854	7,756	7,656	100
Emergency Management:				
Contractual services	1	1	-	1
Materials and supplies	8	2	-	2
Capital outlay	10	10	8	2
Total	19	13	8	5
Central Dispatch:				
Personnel service	798	812	807	5
Contractual services	16	1	-	1
Total	814	813	807	6
Fire Department:				
Personnel service	3,732	3,675	3,598	77
Contractual services	346	371	344	27
Materials and supplies	215	230	222	8
Fixed charges	155	163	156	7
Capital outlay	43	57	56	1
Total	4,491	4,496	4,376	120

(Continued)

Required Supplementary Information-Unaudited
Schedule of Expenditures and Other Financing Uses - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund (Continued)
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Fire hydrant rentals:				
Fixed charges	\$ 244	\$ 228	\$ 227	\$ 1
Safety Program:				
Contractual services	12	12	-	12
Materials and supplies	38	38	38	-
Fixed charges	14	13	12	1
Total	64	63	50	13
Parking Authority:				
Personnel service	1	1	-	1
Contractual services	4	4	3	1
Materials and supplies	1	1	-	1
Fixed charges	1	1	1	-
Total	7	7	4	3
Total public safety	13,493	13,376	13,128	248
Public Works:				
Town Hall:				
Contractual services	43	44	38	6
Materials and supplies	18	17	15	2
Fixed charges	47	47	46	1
Continued appropriations	-	25	24	1
Total	108	133	123	10
Town Owned Property:				
Contractual services	10	10	4	6
Fixed charges	10	10	6	4
Total	20	20	10	10
Sylvia Bradley Historical Society:				
Contractual services	6	6	4	2
Fixed charges	13	13	13	-
Total	19	19	17	2

(Continued)

Required Supplementary Information-Unaudited
Schedule of Expenditures and Other Financing Uses - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund (Continued)
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Engineering Department:				
Personnel service	\$ 719	\$ 705	\$ 703	\$ 2
Contractual services	7	6	3	3
Materials and supplies	14	13	10	3
Fixed charges	2	2	2	-
Total	742	726	718	8
Highway Department:				
Personnel service	2,326	2,287	2,262	25
Contractual services	607	631	619	12
Materials and supplies	139	159	155	4
Fixed charges	295	296	261	35
Capital outlay	49	30	30	-
Continued appropriations	-	36	35	1
Total	3,416	3,439	3,362	77
Snow and Ice Removal:				
Personnel service	160	253	253	-
Contractual services	160	143	142	1
Materials and supplies	390	444	439	5
Total	710	840	834	6
Street Lighting:				
Contractual services	60	60	56	4
Fixed charges	327	327	294	33
Total	387	387	350	37
Tree Maintenance:				
Contractual services	38	38	37	1
Bulky Waste Transfer Station:				
Personnel service	84	78	78	-
Contractual services	145	170	170	-
Materials & Supplies	5	4	4	-
Total	234	252	252	-
Environmental Problems:				
Contractual services	158	157	81	76
Continued appropriations	-	57	50	7
Total	158	214	131	83

(Continued)

Required Supplementary Information-Unaudited
Schedule of Expenditures and Other Financing Uses - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund (Continued)
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
John Weichsel Municipal Center:				
Contractual services	\$ 235	\$ 233	\$ 228	\$ 5
Materials and supplies	9	8	5	3
Fixed charges	26	26	24	2
Total	270	267	257	10
Total Public Works	6,102	6,335	6,091	244
Health and Welfare:				
Community Services:				
Personnel service	245	241	235	6
Contractual services	29	28	28	-
Materials and supplies	5	5	5	-
Fixed charges	17	17	17	-
Total	296	291	285	6
Health Department:				
Fixed charges	334	334	334	-
Mental Health:				
Fixed charges	3	3	3	-
Nonpublic School Nurses:				
Contractual services	65	65	64	1
Total Health and Welfare	698	693	686	7
Human Services:				
Youth counseling:				
Personnel service	334	334	325	9
Contractual services	2	2	1	1
Materials and supplies	4	3	3	-
Fixed charges	2	3	3	-
Capital Outlay	-	-	1	(1)
Total	342	342	333	9
Commission for Persons with Disabilities:				
Contractual services	7	7	3	4
Materials and supplies	1	1	1	-
Total	8	8	4	4

