

TOWN OF SOUTHLINGTON, CONNECTICUT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019

**Comprehensive
Annual Financial Report**

of the

Town of Southington, Connecticut

Fiscal Year Ended June 30, 2019

Prepared by:
Department of Finance
Emilia C. Portelinha
Director of Finance

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Introductory Section



Town of Southington

Finance Department

75 Main Street, P.O. Box 610, Southington, Connecticut 06489

Emilia C. Portelinha, Director of Finance
Christina Sivigny-Smith, Assistant Director of Finance
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December 16, 2019

To the Honorable Members of the Town Council, Members of the Board of Finance and Citizens of the Town of Southington:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to the requirement, issued herein is the comprehensive annual financial report of the Town of Southington for the fiscal year ended June 30, 2019.

This report consists of management's representation concerning the financial statements of the Town of Southington. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Southington has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Town of Southington's financial statements in conformity with GAAP. Given that the cost of internal controls should not outweigh their benefits, the Town of Southington's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. Management asserts that, to the best of its knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Southington's financial statements have been audited by RSM US LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Southington for the fiscal year ended June 30, 2019 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Town of Southington's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town of Southington was part of a broader federal and state mandated "Single Audit" designed to meet the special needs of federal and state grant agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the Town's internal controls and compliance with legal requirements for the federal and state grant awards. These reports are available in the Town of Southington's separately issued Federal Single Audit and State Single Audit report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Southington's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Description of the Municipality

The Town of Southington was originally settled in 1698 and incorporated in 1779. It has a land area of approximately 36.9 square miles and a population of 43,807 located in Hartford County. Found in the geographical center of the State, Southington lies approximately 20 miles west of Hartford, the state capital, and 9 miles east of Waterbury. Other bordering cities include Meriden, New Britain and Bristol. 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 it.

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 of Southington provides a full range of services, as described below:

Municipal Services

Police: The Southington Police Department has a sworn staff of 68 including a Chief, a Deputy Chief, three Lieutenants, four Master Sergeants, ten Sergeants, seven Detectives, and forty-two 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 33 career, 97 volunteer firefighters and one Civilian Inspector. 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 both Towns and is staffed with a full-time Director of Health, four professional sanitarians and a secretary. 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 spent a significant amount of time in bioterrorism planning and training, and maintaining the Public Health Preparedness and Response Plan.

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.

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 Public Works Director, an Assistant Town Engineer, an Engineer-In-Training, a secretary, an Engineer Inspector, two Engineering Aides, and a Survey Crew Chief.

Recreation: The Southington Recreation Department provides recreational, educational and entertaining programs and services for residents of all ages. Southington's Recreational 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), Memorial Park (20.5 acres), Crescent Lake (223 acres), a hiking and biking trail (11.6 acres) 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 & 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 is headed by the Superintendent of Highway/Parks and staffed by the Assistant Highway Superintendent, one General Foreman, Two Crew Leaders, twenty-nine 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.

Sewer: The Water Pollution Control Department is staffed by a Superintendent, two foremen, one lab chemist and seven operators. The \$14.5 million Denitrification Plant was completed. 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. The \$5.2 million dollar Water Pollution Control Facility Sludge Thickening Project was completed. Town residents approved a \$57.1 million dollar Bond Ordinance for Water Pollution Control Facility Upgrade at Referendum November 2016. Construction of the Facility Upgrade is in process, and should be completed by the fall of 2021.

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 paid a fee of \$64.31 per ton in fiscal year 2019 for the acceptable solid waste sent to the Covanta plant in Bristol, Connecticut.

On July 9, 2014, the Town of Southington entered into an agreement with Murphy Road Recycling, LLC whereby it is required to work with its independent subscription carriers to have all acceptable recycling materials sent to the Murphy Road Recycling plant in Berlin, Connecticut. The agreement expires June 30, 2019.

ECONOMY AND FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the perspective of the specific environment within which the Town of Southington operates.

Local Economy: Despite the State of Connecticut's lag in economic growth, the Town of Southington has enjoyed a stable economic environment with moderate growth. The Town of Southington's October 1, 2017 Net Taxable Grand list of \$4.08 billion is an increase of \$63.12 million or 1.60% over the previous year.

The Town's Economic Development Department administers a program that focuses on retention of existing businesses as well as the recruitment of new businesses. Since the departure of the Town's largest taxpayer, the Pratt & Whitney division of United Technologies Inc. in 1995, the Town has made strong efforts to diversify its commercial and industrial tax base to avoid over-reliance on one taxpayer or industry. As a result of these efforts, the Town has become less dependent on one taxpayer or industry as evidenced by the Town's top ten taxpayers representing 5.58% of the October 1, 2017 Net Taxable Grand List vs. 16% in the mid-1990s.

The Town of Southington has continued expanding commercial and industrial development during the fiscal year of 2018-2019. The Town expects to continue the growth moving forward as proposed projects continue to develop.

The professional office buildings on Executive Boulevard are increasing the need within that area for more development. Webster Bank has increased its employee count from 550 workers last year to 650 currently. Additional absorption of space occurred at 75 Aircraft Road with the expansion of 3PL Worldwide, and the future home of Economy Spring which will nearly triple in size. Additionally, Vanguard Plastics Corporation and International Plating Technology, LLC are also at the site.

The Town's three main retail corridors are all performing well with limited vacancy causing redevelopment and new development to occur. Additionally, Plantsville and Southington downtown areas are experiencing near full occupancy with several new restaurants and service businesses occupying available space. Juniper Lighting will also be moving its manufacturing facility from Brooklyn New York to 157 Water Street adding 28 new jobs to the downtown area.

The Economic Development Department continues to pursue the potential remediation of the former Beaton & Corbin Manufacturing Company site located at 318 North Main Street. The potential cleanup cost for the property far exceeds the value which further complicates the project. The new initiative of the utilization of a Land Bank provides for the potential remediation and redevelopment of the site to include a 13,000 square foot office center. Additionally, our office continues to attempt to foster beneficial reuse of the former Lincoln College site and the former Ideal Forging property known as Greenway Commons.

A brief summary of activities and projects include:

- Skygazer Brewing and John Meade Landscaping opened new space in the spring of 2019
- Popeye's, Silk Nails, Southington Orthodontics, Koshi Sushi, Embrace Home Loans and LiveFit Physical Therapy
- Kinsmen Brewing banquet facility under construction at 409 Canal Street
- 125 room Courtyard by Marriot on West Street
- Juniper Lighting - 20,000 sf of manufacturing space located at 157 Water Street
- Andy 2017, LLC. – 20,000 sf new manufacturing facility
- Top Line Woodworking - 13,300 sf new manufacturing facility
- Ulimite Construction - 14,000 sf facility
- AHCO – two new buildings under construction
- AES Remedial Contracting - 4,800 sf addition to its 10,000 sf facility
- Long Horn Steakhouse approval on West Street
- Sherman's Taphouse

Relevant Financial Policies

The Town has adopted the following key financial policies:

Budgetary Control. Expenditures may not legally exceed budgeted appropriations at the object level. Management cannot amend the budget. Supplemental appropriations and transfers within the same department must be approved by the Board of Finance and, if \$500 or over, the Town Council. Transfers between departments may be made only in the last three months of the fiscal year. Monthly revenue and expenditure actual vs. budget reports are reviewed with the Board of Finance.

Fund Balance Policy. 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 of 10% of actual year-end general fund revenues. The 10% shall be known as the Town's "floor." As of June 30, 2019, the Town has a 16.1% Unassigned Fund Balance an increase of 2.3% from last year's 13.8%. (The \$11.8 million decrease in the State of Connecticut's on behalf payments to the CT TRB and OPEB Retirement Systems caused a decrease in the total general fund revenues, and inflated the unassigned fund balance. Without this change, the unassigned fund balance would be 14.9%)

Utilization of Fund Balance Policy. The Town had set a goal to reduce and eventually eliminate any use of general fund balance to balance the budget, therefore eliminating "Designated for Subsequent Year's Expenditures" within the Fund Balance section on the audited general fund balance sheet. This goal was accomplished for the first time in at least ten years when the Board of Finance and Town Council decided not to utilize any fund balance to balance the fiscal year 2012-2013 budget. They have continued this practice through the current fiscal year 2018-2019 budget. The Board of Finance and Town Council, however, have decided to use excess Fund Balance for one-time capital projects starting with fiscal year 2014-2015.

In the fiscal year 2019-2020 budget, the Board of Finance and the Town Council decided to use \$1.9 million dollars of Unassigned Fund Balance to cash fund six Capital Projects in year 1 of the Town's CIP.

Debt Management Policy. The Town shall utilize the following limits to guide issuance of debt:

- a. Total Direct Indebtedness shall not exceed 3% of full market valuation (equalized grand list). As of June 30, 2019, total direct indebtedness is 1.7%.
- b. Total Direct Service shall be below 9.5% of general fund expenditures. As of June 30, 2019, total debt service as a percentage of general fund expenditures is 7.9%.
- c. All general obligation debt shall be structured to retire at least 25% in five years and 70% within 10 years. With the general obligation new bond issue of April 2018, the Town structured the debt so that 41.72% of total debt would be retired in 5 years and 72.52% would be retired in 10 years.

Contingency Planning Policy. The Town shall require sufficient contingency fund levels to avoid the use of undesignated fund balance. Contingency shall not exceed 1.125% of previous fiscal year budgeted expenditures. The Town approved the contingency account for fiscal year 2019-2020 Budget at \$1.1 million for salary increases, and other contingency appropriations.

Investment Policy. The Town invests its idle cash and seeks to maintain safety, liquidity, and optimum yields on its investments. Under existing State statutes, allowable investments include certificates of deposit, money market and other short-term liquid accounts, repurchase agreements, U.S. Government securities, and investment pools which possess the aforementioned investment instruments. The Town's funds were primarily invested in municipal money market accounts, certificates of deposit and investment pools containing U.S. Government securities during the fiscal year ended June 30, 2019. The low and high earnings rate on investments was 1.3% and 3.35%, respectively. Investment income for the General Fund generated \$1.8 million which represents approximately .45 mills.

The Board of Finance will review the Town's fiscal policies on an annual basis and make recommendations to the Town Council.

Long-term Financial Planning

The Town views infrastructure maintenance and improvements as vital to future economic growth and financial planning. By assessing needs and developing a capital improvement plan to spread the improvements over a period of years, the tax mill rate effect can be lessened.

The Town Manager annually prepares a Five Year Capital Improvement Plan (CIP), which is reviewed by the Planning and Zoning Commission, the Board of Finance and the Town Council in conjunction with the operational budget. The approved fiscal year 2019-20 Five Year CIP includes various road, bridge, and sewer projects as well as major equipment purchases totaling \$96.3 million for the five-year period beginning with fiscal year 2019-20 and ending with fiscal year 2023-24. \$19.5 million of this amount is the balance needed for the Water Pollution Control Facilities Upgrade.

Included in the Five Year CIP is a recommended Annual Capital Expenditure Budget for the current fiscal year. The 2019-2020 Annual Capital Expenditure Budget approved by the Town Council, and citizen referendum when required, totaled \$34.5 million and included twenty-eight projects.

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Southington for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-eighth consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the daily efforts of the entire staff of the Department of Finance. The preparation of the CAFR requires a major effort, and I would like to express my appreciation to Christina Sivigny-Smith, Joyce Williams, and Ann Anop who assisted and contributed to the preparation of this report. I would also like to thank the Town Council, the Board of Finance, and the Town Manager for their interest and support in planning and conducting the financial operations of the Town in a responsible and progressive manner. Finally, the assistance and guidance provided by our independent auditors, RSM US LLP, was most appreciated.

