

TOWN OF WATERFORD, CONNECTICUT



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Town of Waterford, Connecticut

Annual Financial Report

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

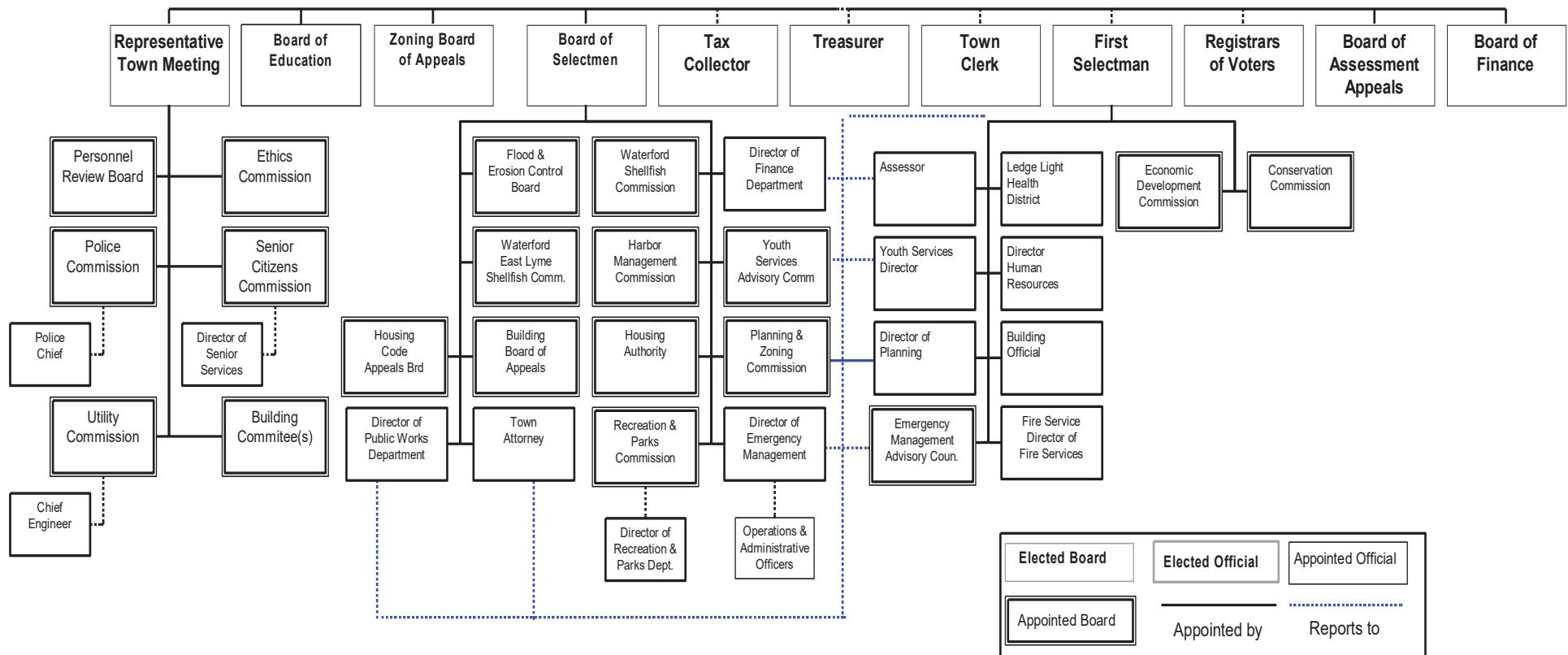
**Department of Finance
Kevin McNabola
Director of Finance**