(Continued)

Required Supplementary Information-Unaudited
Schedule of Expenditures and Other Financing Uses - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund (Continued)
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Community Assistance:				
Contractual services	\$ 56	\$ 56	\$ 56	\$ -
Calendar House-Senior Citizens:				
Personnel service	417	402	391	11
Contractual services	86	85	76	9
Materials and supplies	20	19	12	7
Fixed charges	47	59	58	1
Total	570	565	537	28
Southington Housing Authority:				
Fixed charges	22	22	19	3
Total Human Services	998	993	949	44
Recreation:				
Recreation Department:				
Personnel service	255	248	245	3
Contractual services	55	53	42	11
Materials and supplies	14	11	9	2
Fixed charges	1	1	1	-
Total	325	313	297	16
Community Celebrations:				
Fixed charges	4	4	4	-
Organized Recreation:				
Fixed charges	107	107	107	-
Total Recreation	436	424	408	16

(Continued)

Required Supplementary Information-Unaudited
Schedule of Expenditures and Other Financing Uses - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund (Continued)
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Library:				
Public Library:				
Personnel service	\$ 1,126	\$ 1,084	\$ 1,056	\$ 28
Contractual services	68	88	83	5
Materials and supplies	160	159	153	6
Fixed charges	70	71	64	7
Capital outlay	57	57	56	1
Continued appropriations	-	5	5	-
Total	1,481	1,464	1,417	47
Barnes Museum:				
Personnel service	88	87	87	-
Contractual services	11	11	11	-
Materials and supplies	3	3	3	-
Fixed charges	10	12	11	1
Continued appropriations	-	1	1	-
Total	112	114	113	1
Total Library	1,593	1,578	1,530	48
Planning and Development:				
Economic Development Commission:				
Personnel service	156	156	156	-
Contractual services	110	90	16	74
Materials and supplies	2	2	1	1
Fixed charges	4	3	3	-
Continued appropriations	-	75	-	75
Total	272	326	176	150
Building Department:				
Personnel service	427	427	422	5
Contractual services	6	2	1	1
Materials and supplies	9	9	9	-
Fixed charges	5	5	5	-
Total	447	443	437	6
Planning and Zoning:				
Personnel service	398	396	394	2
Contractual services	11	11	10	1
Materials and supplies	6	6	4	2
Fixed charges	35	34	34	-
Total	450	447	442	5

(Continued)

Required Supplementary Information-Unaudited
Schedule of Expenditures and Other Financing Uses - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund (Continued)
For the Year Ended June 30, 2019
(In Thousands)

	Total			
	Original	Final	Actual	Variance With Final Budget Positive (Negative)
Zoning Board of Appeals:				
Personnel service	\$ 5	\$ 7	\$ 7	\$ -
Contractual services	8	10	9	1
Materials and supplies	1	1	-	1
Total	14	18	16	2
Conservation Commission:				
Personnel service	4	3	3	-
Contractual services	4	4	3	1
Materials and supplies	2	1	-	1
Total	10	8	6	2
Total Planning and Development	1,193	1,242	1,077	165
Miscellaneous:				
Land Lease:				
Fixed charges	1	1	1	-
Nonlegal professional services:				
Contracted services	45	45	11	34
Continued appropriations	-	43	28	15
Total Miscellaneous	46	89	40	49
Employee benefits:				
Medical and group insurance:				
Fixed charges	3,627	3,572	3,534	38
Heart and hypertension:				
Personnel service	1,315	1,245	1,124	121
Contractual services	25	20	8	12
Total Heart and Hypertension	1,340	1,265	1,132	133
Employee retirement:				
Municipal:				
Fixed charges	4,030	4,030	3,882	148
Police:				
Fixed charges	218	204	204	-
Unemployment Compensation:				
Fixed charges	30	15	9	6
Total	4,278	4,249	4,095	154