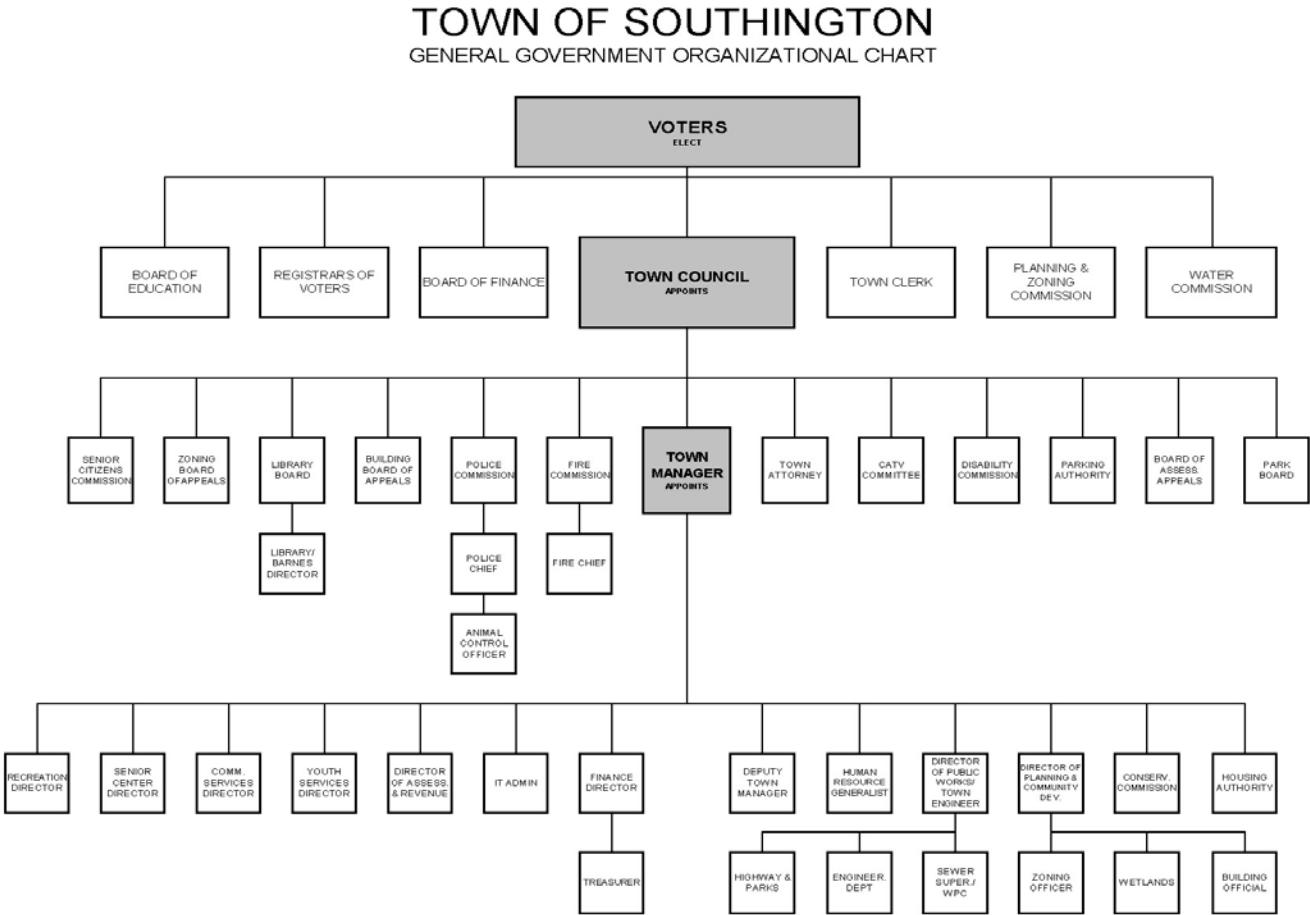
Respectfully submitted,



Emilia C. Portelinha
Director of Finance

TOWN OF SOUTHINGTON

GENERAL GOVERNMENT ORGANIZATIONAL CHART



TOWN OF SOUTHTON, CONNECTICUT

PRINCIPAL OFFICIALS

JUNE 30, 2019

Town Council

Christopher J. Palmieri, Chairman
Dawn A. Miceli, Vice Chairman
John N. Barry
William Dziedzic
Tom Lombardi

Kelly Morrissey
Christopher J. Poulos
Michael Riccio
Victoria Triano

Town Manager

Mark J. Sciota

Administration

Director of Assessments & Revenue
Building Inspector
Economic Development Coordinator
Director of Public Works
Town Engineer
Director of Finance
Fire Chief
Librarian
Director of Planning & Community Development
Police Chief
Director of Recreation
Town Clerk
Town Treasurer
Water Pollution Plant Superintendent
Director of Youth Services
Director of Calendar House Senior Center

Teresa Babon
John Smigel
Louis Perillo
Keith Hayden
Annette Turnquist
Emilia Portelinha
Richard Butler
Kristi Sadwoski
Robert Phillips
John Daly
David Lapreay
Kathy Larkin
Joyce Williams
Peter Stallings
Christina Simms
Robert Verderame

Board of Finance

John J. Leary, Chairperson
Joseph K. Labieniec, Vice Chairperson
Edward S. Pocock Jr., Secretary

Kevin R. Beaudoin
Tony Morrison
Susan Zoni

Board of Education

Brian S. Goralski, Chairperson
Terri C. Carmody, Vice Chairperson
Colleen W. Clark, Secretary
Joseph Baczewski
Robert S. Brown

Lisa Cammuso
David J. Derynoski
Zaya G. Oshana, Jr.
Patricia A. Queen

Superintendent of Schools

Timothy F. Connellan



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Town of Southington
Connecticut**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO

Financial Section

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 |

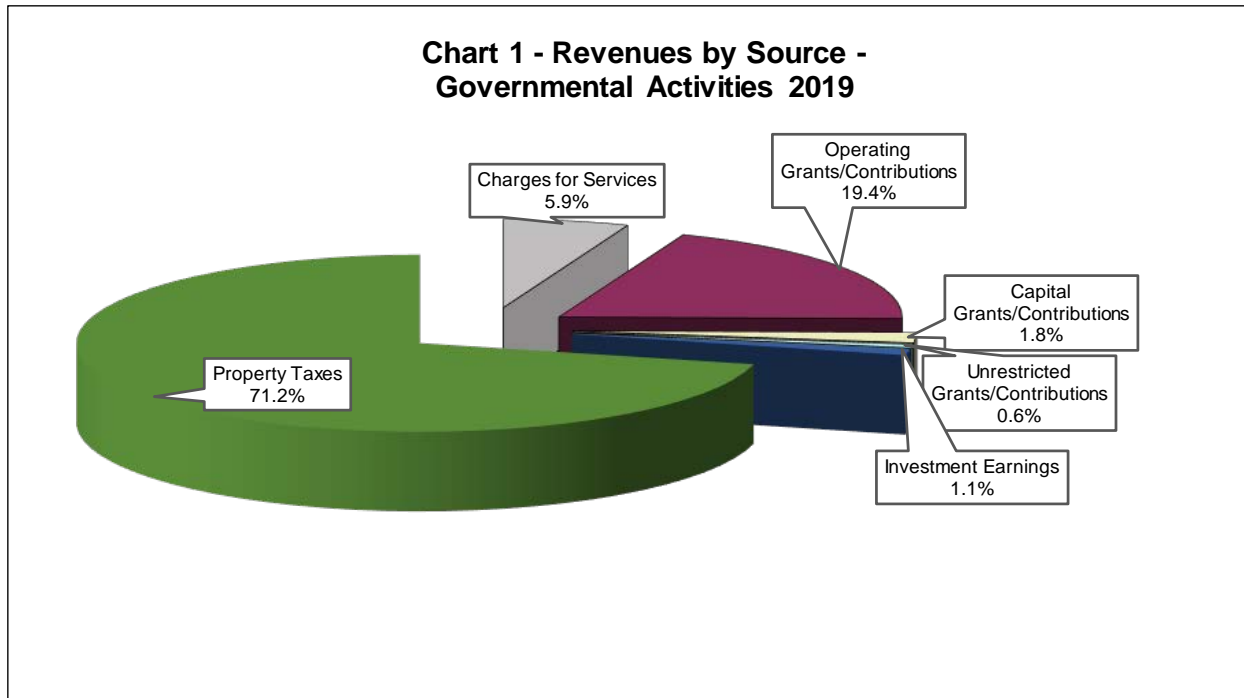
By far the largest portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to 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

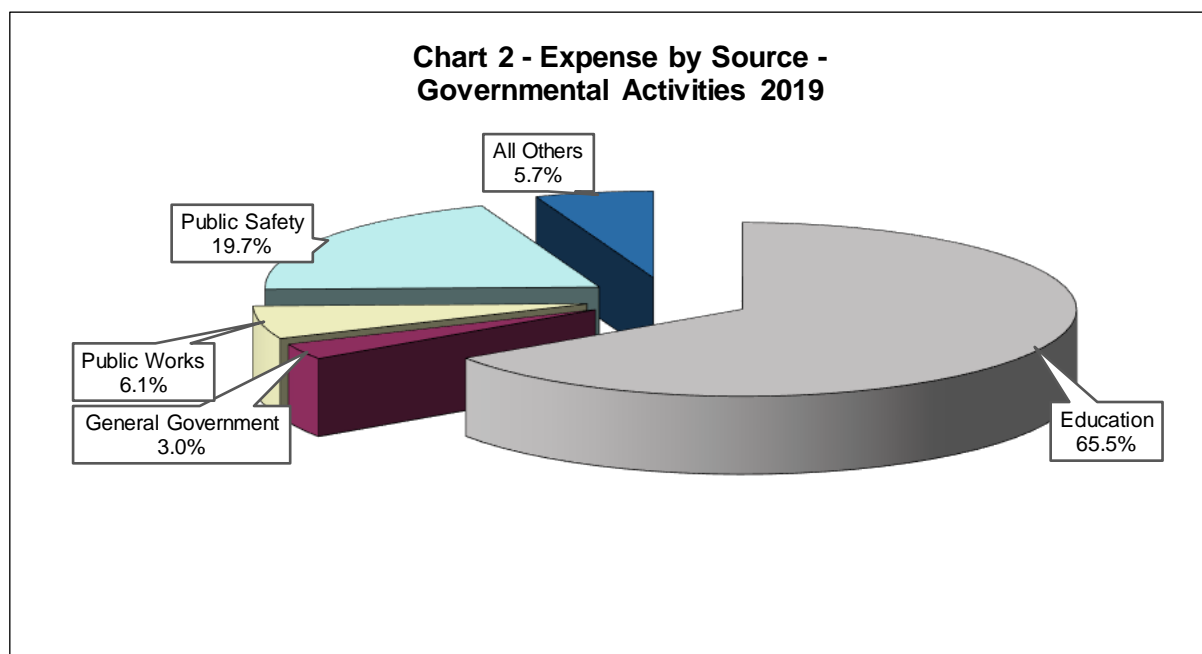
Approximately 71.2% of the revenues were derived from property taxes, followed by 19.4% from operating grants and contributions, 5.9% from charges for services, 1.8% from capital grants and contributions, 1.1% from investment earnings, and .6% from unrestricted grants and contributions.



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.