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

	Introductory Section	Page
	Table of Contents	i-ii
	Organizational Chart	iii
	List of Elected and Appointed Officials	iv
	Financial Section	
	Independent Auditors' Report	1-3
	Management's Discussion and Analysis	4-12
	Basic Financial Statements	
Exhibit		
	Government-Wide Financial Statements:	
I	Statement of Net Position	13
II	Statement of Activities	14
	Fund Financial Statements:	
III	Balance Sheet - Governmental Funds	15-16
IV	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	17-18
V	Statement of Net Position - Proprietary Funds	19
VI	Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	20
VII	Statement of Cash Flows - Proprietary Funds	21
VIII	Statement of Net Position - Fiduciary Funds	22
IX	Statement of Changes in Net Position - Fiduciary Funds	23
	Notes to the Financial Statements	24-65
	Required Supplementary Information	
RSI-1	Schedule of Revenues and Other Financing Sources - General Fund - Budgetary Basis	66-67
RSI-2	Schedule of Expenditures and Other Financing Uses Budget and Actual - General Fund - Budgetary Basis	68-71
RSI-3	Schedule of Changes in Net Pension Liability and Related Ratios - Pension Trust Fund	72
RSI-4	Schedule of Employer Contributions - Pension Trust Fund	73
RSI-5	Schedule of Investment Returns - Pension Trust Fund	74
RSI-6	Schedule of the District's Proportionate Share of the Net Pension Liability - Municipal Employees Retirement System	75
RSI-7	Schedule of Employer Contributions - Municipal Employees Retirement System	76
RSI-8	Schedule of the Town's Proportionate Share of the Net Pension Liability - Teachers Retirement System	77
RSI-9	Schedule of Changes in the Net OPEB Liability and Related Ratios - OPEB Trust Fund	78

Exhibit		Page
RSI-10	Schedule of Employer Contributions - OPEB Trust Fund	79
RSI-11	Schedule of Investment Returns - OPEB Trust Fund	80
RSI-12	Schedule of the Town's Proportionate Share of the Net OPEB Liability - Teachers Retirement System	81
Supplemental, Combining and Individual Fund Statements and Schedules		
General Fund:		
A-1	Schedule of Expenditures and Encumbrances Compared with Appropriations	82
A-2	Report of Tax Collector - General Fund	83
A-3	Schedule of Water Main Assessments Receivable - General Fund	84
A-4	Schedule of Sewer Assessments Receivable - General Fund	85
Nonmajor Governmental Funds:		
B-1	Combining Balance Sheet - Nonmajor Government Funds	86-90
B-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	91-95
Agency Funds:		
C-1	Statement of Changes in Assets and Liabilities - Agency Funds	96

ORGANIZATIONAL CHART TOWN OF WATERFORD GENERAL GOVERNMENT



Town of Waterford, Connecticut

Principal Town Officials

As of June 30, 2018

Daniel M. Steward	First Selectman
Thomas W. Giard III	Superintendent of Schools
Kevin McNabola	Director of Finance
Bernard Pisacich	Treasurer
Abby Piersall	Planning Director
Brian Long	Director of Public Works
Brett Mahoney	Chief of Police
Neftali Soto	Chief Engineer, Utilities Commission
Alan Wilensky	Tax Collector
Terence Dinnean	Assessor
Brian Flaherty	Recreation & Parks Director
Lisa Cappuccio	Director of Senior Services
David Campo	Town Clerk
Daniela Gorman	Director of Youth Services
David Garside	Building Official
Roslyn Rubenstein	Library Director
Bruce A. Miller	Director of Fire Services
Joyce Sauchuk	Director of Human Resources

Independent Auditors' Report

blumshapiro.com

To the Board of Finance
Town of Waterford, 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 Waterford, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Waterford, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Waterford, Connecticut, as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2018, the Town of Waterford, Connecticut, adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net position of the Town of Waterford, Connecticut, has been restated to recognize the net Other Postemployment Benefit liability in accordance with GASB No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The introductory section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2018 on our consideration of the Town of Waterford, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Waterford, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Waterford, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 18, 2018

TOWN OF WATERFORD, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

This discussion and analysis of the Town of Waterford, Connecticut (the Town) financial performance is prepared by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2018. Please read this MD&A in conjunction with the transmittal letter and the Town's financial statements, Exhibits I to IX.