(Continued)

Required Supplementary Information-Unaudited
Schedule of Expenditures and Other Financing Uses - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund (Continued)
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Accumulated payout:				
Fixed charges	\$ 200	\$ 150	\$ 93	\$ 57
CFW accumulated payout	-	129	129	-
Total	200	279	222	57
Tuition reimbursement:				
Fixed charges	14	9	7	2
Total Employee Benefits	9,459	9,374	8,990	384
Debt service:				
Debt service - principal:				
Town and Sewer	3,180	3,180	3,180	-
Schools	4,188	4,188	4,188	-
Total	7,368	7,368	7,368	-
Debt service - interest:				
Town and Sewer	919	1,147	1,147	-
Schools	1,674	1,659	1,659	-
Total	2,593	2,806	2,806	-
Clean Water Fund Loan	700	700	700	-
Total	700	700	700	-
Total Debt Service	10,661	10,874	10,874	-
Board of Education:				
School operations	95,828	96,340	95,754	586
Capital outlay	-	241	-	241
Continued appropriations	-	456	312	144
Total Board of Education	95,828	97,037	96,066	971
Contingency	1,933	783	-	783
Total Expenditures	147,048	147,348	143,962	3,386

(Continued)

Required Supplementary Information-Unaudited
Schedule of Expenditures and Other Financing Uses - Budget and Actual
(Non-GAAP Budgetary Basis)-General Fund (Continued)
For the Year Ended June 30, 2019
(In Thousands)

	Total			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Other financing uses:				
Transfers out- Capital	\$ 1,800	\$ 3,403	\$ 3,403	\$ -
Transfers out- Animal Control	206	206	206	-
Total other financing uses	<u>2,006</u>	<u>3,609</u>	<u>3,609</u>	<u>-</u>
Total	<u>\$ 149,054</u>	<u>\$ 150,957</u>	<u>147,571</u>	<u>\$ 3,386</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf payments to the Connecticut State Teachers' Pension and OPEB
Retirement System for Town teachers are not budgeted

6,497

Accrued payroll is reported as expenditure for GAAP purposes

53

Total expenditures and other financing uses as reported on the
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) -
General Fund - Exhibit IV

\$ 154,121

Schedule of the Town's Proportionate Share of the Net Pension Liability Municipal Employees Retirement System
Last Five Fiscal Years*
(In Thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
Town's proportion of the net pension liability	5.97%	5.62%	5.30%	5.67%	20.40%
Town's proportionate share of the net pension liability	\$ 5,892	\$ 10,825	\$ 18,318	\$ 14,070	\$ 52,946
Town's covered payroll	\$ 28,694	\$ 30,111	\$ 30,944	\$ 33,454	\$ 36,917
Town's proportionate share of the net pension liability as a percentage of its covered payroll	20.53%	35.95%	59.20%	42.06%	143.42%
Plan fiduciary net position as a percentage of the total pension liability	90.48%	92.72%	88.29%	91.68%	73.60%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	In 2018, the latest experience study for the System updated most of the actuarial assumptions utilized in the June 30, 2018 valuation to include: rates of inflation, real investment return mortality, withdrawal, disability, retirement and salary increases were adjusted to more closely reflect actual and anticipate experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2017.
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	23 years
Asset valuation method	5-year smoothed market

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

Schedule of Employer Contributions-Municipal Employees Retirement System-Government Activities
Last Ten Fiscal Years
(In Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 2,704	\$ 3,488	\$ 4,096	\$ 4,194	\$ 4,400	\$ 4,592	\$ 4,680	\$ 4,262	\$ 4,576	\$ 4,527
Contributions in relation to the actuarially determined contribution	2,704	3,488	4,096	4,194	4,400	4,592	4,680	4,262	4,576	4,527
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 26,169	\$ 27,006	\$ 27,081	\$ 27,618	\$ 28,694	\$ 30,111	\$ 30,944	\$ 33,454	\$ 34,017	\$ 36,917
Contributions as a percentage of covered payroll	10.33%	12.92%	15.12%	15.19%	15.33%	15.25%	15.12%	12.74%	13.45%	12.26%