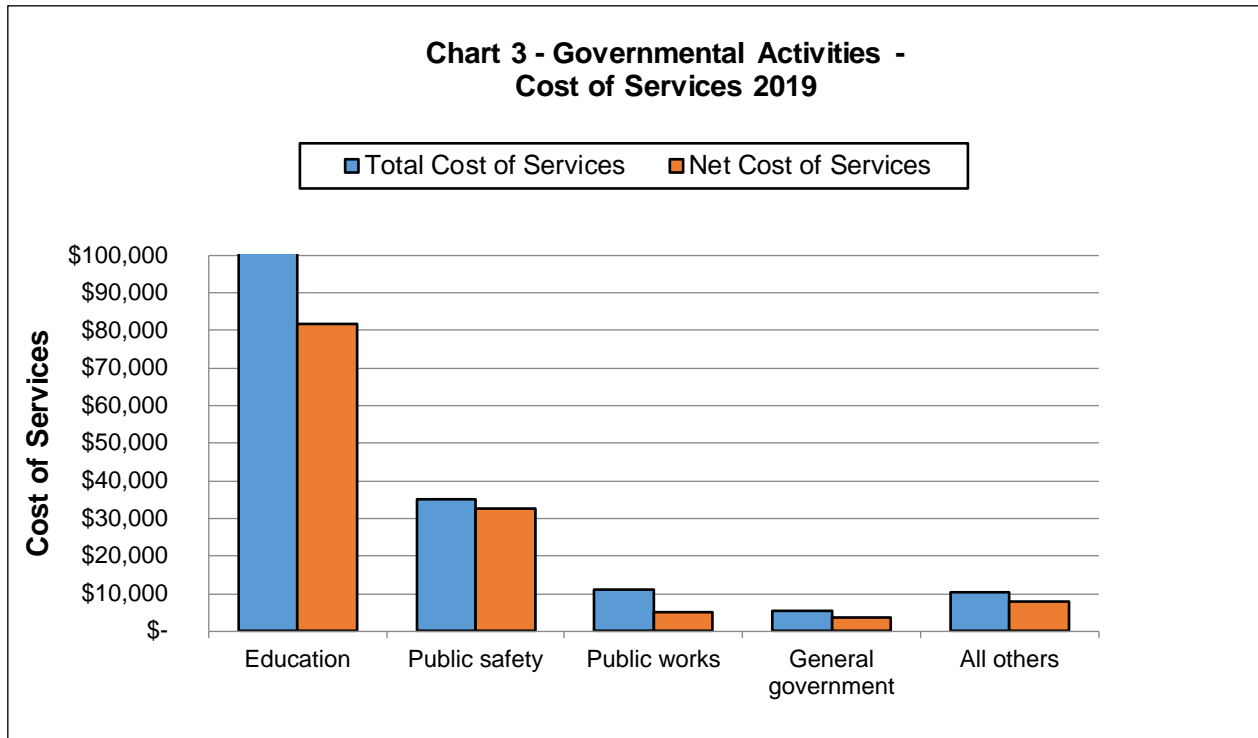


Major expense factors include:

- 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 | <u>\$ 178,398</u> | <u>\$ 179,240</u> | <u>\$ (131,253)</u> | <u>\$ (120,608)</u> |



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.

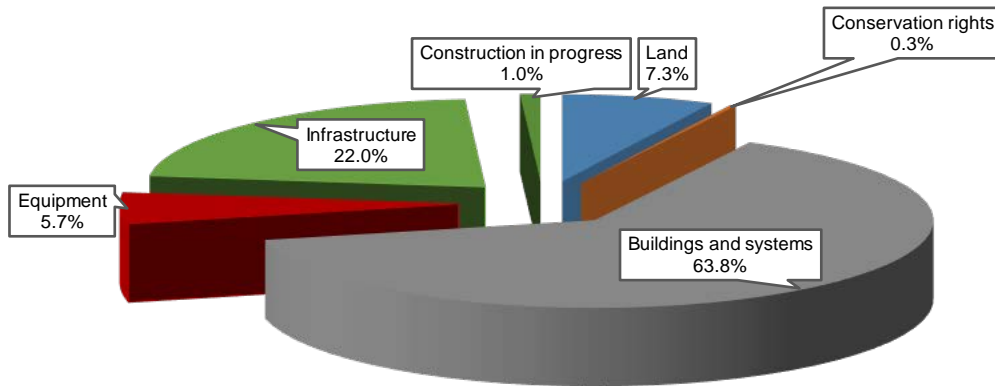
Capital Assets and Debt Administration

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.

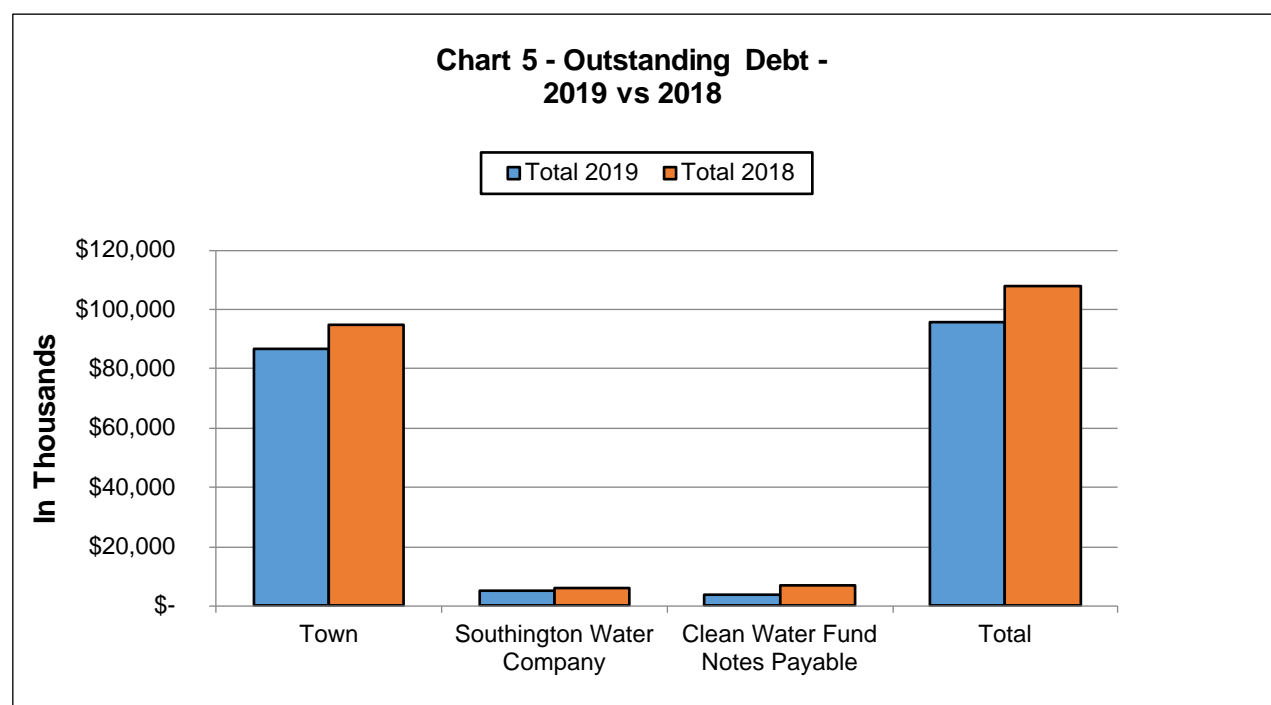
Business-Type Activities:

- 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 | \$ 61,721 | \$ 5,711 |

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) | <u>\$ 28,458</u> | <u>\$ (995)</u> | <u>\$ 7,271</u> | <u>\$ 34,734</u> |

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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**Combining and Individual
Fund Statements and Other Schedules**

General Fund

General Fund

The General Fund is the principal fund of the Town and is used to account for all activities of the Town, except those required to be accounted for in another fund. The General Fund accounts for the normal recurring activities of the Town (i.e., general government, public safety, public works, health and welfare, human services, parks and recreation, library, education, etc.). These activities are funded principally by property taxes, user fees and grants from other governmental units

Balance Sheet - General Fund
June 30, 2019
(In Thousands)

| | 2019 |
|---|------------------|
| Assets | |
| Cash and cash equivalents | \$ 15,872 |
| Investments | 15,526 |
| Property taxes receivable, net of allowance for uncollectible accounts of \$134 in 2019 and \$75 in 2018 | 2,010 |
| Due from State of Connecticut | 162 |
| Accounts receivable | 41 |
| Inventories and prepaids | 27 |
| Total assets | \$ 33,638 |
| Liabilities, Deferred Inflows of Resources and Fund Balance | |
| Liabilities: | |
| Accounts payable and accrued liabilities | \$ 3,001 |
| Due to State of Connecticut | 381 |
| Total liabilities | 3,382 |
| Deferred inflows of resources: | |
| Unavailable revenue - property taxes | 1 |
| Advance tax collections | 1,797 |
| Total deferred inflows of resources | 1,798 |
| Fund balance: | |
| Nonspendable | 27 |
| Assigned | 3,113 |
| Unassigned | 25,318 |
| Total fund balance | 28,458 |
| Total liabilities, deferred inflows of resources and fund balance | \$ 33,638 |

Town of Southington, Connecticut

A-2

**Report of Tax Collector - General Fund
For the Year Ended June 30, 2019
(In Thousands)**

| Grand List Year | Uncollected Taxes/Levy July 1, 2018 | Lawful Corrections | | Transfers to Suspense | Adjusted Taxes Collectible | Collections | | | Amount Paid to Treasurer | Credit Balances | Uncollected Taxes June 30, 2019 |
|--------------------|---|--------------------|-----------|-----------------------------|----------------------------------|-------------|----------|------------------------|--------------------------------|--------------------|---------------------------------------|
| | | Additions | Deletions | | | Taxes | Interest | Warrants Liens/Fees | | | |
| 2017 | \$ 123,481 | \$ 89 | \$ 451 | \$ 18 | \$ 123,101 | \$ 122,030 | \$ 311 | \$ 15 | \$ 122,356 | \$ 149 | \$ 1,220 |
| 2016 | 1,178 | 13 | 27 | 11 | 1,153 | 665 | 148 | 6 | 819 | 18 | 506 |
| 2015 | 473 | 1 | 3 | 12 | 459 | 219 | 78 | 2 | 299 | 1 | 241 |
| 2014 | 224 | 1 | 7 | 10 | 208 | 88 | 48 | 1 | 137 | 1 | 121 |
| 2013 | 115 | - | 1 | 69 | 45 | 35 | 22 | - | 57 | 1 | 11 |
| 2012 | 44 | - | - | 29 | 15 | 8 | 7 | - | 15 | - | 7 |
| 2011 | 24 | - | - | 10 | 14 | 7 | 5 | - | 12 | - | 7 |
| 2010 | 20 | - | - | 10 | 10 | 2 | 2 | - | 4 | - | 8 |
| 2009 | 8 | - | - | 1 | 7 | 1 | 1 | - | 2 | - | 6 |
| 2008 | 7 | - | - | 1 | 6 | - | 1 | - | 1 | - | 6 |
| 2007 | 3 | - | - | - | 3 | - | - | - | - | - | 3 |
| 2006 | 3 | - | - | - | 3 | - | 1 | - | 1 | - | 3 |
| 2005 | 3 | - | - | - | 3 | - | - | - | - | - | 3 |
| 2004 | 2 | - | - | 1 | 1 | - | - | - | - | - | 1 |
| 2003 | 1 | - | - | - | 1 | - | - | - | - | - | 1 |
| <hr/> | | | | | | | | | | | |
| | \$ 125,586 | \$ 104 | \$ 489 | \$ 172 | \$ 125,029 | \$ 123,055 | \$ 624 | \$ 24 | \$ 123,703 | \$ 170 | \$ 2,144 |

* Operation of law

Nonmajor Governmental Funds

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for and report specific revenue sources that are restricted or committed to expenditure for specific purposes.

Cafeteria

To account for the operation of the public school lunch program. Funding is provided from the sale of food, federal and state grants, and USDA food donations.

Animal Control Fund

To account for the operation of animal control. Financing is provided by license fees, fines and a subsidy from the General Fund.

Federal and State Education Grants

To account for state and federal educational grants received through the State Department of Education.

Police Auction

To account for payment of health insurance premiums for retired officers funded by sale of goods.

Refuse

To account for refuse removal funded by charges for services.

Police Special Duty

To account for public safety services to Town and outside entities funded by charges for the services.

Apple Harvest Festival

To account for the Apple Harvest Festival funded by charges for services and donations.

Police Forfeiture

To account for the proceeds of property confiscated by the Town's Police Department

Town Special Revenue

To account for gifts, small grants and insurance proceeds designated for specific purposes.

Child Development Center

To account for grant received through the Town to maintain the Margaret C. Griffin Child Development Center of Southington, CT.

Library Trust

To account for monies received from private donors for the acquisition of books, materials and other related library services.

Excavation Permit

To account for fees received for excavation permits for trench restoration.

Community Services

To account for contributions to Community Services for needy families.

Drive In Theatre

To account for operations of the Drive-in Theatre through charges for services.

Barnes Museum Restoration

To account for the restoration of the Barnes Museum funded through contributions and sale of goods.