FINANCIAL HIGHLIGHTS

- The Town's net position, as restated, increased as a result of this year's operations. While net position of our business-type activities decreased by \$1.9 million, or 3.3 %, net position of our governmental activities increased by \$2.1 million or 1.4%.
- During the year, the Town had expenses that were \$2.1 million less than the \$106.9 million generated in tax and other revenues for governmental programs.
- In the Town's business-type activities, revenues and transfers in decreased by \$265.0 thousand or 6.4%, while expenses increased by \$795.0 thousand or 16.1 %.
- The total cost of all of the Town's programs was \$110.4 million, with no new programs added this year.
- The General Fund reported a fund balance this year of \$14.8 million.
- The resources available for appropriation were \$823.4 thousand more than anticipated for the General Fund. There were additional appropriations of \$693.1 thousand made early in fiscal year to close out the capital project funds for the elementary schools. However, unused appropriations of \$792.6 thousand were returned to fund balance at year end. Overall, the operating results increased the General Fund balance by \$922.9 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

These two statements report the Town's net position and changes in it. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net position and the statement of activities, we divide the Town into two types of activities:

- *Governmental Activities* - Most of the Town's basic services are reported here, including education, public safety, public works, recreation, library, social services and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-Type Activities* - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's Utility Commission Enterprise Fund is reported here.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by Charter. However, the Board of Finance establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (i.e. grants received for education from the State and Federal Government). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the Town's enterprise fund (a component of proprietary funds) is the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the Town's other programs and activities - such as the Town's Insurance Administration Fund.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Town's combined net position, after restatement, increased from \$215.2 to \$215.5 million or 0.1 %. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental and business-type activities.

TABLE 1 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018		2017 (as Restated)		2018	
	2018	2017 (as Restated)	2018	2017 (as Restated)	2018	2017 (as Restated)
Current assets	\$ 36,822	\$ 34,267	\$ 4,564	\$ 4,601	\$ 41,386	\$ 38,868
Capital assets, net of accumulated depreciation	249,138	254,299	50,975	52,849	300,113	307,148
Total assets	<u>285,960</u>	<u>288,566</u>	<u>55,539</u>	<u>57,450</u>	<u>341,499</u>	<u>346,016</u>
Deferred outflows of resources	5,975	9,322	-	-	5,975	9,322
Long-term debt outstanding	122,471	131,872	358	582	122,829	132,454
Other liabilities	7,715	7,024	364	198	8,079	7,222
Total liabilities	<u>130,186</u>	<u>138,896</u>	<u>722</u>	<u>780</u>	<u>130,908</u>	<u>139,676</u>
Deferred inflows of resources	1,080	461	-	-	1,080	461
Net Position:						
Net investment in capital assets	172,063	172,024	50,975	52,848	223,038	224,872
Restricted	137	145	-	-	137	145
Unrestricted	(11,532)	(13,638)	3,842	3,822	(7,690)	(9,816)
Total Net Position	<u>\$ 160,668</u>	<u>\$ 158,531</u>	<u>\$ 54,817</u>	<u>\$ 56,670</u>	<u>\$ 215,485</u>	<u>\$ 215,201</u>

Net position of the Town's governmental activities increased by 1.4% (\$160.7 million in 2018 compared to \$158.5 million in 2017). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from (\$13.7) million at June 30, 2017 to (\$11.5) million at the end of this year.

By far the largest portion of the Town's net position is its investment in capital assets (e.g., land, buildings, machinery and equipment). Since the Town's investment in its capital assets, net of accumulated depreciation, must also be reported net of related debt, it should be noted that the Town's outstanding debt is related to bonds payable as of June 30, 2018.

The net position of our business-type activities decreased by 3.3 % (\$54.8 million in 2018 compared to \$56.7 million in 2017).