Notes to Schedule

Valuation date: June 30, 2018
Measurement date: June 30, 2018

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Single equivalent amortization period	23 years
Asset valuation method	5 years smoothed market (20% write up)
Inflation	2.50%
Salary increases	3.50% - 10%, including inflation
Investment rate of return	7%, net of investment related expense
Changes in assumptions:	In 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience

In 2018, the latest experience study for the System updated most of the actuarial assumptions utilized in the June 30, 2018 valuation to include: rates of inflation, real investment return mortality, withdrawal, disability, retirement and salary increases were adjusted to more closely reflect actual and anticipate experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2017.

Schedule of Employer Contributions-Municipal Employees Retirement System-Business-Type Activities
Last Ten Fiscal Years
(In Thousands)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 64	\$ 88	\$ 109	\$ 104	\$ 108	\$ 113	\$ 96	\$ 103	\$ 110	\$ 100
Contributions in relation to the actuarially determined contribution	64	88	109	104	108	113	96	103	110	100
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 852	\$ 930	\$ 940	\$ 884	\$ 901	\$ 940	\$ 845	\$ 886	\$ 935	\$ 936
Contributions as a percentage of covered payroll	7.51%	9.46%	11.60%	11.76%	11.99%	12.02%	11.36%	11.63%	11.76%	10.68%

Notes to Schedule

Valuation date: June 30, 2018
Measurement date: June 30, 2018

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level dollar, closed
Single equivalent amortization period	23 years
Asset valuation method	5 years smoothed market (20% write up)
Inflation	2.50%
Salary increases	3.50% - 10%, including inflation
Investment rate of return	7%, net of investment related expense
Changes in assumptions:	In 2013, rates of mortality, withdrawal, retirement and assumed rates of salary increases were adjusted to more closely reflect actual and anticipated experience

In 2018, the latest experience study for the System updated most of the actuarial assumptions utilized in the June 30, 2018 valuation to include: rates of inflation, real investment return mortality, withdrawal, disability, retirement and salary increases were adjusted to more closely reflect actual and anticipate experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2017.

Schedule of the Town's Proportionate Share of the Net Pension Liability
Teachers Retirement Plan
Last Five Fiscal Years*
(In Thousands)

	Fiscal Year				
	2015	2016	2017	2018	2019
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	107,078	115,998	151,537	143,636	141,779
Total	\$ 107,078	\$ 115,998	\$ 151,537	\$ 143,636	\$ 141,779
Town's covered payroll	\$ 33,621	\$ 34,262	\$ 34,721	\$ 37,408	\$ 46,544
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	61.51%	59.50%	52.26%	55.93%	57.69%

Notes to Schedule

Changes in benefit terms	Beginning January 1, 2018, member contribution increased from 6% to 7% of salary.
Changes of assumptions	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.
	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.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	17.6 years
Asset valuation method	4-year smoothed market
Investment rate of return	8%, net of investment related expense

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

Schedule of Changes in Total OPEB Liability and Related Ratios
Last Two Fiscal Years*
(In Thousands)

	2019	2018
Total OPEB liability:		
Service cost	\$ 538	\$ 549
Interest	1,486	1,416
Differences between expected and actual experience	(210)	(250)
Changes of assumptions and other inputs	2,072	(1,669)
Benefit payments	(1,211)	(1,113)
Net change in total OPEB liability	2,675	(1,067)
Total OPEB liability - beginning	38,475	39,542
Total OPEB liability - ending	<u>\$ 41,150</u>	<u>\$ 38,475</u>
Covered payroll	\$ 75,441	\$ 73,422
Total OPEB liability as a percentage of covered payroll	54.55%	52.40%