Recreation Programs

To account for recreation programs which are self-sustaining through user fees.

Turf Field

To account for the collection of fees and donations to fund the replacement of the Turf Field.

CDBG SC1513101- Housing Rehabilitation Fund

To account for the Southington Rehabilitation Projects benefiting low and moderate income residents with home improvements funded by the CDBG Grant.

Board of Education Scholarships

To account for income and scholarship expenditures.

Brownfield Fund

To account for the demolition and remediation of the former Beaton and Corbin site at 318 North Main Street for redevelopment as commercial office space. This project is funded through a DECO grant, a Town subsidy and a contribution from the private developer.

Sewer Assessment Fund

To account for proceeds of sewer line assessments used to fund debt service costs related to sewer line extension projects within the Town. The major source of revenue is sewer assessments. The Town issues general obligation debt to fund capital improvements to sewer lines.

Barnes Museum

To account for donations and monies collected through the sale of goods for the benefit of the Barnes Museum.

Debt Service

To account for the financial resources to be used to pay the interest and principal of long-term debt.

Permanent Funds

Permanent funds are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Edna Woodruff

To account for income and education expenditures.

Addin Lewis

To account for income and education expenditures.

Julia Bradley Library

To account for proceeds of trust fund established for the benefit of the Town's library.

Town of Southington, Connecticut

B-1

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019
(In Thousands)**

| | Special Revenue | | | | | | | | | |
|---|-----------------|-------------------|---|-------------------|---------------|---------------------------|------------------------------|----------------------|----------------------------|--------------------------------|
| | Cafeteria | Animal Control | Federal and State Education Grants | Police Auction | Refuse | Police Special Duty | Apple Harvest Festival | Police Forfeiture | Town Special Revenue | Child Development Center |
| Assets | | | | | | | | | | |
| Cash and cash equivalents | \$ 668 | \$ 52 | \$ 818 | \$ 7 | \$ 133 | \$ 666 | \$ 171 | \$ 34 | \$ 497 | \$ - |
| Investments | - | - | - | - | - | - | - | - | - | - |
| Accounts receivable | 114 | - | 33 | - | 220 | 455 | - | - | - | - |
| Inventories | 36 | - | - | - | - | - | - | - | - | - |
| Total assets | \$ 818 | \$ 52 | \$ 851 | \$ 7 | \$ 353 | \$ 1,121 | \$ 171 | \$ 34 | \$ 497 | \$ - |
| Liabilities, deferred inflows of resources and fund balances | | | | | | | | | | |
| Liabilities: | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ - | \$ 22 | \$ 350 | \$ - | \$ 352 | \$ 101 | \$ - | \$ - | \$ 16 | \$ - |
| Unearned revenue | 80 | - | 457 | - | - | - | - | - | - | - |
| Other liabilities | - | - | - | - | - | - | - | - | - | - |
| Total liabilities | 80 | 22 | 807 | - | 352 | 101 | - | - | 16 | - |
| Deferred inflows of resources: | | | | | | | | | | |
| Unavailable revenue - charges for services | - | - | - | - | - | 73 | - | - | - | - |
| Unavailable revenue - special assessments | - | - | - | - | - | - | - | - | - | - |
| Total deferred inflows of resources | - | - | - | - | - | 73 | - | - | - | - |
| Fund balances: | | | | | | | | | | |
| Nonspendable | 36 | - | - | - | - | - | - | - | - | - |
| Restricted | - | - | 44 | - | - | - | - | - | - | - |
| Committed | 702 | 30 | - | 7 | 1 | 947 | 171 | 34 | 481 | - |
| Total fund balances | 738 | 30 | 44 | 7 | 1 | 947 | 171 | 34 | 481 | - |
| Total liabilities, deferred inflows of resources and fund balances | \$ 818 | \$ 52 | \$ 851 | \$ 7 | \$ 353 | \$ 1,121 | \$ 171 | \$ 34 | \$ 497 | \$ - |

(Continued)

Town of Southington, Connecticut

B-1

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

| | Special Revenue | | | | | | | | | | |
|---|------------------|----------------------|-----------------------|---------------------|---------------------------------|------------------------|---------------|-------------|---------------|--------------------------------------|--|
| | Library Trust | Excavation Permit | Community Services | Drive-In Theatre | Barnes Museum Restoration | Recreation Programs | Turf Field | CDBG | Brownfield | Board of Education Scholarship | |
| Assets | | | | | | | | | | | |
| Cash and cash equivalents | \$ 91 | \$ 440 | \$ 250 | \$ 61 | \$ 101 | \$ 205 | \$ 196 | \$ - | \$ 104 | \$ 527 | |
| Investments | - | - | - | - | - | - | - | - | - | - | |
| Accounts receivable | - | - | - | - | - | - | - | - | 6 | - | |
| Inventories | - | - | - | - | - | - | - | - | - | - | |
| Total assets | \$ 91 | \$ 440 | \$ 250 | \$ 61 | \$ 101 | \$ 205 | \$ 196 | \$ - | \$ 110 | \$ 527 | |
| Liabilities, deferred inflows of resources and fund balances | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 3 | \$ 25 | \$ 5 | \$ 8 | \$ - | \$ 1 | \$ - | \$ - | \$ - | \$ - | |
| Unearned revenue | - | 101 | - | - | - | - | - | - | - | - | |
| Other liabilities | - | 235 | - | - | - | - | - | - | - | - | |
| Total liabilities | 3 | 361 | 5 | 8 | - | 1 | - | - | - | - | |
| Deferred inflows of resources: | | | | | | | | | | | |
| Unavailable revenue - charges for services | - | - | - | - | - | - | - | - | - | - | |
| Unavailable revenue - special assessments | - | - | - | - | - | - | - | - | - | - | |
| Total deferred inflows of resources | - | - | - | - | - | - | - | - | - | - | |
| Fund balances: | | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - | - | |
| Restricted | 88 | - | - | - | - | - | - | - | - | 527 | |
| Committed | - | 79 | 245 | 53 | 101 | 204 | 196 | - | 110 | - | |
| Total fund balances | 88 | 79 | 245 | 53 | 101 | 204 | 196 | - | 110 | 527 | |
| Total liabilities, deferred inflows of resources and fund balances | \$ 91 | \$ 440 | \$ 250 | \$ 61 | \$ 101 | \$ 205 | \$ 196 | \$ - | \$ 110 | \$ 527 | |

(Continued)

Town of Southington, Connecticut

B-1

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

| | Special Revenue | | | | Permanent Fund | | | | Total Nonmajor Governmental Funds |
|---|----------------------|------------------|-----------------|------------------|------------------|----------------|-----------------------------|--------------|--|
| | Sewer Assessments | Barnes Museum | Debt Service | Total | Edna Woodruff | Addin Lewis | Julia Bradley Library | Total | |
| Assets | | | | | | | | | |
| Cash and cash equivalents | \$ 446 | \$ 13 | \$ 2,758 | \$ 8,238 | \$ - | \$ - | \$ 1 | \$ 1 | \$ 8,239 |
| Investments | - | - | - | - | 2 | 7 | - | 9 | 9 |
| Accounts receivable | 1,135 | - | - | 1,963 | - | - | - | - | 1,963 |
| Inventories | - | - | - | 36 | - | - | - | - | 36 |
| Total assets | \$ 1,581 | \$ 13 | \$ 2,758 | \$ 10,237 | \$ 2 | \$ 7 | \$ 1 | \$ 10 | \$ 10,247 |
| Liabilities, deferred inflows of resources and fund balances | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 13 | \$ - | \$ - | \$ 896 | \$ - | \$ - | \$ - | \$ - | \$ 896 |
| Unearned revenue | - | - | - | 638 | - | - | - | - | 638 |
| Other liabilities | - | - | - | 235 | - | - | - | - | 235 |
| Total liabilities | 13 | - | - | 1,769 | - | - | - | - | 1,769 |
| Deferred inflows of resources: | | | | | | | | | |
| Unavailable revenue - charges for services | - | - | - | 73 | - | - | - | - | 73 |
| Unavailable revenue - special assessments | 1,134 | - | - | 1,134 | - | - | - | - | 1,134 |
| Total deferred inflows of resources | 1,134 | - | - | 1,207 | - | - | - | - | 1,207 |
| Fund balances: | | | | | | | | | |
| Nonspendable | - | - | - | 36 | 2 | 7 | 1 | 10 | 46 |
| Restricted | - | - | - | 659 | - | - | - | - | 659 |
| Committed | 434 | 13 | 2,758 | 6,566 | - | - | - | - | 6,566 |
| Total fund balances | 434 | 13 | 2,758 | 7,261 | 2 | 7 | 1 | 10 | 7,271 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,581 | \$ 13 | \$ 2,758 | \$ 10,237 | \$ 2 | \$ 7 | \$ 1 | \$ 10 | \$ 10,247 |

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

| | Special Revenue | | | | | | | | | |
|--|-----------------|-------------------|---|-------------------|--------------|---------------------------|------------------------------|----------------------|----------------------------|--------------------------------|
| | Cafeteria | Animal Control | Federal and State Education Grants | Police Auction | Refuse | Police Special Duty | Apple Harvest Festival | Police Forfeiture | Town Special Revenue | Child Development Center |
| Revenues: | | | | | | | | | | |
| Contributions | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 58 | \$ - | \$ - | \$ - |
| Intergovernmental | 766 | - | 4,824 | - | - | - | - | - | 127 | 340 |
| Charges for services | 1,292 | 9 | - | - | 2,255 | 2,176 | 230 | - | 159 | - |
| Income on investments | - | 1 | - | - | - | - | - | - | - | - |
| Total revenues | 2,058 | 10 | 4,824 | - | 2,255 | 2,176 | 288 | - | 286 | 340 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | - | 23 | - |
| Public safety | - | 234 | - | - | - | 2,019 | 54 | - | 26 | - |
| Public works | - | - | - | - | 2,255 | - | - | - | 47 | - |
| Health and welfare | - | - | - | - | - | - | - | - | 8 | - |
| Human services | - | - | - | - | - | - | - | - | 111 | - |
| Parks and recreation | - | - | - | - | - | - | 247 | - | 11 | - |
| Public library | - | - | - | - | - | - | - | - | - | - |
| Education | 1,977 | - | 4,829 | - | - | - | - | - | - | 340 |
| Debt service | - | - | - | - | - | - | - | - | - | - |
| Total expenditures | 1,977 | 234 | 4,829 | - | 2,255 | 2,019 | 301 | - | 226 | 340 |
| Excess (deficiency) of revenues over expenditures | 81 | (224) | (5) | - | - | 157 | (13) | - | 60 | - |
| Other financing sources: | | | | | | | | | | |
| Transfers in | - | 206 | - | - | - | - | - | - | 1 | - |
| Transfers out | - | - | - | - | - | - | - | - | (24) | - |
| Payment to escrow | - | - | - | - | - | - | - | - | - | - |
| Issuance of refunding bonds | - | - | - | - | - | - | - | - | - | - |
| Premium on refunding bonds | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | 206 | - | - | - | - | - | - | (23) | - |
| Net change in fund balances | 81 | (18) | (5) | - | - | 157 | (13) | - | 37 | - |
| Fund balances at beginning of year | 657 | 48 | 49 | 7 | 1 | 790 | 184 | 34 | 444 | - |
| Fund balances at end of year | \$ 738 | \$ 30 | \$ 44 | \$ 7 | \$ 1 | \$ 947 | \$ 171 | \$ 34 | \$ 481 | \$ - |

(Continued)

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

| | Special Revenue | | | | | | | | | |
|--|------------------|----------------------|-----------------------|---------------------|---------------------------------|------------------------|---------------|------------|------------|--------------------------------------|
| | Library Trust | Excavation Permit | Community Services | Drive-In Theatre | Barnes Museum Restoration | Recreation Programs | Turf Field | CDBG | Brownfield | Board of Education Scholarship |
| Revenues: | | | | | | | | | | |
| Contributions | \$ - | \$ - | \$ 65 | \$ 1 | \$ - | \$ - | \$ 25 | \$ - | \$ - | \$ 23 |
| Intergovernmental | 3 | - | - | - | - | - | - | 138 | - | - |
| Charges for services | 13 | 36 | - | 64 | - | 171 | 13 | - | - | - |
| Income on investments | - | - | - | - | 2 | - | - | - | - | 2 |
| Total revenues | 16 | 36 | 65 | 65 | 2 | 171 | 38 | 138 | - | 25 |
| Expenditures: | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - | - | - | - |
| Public works | - | 30 | - | - | - | - | - | - | - | - |
| Health and welfare | - | - | - | - | - | - | - | - | - | - |
| Human services | - | - | 53 | - | 3 | - | - | 138 | - | - |
| Parks and recreation | - | - | - | 55 | - | 148 | 4 | - | - | - |
| Public library | 14 | - | - | - | - | - | - | - | - | - |
| Education | - | - | - | - | - | - | - | - | - | 95 |
| Debt service | - | - | - | - | - | - | - | - | - | - |
| Total expenditures | 14 | 30 | 53 | 55 | 3 | 148 | 4 | 138 | - | 95 |
| Excess (deficiency) of revenues over expenditures | 2 | 6 | 12 | 10 | (1) | 23 | 34 | - | - | (70) |
| Other financing sources: | | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | (1) | - | - | - | - |
| Payment to escrow | - | - | - | - | - | - | - | - | - | - |
| Issuance of refunding bonds | - | - | - | - | - | - | - | - | - | - |
| Premium on refunding bonds | - | - | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | (1) | - | - | - | - |
| Net change in fund balances | 2 | 6 | 12 | 10 | (1) | 22 | 34 | - | - | (70) |
| Fund balances at beginning of year | 86 | 73 | 233 | 43 | 102 | 182 | 162 | - | 110 | 597 |
| Fund balances at end of year | \$ 88 | \$ 79 | \$ 245 | \$ 53 | \$ 101 | \$ 204 | \$ 196 | \$ - | \$ 110 | \$ 527 |

(Continued)

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

| | Special Revenue | | | | Permanent Fund | | | | Total Nonmajor Governmental Funds |
|--|----------------------|------------------|-----------------|----------------|------------------|----------------|-----------------------------|----------|--|
| | Sewer Assessments | Barnes Museum | Debt Service | Total | Edna Woodruff | Addin Lewis | Julia Bradley Library | Total | |
| Revenues: | | | | | | | | | |
| Contributions | \$ - | \$ 12 | \$ - | \$ 184 | \$ - | \$ - | \$ - | \$ - | \$ 184 |
| Intergovernmental | - | - | - | 6,198 | - | - | - | - | 6,198 |
| Charges for services | 96 | - | - | 6,514 | - | - | - | - | 6,514 |
| Income on investments | 29 | - | - | 34 | - | - | - | - | 34 |
| Total revenues | 125 | 12 | - | 12,930 | - | - | - | - | 12,930 |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | - | - | - | 23 | - | - | - | - | 23 |
| Public safety | - | - | - | 2,333 | - | - | - | - | 2,333 |
| Public works | - | - | - | 2,332 | - | - | - | - | 2,332 |
| Health and welfare | - | - | - | 8 | - | - | - | - | 8 |
| Human services | - | - | - | 305 | - | - | - | - | 305 |
| Parks and recreation | - | - | - | 465 | - | - | - | - | 465 |
| Public library | - | 12 | - | 26 | - | - | - | - | 26 |
| Education | - | - | - | 7,241 | - | - | - | - | 7,241 |
| Debt service | 295 | - | 995 | 1,290 | - | - | - | - | 1,290 |
| Total expenditures | 295 | 12 | 995 | 14,023 | - | - | - | - | 14,023 |
| Excess (deficiency) of revenues over expenditures | (170) | - | (995) | (1,093) | - | - | - | - | (1,093) |
| Other financing sources: | | | | | | | | | |
| Transfers in | - | - | - | 207 | - | - | - | - | 207 |
| Transfers out | - | - | - | (25) | - | - | - | - | (25) |
| Payment to escrow | - | - | (7,203) | (7,203) | - | - | - | - | (7,203) |
| Issuance of refunding bonds | - | - | 6,825 | 6,825 | - | - | - | - | 6,825 |
| Premium on refunding bonds | - | - | 473 | 473 | - | - | - | - | 473 |
| Total other financing sources (uses) | - | - | 95 | 277 | - | - | - | - | 277 |
| Net change in fund balances | (170) | - | (900) | (816) | - | - | - | - | (816) |
| Fund balances at beginning of year | 604 | 13 | 3,658 | 8,077 | 2 | 7 | 1 | 10 | 8,087 |
| Fund balances at end of year | \$ 434 | \$ 13 | \$ 2,758 | \$ 7,261 | \$ 2 | \$ 7 | \$ 1 | \$ 10 | \$ 7,271 |

Fiduciary Funds

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity for individuals, private organizations, other governments, and/or other funds. These include agency funds.

Agency Funds

Student Activity

To account for the monies generated by student activities in the Southington school system.

Escrow Deposit

To account for cash bonds and other cash and investments held by the Town to ensure compliance with specifications and regulations with respect to various building projects and improvements.

C-PACE Program

To account for the lease payments through the Connecticut Property Assessed Clean Energy program, giving access to affordable, long-term financing to local businesses for qualifying clean energy upgrades.

**Combining Statement of Changes in Assets and Liabilities -
Agency Funds
For the Year Ended June 30, 2019**

| | Balance July 1, 2018 | Additions | Deletions | Balance June 30, 2019 |
|-------------------------------|-------------------------|------------------|------------------|--------------------------|
| Student Activity Fund | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 550 | \$ 1,333 | \$ 1,272 | \$ 611 |
| Investments | 126 | 1 | - | 127 |
| Total assets | \$ 676 | \$ 1,334 | \$ 1,272 | \$ 738 |
| Liabilities | | | | |
| Fiduciary deposits | \$ 676 | \$ 1,334 | \$ 1,272 | \$ 738 |
| Escrow Deposit | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 1,604 | \$ 299 | \$ 407 | \$ 1,496 |
| Liabilities | | | | |
| Fiduciary deposits | \$ 1,604 | \$ 299 | \$ 407 | \$ 1,496 |
| C-Pace Program | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ - | \$ 39,109 | \$ 39,109 | \$ - |
| Liabilities | | | | |
| Fiduciary deposits | \$ - | \$ 39,109 | \$ 39,109 | \$ - |
| Total All Agency Funds | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 2,154 | \$ 40,741 | \$ 40,788 | \$ 2,107 |
| Investments | 126 | 1 | - | 127 |
| Total assets | \$ 2,280 | \$ 40,742 | \$ 40,788 | \$ 2,234 |
| Liabilities | | | | |
| Fiduciary deposits | \$ 2,280 | \$ 40,742 | \$ 40,788 | \$ 2,234 |

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Statistical Section Information

The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess economic condition.

Statistical section information is presented in the following categories:

- Financial trends information is intended to assist users in understanding and assessing how financial position has changed over time.
- Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the ability to generate own-source revenues (property taxes, charges for services, etc.)
- Debt capacity information is intended to assist users in understanding and assessing debt burden and the ability to issue additional debt.
- Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment and (2) to provide information that facilitates comparisons of financial statement information over time and among governments.
- Operating information is intended to provide contextual information about operations and resources to assist readers in using financial statement information to understand and assess economic condition.

The accompanying tables are presented in the above order. Refer to the Table of Contents for applicable page number locations.

Town of Southington, Connecticut

Table 1

**Net Position by Component
Last Ten Fiscal Years
(In Thousands)
(Unaudited)**

| | Fiscal Year | | | | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 2017 (3) | 2016 | 2015 | 2014 (2) | 2013 | 2012 | 2011 | 2010 |
| Government Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 168,142 | \$ 172,521 | \$ 161,862 | \$ 155,774 | \$ 143,966 | \$ 145,586 | \$ 120,862 | \$ 110,992 | \$ 104,035 | \$ 99,125 |
| Restricted | 625 | 726 | 758 | 758 | 705 | 712 | 704 | 631 | 1,032 | 985 |
| Unrestricted (deficit) | (25,058) | (19,188) | (11,226) | 17,095 | 11,035 | (7,624) | 7,352 | 5,917 | 6,786 | 1,814 |
| Total governmental activities net position | 143,709 | 154,059 | 151,394 | 173,627 | 155,706 | 138,674 | 128,918 | 117,540 | 111,853 | 101,924 |
| Business-Type Activities | | | | | | | | | | |
| Net investment in capital assets | 52,711 | 48,315 | 48,572 | 48,515 | 45,324 | 44,622 | 45,381 | 46,739 | 47,450 | 47,103 |
| Unrestricted | 9,010 | 7,260 | 5,835 | 4,333 | 2,193 | 1,242 | 1,740 | 1,903 | 1,585 | 789 |
| Total business-type activities net position | 61,721 | 55,575 | 54,407 | 52,848 | 47,517 | 45,864 | 47,121 | 48,642 | 49,035 | 47,892 |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | 220,853 | 220,836 | 210,434 | 204,289 | 189,290 | 190,208 | 166,243 | 157,731 | 151,485 | 146,228 |
| Restricted | 625 | 726 | 758 | 758 | 705 | 712 | 704 | 631 | 1,032 | 985 |
| Unrestricted (deficit) | (16,048) | (11,928) | (5,391) | 21,428 | 13,228 | (6,382) | 9,092 | 7,820 | 8,371 | 2,603 |
| Total primary government net position | \$ 205,430 | \$ 209,634 | \$ 205,801 | \$ 226,475 | \$ 203,223 | \$ 184,538 | \$ 176,039 | \$ 166,182 | \$ 160,888 | \$ 149,816 |

Notes:

(1) Schedule prepared on the accrual basis of accounting. (2) Restated for GASB 68 (3) Restated for GASB 75

Change in Net Position
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

| | Fiscal Year | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Expenses | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 5,324 | \$ 6,054 | \$ 6,157 | \$ 3,236 | \$ 4,911 |
| Public safety | 35,113 | 23,502 | 20,877 | 20,184 | 20,590 |
| Public works | 10,912 | 11,659 | 10,155 | 15,777 | 12,828 |
| Health and welfare | 782 | 790 | 775 | 749 | 804 |
| Human services | 1,738 | 1,592 | 1,575 | 1,388 | 1,699 |
| Parks and recreation | 1,110 | 3,506 | 2,540 | 2,073 | 2,468 |
| Public library | 495 | 2,007 | 2,033 | 2,105 | 2,012 |
| Planning and development | 2,949 | 1,460 | 1,425 | 1,454 | 1,399 |
| Education | 116,831 | 125,783 | 123,630 | 108,892 | 109,074 |
| Interest on long-term debt | 3,144 | 2,887 | 3,026 | 2,830 | 2,954 |
| Total governmental activities expense | 178,398 | 179,240 | 172,193 | 158,688 | 158,739 |
| Business-type activities: | | | | | |
| Sewer | 6,187 | 5,804 | 6,091 | 5,162 | 5,500 |
| Total primary government expenses | 184,585 | 185,044 | 178,284 | 163,850 | 164,239 |
| Program Revenues | | | | | |
| Governmental activities | | | | | |
| Charges for services: | | | | | |
| General government | 1,579 | 1,707 | 1,712 | 2,269 | 2,394 |
| Public safety | 2,316 | 2,004 | 1,721 | 1,887 | 1,234 |
| Public works | 2,527 | 2,228 | 2,085 | 2,197 | 2,046 |
| Education | 2,474 | 2,358 | 2,304 | 2,281 | 2,139 |
| Other | 1,376 | 1,390 | 1,241 | 1,362 | 1,140 |
| Operating grants and contributions | 33,663 | 42,675 | 43,732 | 38,290 | 37,636 |
| Capital grants and contributions | 3,210 | 6,270 | 3,733 | 5,439 | 18,417 |
| Total governmental activities program revenues | 47,145 | 58,632 | 56,528 | 53,725 | 65,006 |
| Business-type activities: | | | | | |
| Charges for services | 5,706 | 5,501 | 5,913 | 5,708 | 5,710 |
| Capital grants and contributions | - | 1,471 | 1,737 | 4,761 | - |
| Total business activities program revenues | 5,706 | 6,972 | 7,650 | 10,469 | 5,710 |
| Total primary government program revenues | 52,851 | 65,604 | 64,178 | 64,194 | 70,716 |