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

Schedule of the Town's Proportionate Share of the Net OPEB Liability
Teachers' Retirement Plan
Last Two Fiscal Years*
(In Thousands)

	2019	2018
Town's proportion of the net OPEB liability	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability associated with the Town	28,343	36,970
Total	\$ 28,343	\$ 36,970
Town's covered payroll	\$ 43,899	\$ 37,408
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.49%	1.79%

Notes to Schedule

Changes in benefit terms

The Plan was amended by the Board, effective July 1, 2018, during the January 11, 2018 meeting. The Board action added the Anthem Medicare Advantage Plan to the available options under the Plan, changed the "base plan" to the Medicare Advantage Plan for the purposes of determining retiree subsidies and/or cost sharing amount(s), and introduced a two year waiting period for re-enrollment in a System sponsored healthcare plan for those who cancel their coverage or choose not to enroll in a healthcare coverage option on or after the effective date. These changes were communicated to retired members during the months leading up to a special open enrollment period that preceded the July 1, 2018 implementation date.

Changes of assumptions

The expected rate of return on assets was changed from 2.75% to 3.00% to better reflect the anticipated returns on cash and other high quality short-term fixed income investments. Based on the procedure described in GASB 75, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2018 was updated to equal the Municipal Bond Index Rate as of June 30, 2018. The System selected the 3.87% discount rate used to measure the TOL as of the June 30, 2018 measurement date.

Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on July 1, 2018.

The assumed age related annual percentage increases in expected annual per capita healthcare claim costs were updated to better reflect the expected differences between the Medicare Supplement and Medicare Advantage Plan amounts as part of the plan change that became effective on July 1, 2018.

Long-term healthcare cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods.

The percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a System-sponsored healthcare plan option in the future, was updated to better reflect anticipated plan experience.

The participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options, as well as the portion who are expected to migrate to the Medicare Advantage Plan over the next several years, were updated to better reflect anticipated plan experience after the plan change that became effective on July 1, 2018.

The post-disablement mortality table was updated to extend the period of projected mortality improvements from 2017 to 2020. This change was made to better reflect anticipated post-disablement plan experience.

The percentages of deferred vested members who will become ineligible for future healthcare benefits because they are expected to withdraw their contributions from the System was updated to better reflect anticipated plan experience.

Actuarial cost method

Entry Age Normal

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

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

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Appendix B

Opinion of Bond Counsel and Tax Status

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APPENDIX B

OPINION OF BOND COUNSEL AND TAX STATUS

The following information has been prepared by Bond Counsel in connection with this bond issue. Bond Counsel are not passing upon and do not assume responsibility for the accuracy or completeness of the statements made in the Official Statement (other than matters in this Appendix), and they make no representation that they have independently verified the same.

BOND COUNSEL OPINION

The legal opinion of the firm of Day Pitney LLP of Hartford, Connecticut, Bond Counsel, will be furnished to the purchaser when the Bonds are delivered, and a copy of the legal opinion will be included in the record of proceedings of the Town authorizing the Bonds. The opinion will be dated and given on and will speak only as of the date of original delivery of the Bonds to the successful bidder.

The opinion of Day Pitney LLP with respect to the Bonds will be substantially in the following form:

[FORM OF BOND COUNSEL OPINION]

(date of closing)

Town of Southington
Southington, Connecticut

We have represented the Town of Southington, Connecticut as Bond Counsel in connection with the issuance by the Town of \$6,190,000 General Obligation Refunding Bonds, Issue of 2020, Series C, dated as of December 18, 2020.

We have examined a record of proceedings authorizing the Bonds, and based on our examination, we are of the opinion that the Town of Southington is authorized to issue the Bonds; the Town is duly and legally organized; all proper proceedings for the issuance and delivery of the Bonds have been taken; no limitation of indebtedness under the laws of the State of Connecticut has been exceeded in the issuance of the Bonds; the Bonds will be valid and binding general obligations of the Town when certified as provided thereon by a duly authorized official of U.S. Bank National Association; and the Town has the power to levy ad valorem taxes to pay the Bonds against all the taxable property in the Town without limit as to rate or amount except certified forest land taxable at a limited rate and dwelling houses of qualified elderly people of low income or of qualified disabled persons taxable at limited amounts.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met in order that interest on the Bonds is excluded from gross income for Federal income tax purposes. The Town officials authorized to issue the Bonds have executed written representations and agreements on behalf of the Town relating to compliance with such provisions of the Code to ensure that the interest on the Bonds will be excluded from gross income for Federal income tax purposes.

Based on such representations and agreements and on the record of proceedings authorizing the Bonds, and assuming the accuracy of such representations and compliance with such agreements, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code; and (2) the Bonds are not "private activity bonds" and interest on the Bonds is not treated as a preference item for purposes of calculating the Federal alternative minimum tax.

Based on the record of proceedings authorizing the Bonds, it is our opinion that, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Very truly yours,

Day Pitney LLP

FEDERAL INCOME TAX.

Interest Excluded From Gross Income. The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met in order that interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. Some of these requirements must be continuously met subsequent to delivery of the Bonds. Failure to comply with any of these requirements may cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs.

The Town officials authorized to issue the Bonds will enter into a Tax Compliance Agreement in connection with the delivery of the Bonds, which will contain certain representations and covenants on behalf of the Town relating to compliance with such requirements of the Code to ensure that the interest on the Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes.

Alternative Minimum Tax. The Code imposes an alternative minimum tax on individuals. The alternative minimum tax is imposed on alternative minimum taxable income, which includes preference items. The interest on certain tax-exempt "private activity bonds" is treated as a preference item. The Town's Tax Compliance Agreement will contain certain representations and covenants to ensure that the Bonds are not "private activity bonds" so that interest on the Bonds will not be treated as a preference item for individuals.

Financial Institutions. The Code provides that commercial banks, thrift institutions and certain other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than "qualified tax-exempt obligations". The Bonds shall not be "qualified tax-exempt obligations" for purposes of the deduction for federal income tax purposes by financial institutions of a portion of interest expense allocable to tax-exempt obligations.

Additional Federal Income Tax Matters. In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers otherwise eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

STATE OF CONNECTICUT TAX ON INTEREST.

The opinion of Bond Counsel will state in substance that, based on the record of proceedings authorizing the Bonds, under existing statutes: (1) interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates; and (2) interest on the Bonds is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof, including the extent to which gains and losses from the sale or exchange of the Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and may affect the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

ORIGINAL ISSUE DISCOUNT.

The initial public offering price of certain of the Bonds may be less than the amount payable on the Bonds at maturity. The excess of the amount payable at maturity over the initial public offering price at which a substantial amount of such Bonds are sold constitutes original issue discount. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue discount. Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any such bond during each day it is owned by a taxpayer is added to the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Accrued original issue discount on a bond is excluded from gross income of the owners thereof for federal income tax purposes. Accrued original issue discount on a bond is also excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such bond. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest payable on such bond during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Owners of Bonds having original issue discount, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such bonds.

ORIGINAL ISSUE PREMIUM.

The initial public offering price of certain of the Bonds may be greater than the amount payable on the Bonds at maturity. The excess of the initial public offering price at which a substantial amount of such Bonds are sold over the amount payable thereon at maturity constitutes original issue premium. Any prices set forth on the cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public.

The discussion in this paragraph applies to those Bonds having original issue premium. Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as having amortized with respect to any bond during each day it is owned by a taxpayer is subtracted from the cost basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bond by such owner. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity on such bond using the taxpayer's cost basis and a constant semiannual compounding method. As a consequence of the resulting cost basis reduction, under certain circumstances an owner of a bond acquired with original issue premium may realize a taxable gain upon disposition thereof even though it is sold or redeemed for an amount equal to or less than such owner's original cost of acquiring the bond. Amortized original issue premium on a bond is not allowed as a deduction from gross income for federal income tax purposes. Amortized original issue premium on a bond also does not reduce Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Owners of the Bonds having original issue premium, and especially any owner who is not an original owner of a bond who bought the bond at its initial public offering price, should consult their tax advisors with respect to the federal and state income tax consequences of the disposition of such bonds.