Table 2

| Fiscal Year | | | | |
|-------------|----------|----------|----------|----------|
| 2014 | 2013 | 2012 | 2011 | 2010 |
| \$ 4,166 | \$ 4,804 | \$ 4,942 | \$ 4,176 | \$ 4,464 |
| 19,229 | 19,122 | 20,436 | 18,711 | 17,749 |
| 13,553 | 10,614 | 11,082 | 9,402 | 9,712 |
| 812 | 782 | 777 | 1,047 | 940 |
| 1,688 | 1,699 | 1,667 | 1,671 | 1,477 |
| 2,230 | 2,121 | 1,808 | 1,903 | 1,994 |
| 1,983 | 2,026 | 2,262 | 1,844 | 1,830 |
| 1,252 | 1,144 | 1,210 | 1,245 | 1,131 |
| 106,788 | 99,453 | 99,324 | 94,128 | 92,209 |
| 2,474 | 1,958 | 2,370 | 1,621 | 2,060 |
| 154,175 | 143,723 | 145,878 | 135,748 | 133,566 |
| 5,441 | 6,099 | 5,347 | 4,999 | 4,849 |
| 159,616 | 149,822 | 151,225 | 140,747 | 138,415 |
| 1,926 | 2,133 | 1,220 | 1,085 | 1,332 |
| 1 | 1,297 | 977 | 1,250 | 954 |
| 2,099 | 3,009 | 3,137 | 2,442 | 2,746 |
| 2,358 | 2,266 | 2,060 | 1,973 | 1,963 |
| 1,298 | 1,193 | 1,026 | 968 | 1,061 |
| 38,052 | 36,136 | 36,117 | 33,906 | 33,301 |
| 25,292 | 4,898 | 6,031 | 6,920 | 8,329 |
| 71,026 | 50,932 | 50,568 | 48,544 | 49,686 |
| 4,359 | 4,480 | 4,355 | 4,297 | 3,727 |
| - | - | - | - | - |
| 4,359 | 4,480 | 4,355 | 4,297 | 3,727 |
| 75,385 | 55,412 | 54,923 | 52,841 | 53,413 |

(Continued)

Change in Net Position (Continued)
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

| | Fiscal Year | | | | |
|--|-------------------|------------------|------------------|------------------|------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Net expense: | | | | | |
| Governmental activities | \$ (131,253) | \$ (120,608) | \$ (115,665) | \$ (104,963) | \$ (93,733) |
| Business-type activities | (481) | 1,168 | 1,559 | 5,307 | 210 |
| Total primary government net expense | (131,734) | (119,440) | (114,106) | (99,656) | (93,523) |
| General revenues and other changes in net position | | | | | |
| Governmental activities: | | | | | |
| Property taxes | 123,664 | 121,341 | 116,889 | 112,320 | 107,729 |
| Grants and contributions not restricted to specific purposes | 1,074 | 1,318 | 2,353 | 1,509 | 1,626 |
| Unrestricted investment earnings | 1,903 | 1,049 | 592 | 521 | 351 |
| Miscellaneous | - | - | 236 | 1,525 | - |
| Transfers | (5,738) | - | - | - | (1,250) |
| Total governmental activities | 120,903 | 123,708 | 120,070 | 115,875 | 108,456 |
| Business-type activities: | | | | | |
| Grants and contributions | - | - | - | - | 193 |
| Transfers | 5,738 | - | - | - | 1,250 |
| Total business-type activities | 5,738 | - | - | - | 1,443 |
| Total primary government | 126,641 | 123,708 | 120,070 | 115,875 | 109,899 |
| Changes in net position: | | | | | |
| Governmental activities | (10,350) | 3,100 | 4,405 | 10,912 | 14,723 |
| Business-type activities | 5,257 | 1,168 | 1,559 | 5,307 | 1,653 |
| Total primary government | \$ (5,093) | \$ 4,268 | \$ 5,964 | \$ 16,219 | \$ 16,376 |

Note: Schedule prepared on the accrual basis of accounting.

Table 2

| Fiscal Year | | | | |
|-------------|-------------|-------------|-------------|-------------|
| 2014 | 2013 | 2012 | 2011 | 2010 |
| \$ (81,687) | \$ (92,791) | \$ (95,310) | \$ (87,204) | \$ (83,880) |
| (1,082) | (1,619) | (992) | (702) | (1,122) |
| (82,769) | (94,410) | (96,302) | (87,906) | (85,002) |
| 103,575 | 102,244 | 99,471 | 97,004 | 92,919 |
| 1,621 | 1,766 | 1,930 | 1,755 | 2,201 |
| 337 | 257 | 195 | 219 | 278 |
| - | - | - | - | - |
| (301) | (98) | (599) | (1,845) | (3,689) |
| 105,232 | 104,169 | 100,997 | 97,133 | 91,709 |
| - | - | - | - | - |
| 301 | 98 | 599 | 1,845 | 3,689 |
| 301 | 98 | 599 | 1,845 | 3,689 |
| 105,533 | 104,267 | 101,596 | 98,978 | 95,398 |
| 23,545 | 11,378 | 5,687 | 9,929 | 7,829 |
| (781) | (1,521) | (393) | 1,143 | 2,567 |
| \$ 22,764 | \$ 9,857 | \$ 5,294 | \$ 11,072 | \$ 10,396 |

Town of Southington, Connecticut

Table 3

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(In Thousands)
(Unaudited)**

| | Fiscal Year | | | | | | | | | |
|---|------------------|------------------|------------------|-------------------|------------------|-------------------|------------------|------------------|------------------|--------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011* | 2010 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 27 | \$ 25 | \$ 36 | \$ 33 | \$ 56 | \$ 64 | \$ 71 | \$ 84 | \$ 231 | \$ - |
| Committed | - | - | 67 | 146 | - | - | - | - | - | - |
| Assigned | 3,113 | 2,222 | 2,764 | 598 | 1,250 | 5,252 | 1,328 | 496 | 1,347 | - |
| Unassigned | 25,318 | 22,706 | 20,140 | 19,738 | 17,801 | 16,215 | 18,487 | 16,084 | 13,486 | - |
| Reserved | - | - | - | - | - | - | - | - | - | 54 |
| Unreserved | - | - | - | - | - | - | - | - | - | 13,196 |
| Total general fund | \$ 28,458 | \$ 24,953 | \$ 23,007 | \$ 20,515 | \$ 19,107 | \$ 21,531 | \$ 19,886 | \$ 16,664 | \$ 15,064 | \$ 13,250 |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ 46 | \$ 33 | \$ 57 | \$ 84 | \$ 662 | \$ 661 | \$ 642 | \$ 589 | \$ 988 | \$ - |
| Restricted | 659 | 732 | 779 | 783 | 150 | 193 | 165 | 1,558 | 1,562 | - |
| Committed | 6,566 | 10,307 | 7,595 | 14,339 | 9,313 | 2,985 | 2,676 | 2,194 | 1,909 | - |
| Unassigned | (995) | - | (904) | - | - | (8,864) | - | - | - | - |
| Reserved | - | - | - | - | - | - | - | - | - | 52 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | - | - | - | - | - | - | - | - | - | 2,299 |
| Capital project funds | - | - | - | - | - | - | - | - | - | (21,118) |
| Permanent fund | - | - | - | - | - | - | - | - | - | 878 |
| Total all other governmental funds | \$ 6,276 | \$ 11,072 | \$ 7,527 | \$ (8,468) | \$ 10,125 | \$ (5,025) | \$ 3,483 | \$ 4,341 | \$ 4,459 | \$ (17,889) |

*The Town implemented GASB No. 54, Fund Balance and Governmental Reporting Fund Type Definitions, in FY2011

Note: Schedule prepared on the modified accrual basis of accounting

Town of Southington, Connecticut

Table 4

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(In Thousands)
(Unaudited)**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|--|-------------------|-----------------|-------------------|-----------------|------------------|-------------------|----------------|-----------------|------------------|--------------------|
| Revenues: | | | | | | | | | | |
| Property taxes | \$ 123,664 | \$ 121,792 | \$ 117,575 | \$ 111,979 | \$ 108,052 | \$ 103,597 | \$ 102,129 | \$ 99,615 | \$ 97,026 | \$ 92,650 |
| Intergovernmental | 37,705 | 49,757 | 49,460 | 44,087 | 55,298 | 62,599 | 40,626 | 43,377 | 39,277 | 41,267 |
| Charges for services | 10,195 | 9,836 | 9,078 | 9,322 | 8,306 | 8,900 | 8,618 | 7,807 | 7,592 | 7,724 |
| Income on investments | 1,837 | 1,047 | 593 | 520 | 350 | 336 | 256 | 195 | 218 | 305 |
| Other revenues | 341 | 249 | 430 | 3,147 | 2,104 | 730 | 1,141 | 503 | 504 | 559 |
| Total revenues | 173,742 | 182,681 | 177,136 | 169,055 | 174,110 | 176,162 | 152,770 | 151,497 | 144,617 | 142,505 |
| Expenditures: | | | | | | | | | | |
| General government | 4,146 | 4,208 | 4,350 | 4,553 | 4,125 | 3,838 | 3,672 | 3,610 | 3,265 | 3,037 |
| Public safety | 15,461 | 15,187 | 14,741 | 14,210 | 13,799 | 13,385 | 13,303 | 12,958 | 12,687 | 12,589 |
| Public works | 8,423 | 7,260 | 7,335 | 7,144 | 8,880 | 7,585 | 7,204 | 7,552 | 7,188 | 7,008 |
| Health and welfare | 694 | 688 | 681 | 652 | 706 | 729 | 702 | 713 | 880 | 769 |
| Human resources | 1,255 | 1,224 | 1,235 | 1,026 | 1,371 | 1,357 | 1,373 | 1,338 | 1,387 | 1,243 |
| Parks and recreation | 873 | 1,919 | 1,945 | 2,289 | 1,900 | 1,554 | 1,611 | 1,505 | 1,423 | 1,570 |
| Public library | 1,500 | 1,507 | 1,550 | 1,556 | 1,502 | 1,488 | 1,524 | 1,800 | 1,472 | 1,447 |
| Planning and development | 1,077 | 1,036 | 1,032 | 1,037 | 1,009 | 916 | 799 | 857 | 877 | 835 |
| Miscellaneous | - | - | - | - | - | 1 | 14 | 284 | 29 | 77 |
| Employee fringe benefits | 9,042 | 9,007 | 9,645 | 9,519 | 9,345 | 8,829 | 8,497 | 7,931 | 8,115 | 7,584 |
| Education | 109,804 | 117,967 | 116,927 | 106,503 | 102,858 | 102,618 | 98,040 | 95,922 | 93,163 | 89,674 |
| Debt service: | | | | | | | | | | |
| Principal | 12,282 | 12,375 | 11,668 | 6,188 | 5,618 | 4,110 | 5,507 | 6,018 | 4,649 | 4,767 |
| Interest | - | - | - | 3,240 | 2,740 | 2,740 | 2,740 | 2,244 | 2,352 | 1,970 |
| Capital outlay | 11,239 | 13,876 | 11,319 | 23,050 | 50,291 | 55,092 | 7,980 | 7,996 | 7,041 | 21,444 |
| Total expenditures | 175,796 | 186,254 | 182,428 | 180,967 | 204,144 | 204,242 | 152,966 | 150,728 | 144,528 | 154,014 |
| Excess (deficiency) of revenues over (under) expenditures | (2,054) | (3,573) | (5,292) | (11,912) | (30,034) | (28,080) | (196) | 769 | 89 | (11,509) |
| Other financing sources (uses): | | | | | | | | | | |
| Refunding bonds issued | 6,825 | - | - | - | 12,285 | 22,705 | 6,915 | - | 8,745 | - |
| Premium on refunding bonds | 473 | - | - | - | 977 | - | 468 | - | 887 | - |
| Payment to refunded bond escrow agent | (7,203) | - | - | - | (13,125) | - | (7,277) | - | (9,515) | - |
| Premium on general obligation bonds | - | 249 | - | 708 | 1,514 | - | - | - | 329 | - |
| Premium on BANS | - | - | - | - | 1,459 | - | - | - | - | - |
| Issuance of notes payable | - | - | - | - | - | - | - | - | 11,068 | - |
| Issuance of capital leases | 668 | - | 106 | 493 | 12,730 | 720 | 246 | 713 | 614 | - |
| Bond proceeds | - | 8,815 | - | 17,200 | 26,920 | - | - | - | 11,945 | 136 |
| Transfers in | 3,634 | 5,974 | 3,029 | 3,934 | 6,520 | 3,579 | 2,069 | 3,471 | 2,895 | 2,766 |
| Transfers out | (3,634) | (5,974) | (3,030) | (3,934) | (6,520) | (3,579) | (2,069) | (3,471) | (2,895) | (2,766) |
| Total other financing sources (uses) | 763 | 9,064 | 105 | 18,401 | 42,760 | 23,425 | 352 | 713 | 24,073 | 136 |
| Net change in fund balances | \$ (1,291) | \$ 5,491 | \$ (5,187) | \$ 6,489 | \$ 12,726 | \$ (4,655) | \$ 156 | \$ 1,482 | \$ 24,162 | \$ (11,373) |
| Debt Service as a Percentage of Noncapital Expenditures | 7.23% | 7.07% | 6.82% | 6.09% | 5.21% | 4.51% | 5.66% | 5.69% | 5.01% | 4.94% |

Note: Schedule prepared on the modified accrual basis of accounting.

Town of Southington, Connecticut

Table 5

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(In Thousands)
(Unaudited)**

| Fiscal Year | Grand List October 1, | Real Property | | | Personal Property | Motor Vehicle | Less Tax Exempt Property | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Taxable Value |
|----------------|--------------------------|---------------|------------|------------|----------------------|------------------|--------------------------------|---------------------------------------|-----------------------------|---|--|
| | | Residential | Commercial | Industrial | | | | | | | |
| 2019 | 2017 | \$ 2,881,765 | \$ 481,520 | \$ 77,872 | \$ 322,621 | \$ 368,701 | \$ 123,538 | \$ 4,008,941 | 30.48 | \$ 5,727,059 | 70% |
| 2018 | 2016 | 2,858,882 | 471,482 | 75,008 | 274,374 | 382,027 | 115,956 | 3,945,817 | 30.48 | 5,636,881 | 70% |
| 2017 | 2015 | 2,831,638 | 471,552 | 74,021 | 261,499 | 378,093 | 114,693 | 3,902,110 | 29.64 | 5,574,443 | 70% |
| 2016 | 2014 | 2,796,733 | 435,085 | 75,121 | 251,893 | 371,506 | 101,621 | 3,828,717 | 29.14 | 5,469,596 | 70% |
| 2015 | 2013 | 2,759,577 | 442,336 | 75,308 | 232,433 | 362,332 | 98,209 | 3,773,777 | 28.36 | 5,391,110 | 70% |
| 2014 | 2012 | 2,734,920 | 431,662 | 75,335 | 225,953 | 349,378 | 85,603 | 3,731,645 | 27.46 | 5,330,921 | 70% |
| 2013 | 2011 | 2,721,148 | 432,388 | 75,052 | 217,863 | 347,989 | 79,573 | 3,714,867 | 27.48 | 5,306,953 | 70% |
| 2012 | 2010 | 3,027,300 | 473,444 | 110,686 | 204,328 | 325,954 | 78,495 | 4,063,217 | 24.28 | 5,804,596 | 70% |
| 2011 | 2009 | 3,001,720 | 468,372 | 109,734 | 200,816 | 312,881 | 77,368 | 4,016,155 | 24.02 | 5,737,364 | 70% |
| 2010 | 2008 | 2,979,855 | 458,561 | 106,722 | 195,134 | 304,191 | 79,443 | 3,965,020 | 23.27 | 5,664,314 | 70% |

Source: Town of Southington Office of Tax Assessor Notes:

Notes:

- (1) There is no overlapping taxable property.
- (2) Does not include supplemental motor vehicle taxes

Town of Southington, Connecticut

Table 6

**Principal Taxpayers
Current Year and Nine Years Ago
(Thousands)
(Unaudited)**

| Taxpayer | 2019 | | | 2010 | | |
|---|---------------------------|------|--|---------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Eversource (Connecticut Light & Power Co.) | \$ 115,091 | 1 | 2.87% | \$ 25,570 | 1 | 0.64% |
| Yankee Gas | 22,417 | 2 | 0.56% | 7,904 | 6 | 0.20% |
| 45 Newell Street (Yarde Metals) | 19,100 | 3 | 0.48% | - | | |
| RK Southington LLC (Galileo Queens Plaza LLC) | 11,744 | 4 | 0.29% | - | | |
| Southington Route 10 Associates | 11,383 | 5 | 0.28% | - | | |
| Target Corporation | 10,853 | 6 | 0.27% | - | | |
| Olson Murial et al (Wal-Mart Plaza) | 9,318 | 7 | 0.23% | - | | |
| Execsouth LLC (Lowes Home Improvement) | 9,048 | 8 | 0.23% | - | | |
| Briad Lodging Group | 7,412 | 9 | 0.18% | - | | |
| Widewaters WC5 Southington | 7,239 | 10 | 0.18% | - | | |
| Lexington Southington LP (formerly Lepercq Corp.) | - | | | 9,459 | 5 | 0.24% |
| Medex Inc (formerly Johnson & Johnson) | - | | | 24,527 | 2 | 0.62% |
| Chancellor Gardens | - | | | 7,765 | 8 | 0.20% |
| United Technologies Corporation | - | | | 16,616 | 3 | 0.42% |
| Hartford Fire Insurance | - | | | 15,127 | 4 | 0.38% |
| Lake Compounce/Kennywood Entertainment | - | | | 6,327 | 10 | 0.16% |
| Central Connecticut Senior Care | - | | | 6,614 | 9 | 0.17% |
| Hartconn Corporation | - | | | 7,853 | 7 | 0.20% |
| | <u>\$ 223,605</u> | | <u>5.58%</u> | <u>\$ 127,762</u> | | <u>3.22%</u> |

Net Taxable Grand List 10/01/2017 of \$4,008,941

Net Taxable Grand List 10/01/2008 of \$3,965,020

(in thousands)

Source: Town of Southington, Office of Tax Assessor

Town of Southington, Connecticut

Table 7

Property Tax Levies and Collections
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

| Fiscal Year Ended June 30 | Grand List October 1 | Tax Rate in Mills | Taxes Levied for the Fiscal Year | Adjustments | Total Adjusted Levy | Collected Within the Fiscal Year of Levy | | Collections in Subsequent Years | Total Collections to Date | |
|------------------------------|-------------------------|----------------------|--|-------------|------------------------|---|-----------------------|---------------------------------------|---------------------------|--------------------------------|
| | | | | | | Amount | Percentage of Levy | | Amount | Percentage of Adjusted Levy |
| 2019 | 2017 | 30.48 | \$ 123,101 | \$ - | \$ 123,101 | \$ 121,881 | 99.01% | \$ - | \$ 121,881 | 99.01% |
| 2018 | 2016 | 30.48 | 120,887 | 29 | 120,858 | 119,709 | 99.03% | 643 | 120,352 | 99.58% |
| 2017 | 2015 | 29.64 | 116,198 | 42 | 116,156 | 114,908 | 98.89% | 1,007 | 115,915 | 99.79% |
| 2016 | 2014 | 29.14 | 111,851 | 64 | 111,787 | 110,580 | 98.86% | 1,086 | 111,666 | 99.89% |
| 2015 | 2013 | 28.36 | 107,104 | 152 | 106,952 | 105,860 | 98.84% | 1,081 | 106,941 | 99.99% |
| 2014 | 2012 | 27.46 | 102,717 | 153 | 102,564 | 101,433 | 98.75% | 1,124 | 102,557 | 99.99% |
| 2013 | 2011 | 27.48 | 101,940 | 125 | 101,815 | 100,471 | 98.56% | 1,337 | 101,808 | 99.99% |
| 2012 | 2010 | 24.28 | 98,794 | 128 | 98,666 | 97,457 | 98.65% | 1,201 | 98,658 | 99.99% |
| 2011 | 2009 | 24.02 | 96,374 | 84 | 96,290 | 95,119 | 98.70% | 1,165 | 96,284 | 99.99% |
| 2010 | 2008 | 23.27 | 92,337 | 126 | 92,211 | 90,995 | 98.55% | 1,210 | 92,205 | 99.99% |

Source: Tax Collector's Report; Comprehensive Annual Financial Report

Town of Southington, Connecticut

Table 8

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(In Thousands, except per capita)
(Unaudited)**

| Fiscal Year | Governmental Activities | | | | | | Bonded Debt Percentage of Actual Taxable Value | Total Debt Percentage of Actual Taxable Value | Percentage of Personal Income | Bonded Debt Per Capita | Total Debt Per Capita |
|----------------|-------------------------|--------------------------------|---------------------------------------|-----------------------------|-------------------|--------------------------------|---|--|-------------------------------------|---------------------------------|--------------------------------|
| | Town Bonds | Unamortized Bond Premium | Southington Water Company Bonds | Clean Water Fund Loan | Capital Leases | Total Primary Government | | | | | |
| 2019 | \$ 86,565 | \$ 3,754 | \$ 5,335 | \$ 6,252 | \$ 11,375 | \$ 113,281 | 1.69% | 1.98% | 5.87% | \$ 2,119 | \$ 2,586 |
| 2018 | 95,040 | 3,819 | 6,030 | 6,822 | 11,525 | 123,236 | 1.87% | 2.19% | 6.68% | 2,322 | 2,810 |
| 2017 | 94,775 | 3,935 | 6,670 | 7,390 | 12,338 | 125,108 | 1.90% | 2.24% | 6.97% | 2,339 | 2,864 |
| 2016 | 102,355 | 4,300 | 7,310 | 7,957 | 13,258 | 135,180 | 2.10% | 2.47% | 7.82% | 2,518 | 3,085 |
| 2015 | 90,860 | 4,404 | 7,950 | 8,526 | 13,597 | 125,337 | 1.93% | 2.32% | 7.27% | 2,268 | 2,861 |
| 2014 | 69,295 | 1,594 | 8,725 | 9,094 | 1,120 | 89,828 | 1.50% | 1.69% | 5.43% | 1,795 | 2,057 |
| 2013 | 51,054 | 1,758 | 3,341 | 9,662 | 869 | 66,684 | 1.18% | 1.26% | 4.31% | 1,398 | 1,535 |
| 2012 | 56,410 | 1,439 | 3,900 | 10,231 | 1,094 | 73,074 | 1.17% | 1.26% | 4.76% | 1,695 | 1,695 |
| 2011 | 61,665 | 1,566 | 4,360 | 11,068 | 614 | 79,273 | 1.30% | 1.38% | 5.11% | 1,838 | 1,838 |
| 2010 | 55,166 | 743 | 1,419 | - | - | 57,328 | 0.99% | 1.01% | 3.74% | 1,348 | 1,348 |

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Town of Southington, Connecticut

Table 9

Schedule of Debt Limitation

June 30, 2019

(In Thousands)

(Unaudited)

| | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| Total tax collections (including interest and lien fees) received by Treasurer for prior fiscal year end | \$ | 121,672 | | | | |
| Reimbursement for loss of revenue: | | | | | | |
| Tax relief for elderly - freeze | | - | | | | |
| Base for debt limitation computations | \$ | <u>121,672</u> | | | | |
| | General Purpose | Schools | Sewer | Urban Renewal | Pension Deficit | Total |
| Debt Limitation | | | | | | |
| 2-1/4 times base | \$ 273,762 | \$ - | \$ - | \$ - | \$ - | \$ 273,762 |
| 4-1/2 times base | - | 547,524 | - | - | - | 547,524 |
| 3-3/4 times base | - | - | 456,270 | - | - | 456,270 |
| 3-1/4 times base | - | - | - | 395,434 | - | 395,434 |
| 3 times base | - | - | - | - | 365,016 | 365,016 |
| Total debt limitation | <u>273,762</u> | <u>547,524</u> | <u>456,270</u> | <u>395,434</u> | <u>365,016</u> | <u>2,038,006</u> |
| Indebtedness | | | | | | |
| Bonds payable | 29,222 | 48,326 | 9,017 | - | - | 86,565 |
| Bonds authorized – unissued | 7,228 | 5,406 | 40,866 | - | - | 53,500 |
| Clean Water Fund Loan | - | - | 6,252 | - | - | 6,252 |
| Total indebtedness | <u>36,450</u> | <u>53,732</u> | <u>56,135</u> | <u>-</u> | <u>-</u> | <u>146,317</u> |
| Debt limitation in excess of outstanding and authorized debt | <u>\$ 237,312</u> | <u>\$ 493,792</u> | <u>\$ 400,135</u> | <u>\$ 395,434</u> | <u>\$ 365,016</u> | <u>\$ 1,891,689</u> |

Note 1: In no case shall total indebtedness exceed seven times annual receipts from taxation of \$851.7 million.