GENERAL.

The opinion of Bond Counsel is rendered as of its date and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or any changes in law or the interpretation thereof that may occur after the date of its opinion. Legislation affecting municipal bonds is regularly under consideration by the United States Congress. No assurance can be given that pending federal legislation, if any, or federal legislation enacted or proposed after the date of issuance of the Bonds will not have an effect on the federal tax status or the market price of the Bonds or will not change the effect of other federal tax law consequences, including those discussed above, of owning and disposing of the Bonds, and Bond Counsel expresses no opinion thereon. No assurance can be given that future legislation or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon. Prospective owners of the Bonds are advised to consult their tax advisors regarding the potential tax consequences of proposed federal or State of Connecticut tax legislation, if any, affecting municipal bonds.

The discussion above does not purport to address all aspects of federal, state, or local taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state, and local tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any other state or other taxing jurisdiction.

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Appendix C

Form of Continuing Disclosure Agreement

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APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BONDS

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement for Bonds to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for Bonds.

Continuing Disclosure Agreement for Bonds

This Continuing Disclosure Agreement for Bonds ("Agreement") is made as of December 18, 2020 by the Town of Southington, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$6,190,000 General Obligation Refunding Bonds, Issue of 2020, Series C (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the Issuer dated December 7, 2020 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The Issuer agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2020) as follows:

(i) Financial statements of the Issuer's general fund and, any special revenue, capital projects, permanent enterprise, internal service and trust or agency funds, for the prior fiscal year which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) The following financial information and operating data to the extent not included in the financial statements described in (i) above:

- (A) amounts of the gross and the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,

- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total direct debt, total net direct debt, and total overall net debt (reflecting overlapping and underlying debt), as of the close of the fiscal year,
- (F) total direct debt, total net direct debt and total overall net debt of the Issuer per capita,
- (G) ratios of the total direct debt, total net direct debt and total overall net debt of the Issuer to the Issuer's applicable net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Issuer's pension benefit obligation.

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided (the "Filing Due Date"). The Issuer's fiscal year currently ends on June 30. The Issuer reserves the right to provide unaudited financial statements if audited financial statements are not available as of the Filing Due Date, provided that the Issuer shall promptly provide audited financial statements when available.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

Section 3. Notice of Certain Events.

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;

- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties. Events (d) and (e). The Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Issuer applies for or participates in obtaining the enhancement.

Events (d) and (e). The Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Issuer applies for or participates in obtaining the enhancement.

Event (f). Event (f) is relevant only to the extent interest on the Bonds is excluded from gross income for federal income tax purposes.

Event (h). The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not *otherwise* contingent upon the occurrence of an event, if (A) the terms, dates and amounts of redemption are set forth in detail in the Final Official Statement, (B) the sole matter to be determined is which of the Bonds will be redeemed in the case of a partial redemption, (C) notice of redemption is given to the holders of the Bonds to be redeemed as required under the terms of the Bonds, and (D) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced due to prior optional redemptions or Bond purchases.

Events (o) and (p). The term “financial obligation” is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with MSRB pursuant to the Rule.

Section 4. Notice of Failure to Provide Annual Financial Information.

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

Section 6. Termination.

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Director of Finance, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Director of Finance is Town of Southington, Town Hall, 75 Main Street, Southington, Connecticut 06489.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(q) All documents provided by the Issuer to a Repository pursuant to the Issuer's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(r) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(s) This Agreement shall be governed by the laws of the State of Connecticut.

(t) Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds, and (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating or financial information provided.

(u) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF SOUTHTON

By: _____
Mark Sciota
Town Manager

By: _____
Joyce Williams
Treasurer

By: _____
Emilia Portelinha
Director of Finance

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