Note 2: In accordance with Connecticut General Statutes, the above indebtedness does not include water bonds.

Note 3: Bonds authorized - unissued includes bond authorizations that have bond anticipation notes outstanding or have previously issued partial permanent financing.

Town of Southington, Connecticut

Table 10

Legal Debt Margin Information
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Debt Limit | \$ 851,704 | \$ 821,905 | \$ 821,905 | \$ 784,448 | \$ 756,147 | \$ 724,535 | \$ 715,554 | \$ 696,332 | \$ 678,741 | \$ 649,404 |
| Total net debt applicable to limit | 146,317 | 151,247 | 158,990 | 141,415 | 137,996 | 140,068 | 162,542 | 156,679 | 77,495 | 83,766 |
| Legal Debt Margin | \$ 705,387 | \$ 670,658 | \$ 662,915 | \$ 643,033 | \$ 618,151 | \$ 584,467 | \$ 553,012 | \$ 539,653 | \$ 601,246 | \$ 565,638 |
| Total net debt applicable to the limit as a percentage of debt limit | 17.18% | 18.40% | 19.34% | 18.03% | 18.25% | 19.33% | 22.72% | 22.50% | 11.42% | 12.90% |

Source: Comprehensive annual financial report - Statement of Debt Limitation

Note: See Table 9 for calculation of current year debt limitation

**Demographic and Employment Statistics
Last Ten Calendar Years
(Unaudited)**

| Calendar Year | Population (1) | Per Capita Income (2) | Personal Income (3) | Median Age (4) | Public School Enrollment (5) | Unemployment Rate (6) |
|------------------|----------------|--------------------------|------------------------|-------------------|------------------------------------|--------------------------|
| 2019 | 43,807 | \$ 44,026 | \$ 1,928,646,982 | 45.0 | 6,352 | 3.10% |
| 2018 | 43,863 | 42,029 | 1,843,518,027 | 45.0 | 6,461 | 3.50% |
| 2017 | 43,685 | 41,087 | 1,794,885,595 | 45.0 | 6,540 | 4.00% |
| 2016 | 43,817 | 39,430 | 1,727,704,310 | 45.0 | 6,544 | 4.20% |
| 2015 | 43,815 | 39,373 | 1,725,127,995 | 44.0 | 6,589 | 4.60% |
| 2014 | 43,661 | 37,876 | 1,653,704,036 | 44.0 | 6,666 | 5.50% |
| 2013 | 43,434 | 35,628 | 1,547,466,552 | 44.0 | 6,693 | 6.40% |
| 2012 | 43,103 | 35,628 | 1,535,673,684 | 40.0 | 6,779 | 7.10% |
| 2011 | 43,130 | 35,956 | 1,550,782,280 | 42.0 | 6,828 | 7.40% |
| 2010 | 42,534 | 36,018 | 1,531,989,612 | 42.0 | 6,844 | 8.00% |

Sources:

(1) State of Connecticut Department of Public Health as of July 1st of Prior Year.

(2) U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates.

(3) Personal Income= Population times Per Capita Personal Income.

(4) Connecticut Economic Resource Center (CERC), Town Profiles

(5) Town of Southington, Board of Education.

(6) State of Connecticut Department of Labor website Annual Averages. For 2018, June 2018 is utilized as an estimate.
Next year it will be replaced with the Annual Average.

Town of Southington, Connecticut

Table 12

**Principal Employers
2019 and 2010
(Unaudited)**

| Employer | Nature of Business | 2019 | | | 2010 | | |
|---|-----------------------|--------------|------|---|--------------|------|---|
| | | Employees | Rank | Percentage of Total Town Employment | Employees | Rank | Percentage of Total Town Employment |
| Town of Southington | Municipality | 1,270 | 1 | 5.12% | 1,192 | 1 | 4.81% |
| Hartford Health Care | Health Care | 1,003 | 2 | 4.04% | 820 | 2 | 3.31% |
| Webster Bank | Financial Services | 648 | 3 | 2.61% | - | | |
| Southington YMCA | Health Care | 552 | 4 | 2.23% | - | | |
| Connecticut On-Line Computer Company | IT | 432 | 5 | 1.74% | - | | |
| Yarde Metals | Manufacturing | 370 | 6 | 1.49% | 368 | 4 | 1.49% |
| Smith's Medical (Medex) | Manufacturing | 271 | 7 | 1.09% | 279 | 6 | 1.13% |
| Aqua Turf | Banquet/Food Services | 200 | 8 | 0.81% | 183 | 9 | 0.74% |
| Wal-Mart | Retail Chain | 175 | 9 | 0.71% | - | | |
| Economy Spring | Manufacturing | 175 | 10 | 0.71% | - | | |
| The Home Depot | Retail Chain | | | | 217 | 7 | 0.88% |
| Southington Care Center | Health Care Practice | | | | 307 | 5 | 1.24% |
| Price Chopper | Retail Chain | | | | 191 | 8 | 0.77% |
| Stop & Shop | Retail Chain | | | | 179 | 10 | 0.72% |
| Hospital of Central CT - Bradley Hospital | Hospital | | | | 377 | 3 | 1.52% |
| Total | | <u>5,096</u> | | <u>20.55%</u> | <u>4,113</u> | | <u>16.61%</u> |
| FY 2010 Labor Force | | | | | | | |
| 24,768 | | | | | | | |
| FY 2019 Labor Force | | | | | | | |
| 24,797 | | | | | | | |

**Source: Town of Southington, Economic Development Office
Connecticut Department of Labor**

**Full-Time Equivalent Town Government Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)**

| FUNCTION/PROGRAM | Full-Time-Equivalent Employees as of June 30, | | | | | | | | | |
|--------------------------|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
| General Government | 62 | 65 | 65 | 65 | 65 | 64 | 60 | 53 | 58 | 58 |
| Police | 87 | 87 | 87 | 85 | 85 | 82 | 85 | 84 | 85 | 85 |
| Fire | 36 | 34 | 34 | 34 | 34 | 34 | 33 | 33 | 33 | 33 |
| Public Works | 34 | 25 | 25 | 25 | 26 | 26 | 26 | 34 | 35 | 35 |
| Parks and Recreation | 2 | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 11 | 11 |
| Library and Barnes | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Education ⁽¹⁾ | 1,074 | 1,070 | 1,056 | 1,040 | 1,033 | 995 | 942 | 955 | 939 | 931 |
| Animal Control | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Sewer Plant and Office | 13 | 13 | 13 | 13 | 9 | 12 | 12 | 12 | 13 | 13 |
| Total | 1,330 | 1,327 | 1,314 | 1,296 | 1,286 | 1,247 | 1,192 | 1,205 | 1,196 | 1,188 |

Notes:

(1) Beginning FY 2010, Education FTEs include food service workers.

Source: Town of Southington Finance Department and Board of Education records.

Town utilized Department of Labor reports as of June 30th.

Town of Southington, Connecticut

Table 14

**Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)**

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| General government: | | | | | | | | | | |
| Building permits issued | 1,496 | 1,327 | 1,016 | 1,392 | 1,301 | 1,162 | 1,340 | 1,424 | 1,284 | 1,210 |
| Police: | | | | | | | | | | |
| Physical arrests | 675 | 843 | 779 | 857 | 1,082 | 932 | 1,012 | 903 | 993 | 1,000 |
| Parking violations | 368 | 558 | 477 | 209 | 246 | 172 | 376 | 342 | 409 | 867 |
| Traffic violations | 6,564 | 8,024 | 5,859 | 4,680 | 5,611 | 6,963 | 6,491 | 8,264 | 9,972 | 10,791 |
| Fire: | | | | | | | | | | |
| Emergency responses/Fire calls | 2,292 | 2,311 | 2,207 | 1,996 | 2,154 | 1,942 | 1,929 | 2,213 | 2,284 | 1,808 |
| Inspections | 908 | 526 | 509 | 552 | 593 | 502 | 528 | - | 2,684 | 2,592 |
| Refuse collection: | | | | | | | | | | |
| Average refuse collected (tons per day) | 153 | 139 | 130 | 132 | 124 | 128 | 118 | 115 | 121 | 121 |
| Average recyclables collected (tons per day) | 9 | 15 | 16 | 14 | 13 | 12 | 13 | 13 | 14 | 13 |
| Other public works: | | | | | | | | | | |
| Street resurfacing (miles) | 6 | 16 | 7 | 18 | 14 | 8 | 2 | 3 | 4 | 3 |
| Library: | | | | | | | | | | |
| Total volumes loaned/combined lending | 380,288 | 336,427 | 323,093 | 389,811 | 421,881 | 482,528 | 756,993 | 753,021 | 701,854 | 708,039 |
| Water: | | | | | | | | | | |
| New connections | 59 | 107 | 84 | 69 | 102 | 83 | 85 | 116 | 74 | 84 |
| Average daily consumption (thousands of gallons) | 3,569 | 3,500 | 3,837 | 4,053 | 3,775 | 3,752 | 3,802 | 3,829 | 3,853 | 3,559 |
| Wastewater: | | | | | | | | | | |
| Average daily sewage treatment (thousands of gallons) | 4,790 | 4,790 | 4,800 | 4,790 | 4,725 | 4,670 | 4,530 | 5,080 | 4,070 | 5,000 |

Beginning in FY 2012 Fire Department tracks inspections of property rather than inspector duties

Source: Town of Southington CAFRs, Annual Reports, and department records.

Town of Southington, Connecticut

Table 15

Capital Asset Statistics by Function / Program
Last Ten Fiscal Years
(Unaudited)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 24 | 24 | 23 | 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| Fire stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Other public works: | | | | | | | | | | |
| Streets (miles) | 204 | 204 | 203 | 203 | 202 | 201 | 199 | 199 | 198 | 198 |
| Streetlights | 3,897 | 3,875 | 3,870 | 3,866 | 3,865 | 3,796 | 3,711 | 4,228 | 4,201 | 4,173 |
| Traffic signals | 10 | 10 | 10 | 10 | 10 | 9 | 9 | 6 | 6 | 6 |
| Parks and recreation: | | | | | | | | | | |
| Acreage | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 351 | 351 |
| Parks | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Swimming Pools | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Tennis Courts | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Water: | | | | | | | | | | |
| Water mains (miles) | 255 | 202 | 201 | 200 | 200 | 200 | 199 | 199 | 196 | 196 |
| Fire hydrants | 1,486 | 1,481 | 1,451 | 1,426 | 1,425 | 1,416 | 1,420 | 1,405 | 1,384 | 1,358 |
| Storage capacity (thousands of gallons) | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| Wastewater: | | | | | | | | | | |
| Storm sewers (miles) | 143 | 143 | 142 | 142 | 141 | 141 | 140 | 139 | 139 | 138 |
| Treatment capacity (thousands of gallons) | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |

Source: Town of Southington CAFRs, Annual Reports, and department records.

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