The Town's total revenues (excluding special items) were \$110.6 million. The total cost of all programs and services was \$110.4 million. Our analysis below separately considers the operations of governmental and business-type activities.

TABLE 2 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 3,260	\$ 3,479	\$ 3,654	\$ 3,727	\$ 6,914	\$ 7,206
Operating grants and contributions	12,205	11,261			12,205	11,261
Capital grants and contributions	2,450	3,106		417	2,450	3,523
General revenues:						
Property taxes	87,927	85,884			87,927	85,884
Grants and contributions not restricted to specific purposes	294	771			294	771
Unrestricted investment earnings	686	315	37	8	723	323
Miscellaneous revenue	145	123			145	123
Total revenues	<u>106,967</u>	<u>104,939</u>	<u>3,691</u>	<u>4,152</u>	<u>110,658</u>	<u>109,091</u>
Program expenses:						
General government	14,892	13,745			14,892	13,745
Public safety	12,098	11,509			12,098	11,509
Public works	7,180	8,558			7,180	8,558
Recreation	1,020	1,763			1,020	1,763
Library	1,065	917			1,065	917
Social services	1,299	1,321			1,299	1,321
Education	64,680	61,806			64,680	61,806
Interest and fiscal charges	2,400	2,604			2,400	2,604
Utility Commission			5,740	4,945	5,740	4,945
Total program expenses	<u>104,634</u>	<u>102,223</u>	<u>5,740</u>	<u>4,945</u>	<u>110,374</u>	<u>107,168</u>
Excess (deficiency) of revenues over expenses before transfers	2,333	2,716	(2,049)	(793)	284	1,923
Transfers	<u>(196)</u>	<u>—</u>	<u>196</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in Net Position	<u>2,137</u>	<u>2,716</u>	<u>(1,853)</u>	<u>(793)</u>	<u>284</u>	<u>1,923</u>
Beginning Net Position	158,531	163,614	56,670	57,463	215,201	221,077
Restatement		(7,799)		—	—	(7,799)
Ending Net Position	<u>\$ 160,668</u>	<u>\$ 158,531</u>	<u>\$ 54,817</u>	<u>\$ 56,670</u>	<u>\$ 215,485</u>	<u>\$ 223,000</u>

Governmental Activities

Approximately 82.2% of these revenues were derived from property taxes, followed by 14.0% from operating and capital grants and contributions, 3.1% from charges for services and 0.7% from investment and other general revenues.

Major factors affecting operations include:

- Property tax revenues were up by \$2.0 million due to an increase in the mill rate of 0.9%.
- Capital grants and contributions decreased by \$656 thousand due to the mainly following:
 - The Waterford High School project grant decreased by \$2.4 million in FY18.
 - The Local Bridge Grant revenue increased by \$1.1 million in FY18 for the Jordan Cove Bridge Project.
 - The Local Capital Improvement (LOCIP) grant revenue increased by \$783.6 thousand for the Town Hall HVAC project.
 - The Mago Point STEP grant increased by \$82.0 thousand over FY17.
 - The Oswegatchie School project grant decreased by \$75.5 thousand.
 - The Quaker Hill School project grant decreased by \$46.5 thousand.
 - The section 5310 CT DOT grant decreased by \$49.6 thousand.
- Grant and contributions not related to specific programs decreased by \$476 thousand due to cuts in State funding.
- Investment earnings were up by \$371 thousand over FY17.

Table 3 presents the cost of each of the Town's five largest programs - education, general government, public safety, public works and recreation - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden to the Town's taxpayers by each of these functions.

TABLE 3 (In Thousands)

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Education	\$ 64,680	\$ 61,805	\$ 52,191	\$ 47,942
General government	14,892	13,745	13,714	12,073
Public safety	12,098	11,508	11,458	11,074
Public works	7,180	8,558	4,213	7,336
Recreation	1,020	1,763	674	1,502
All others	<u>4,764</u>	<u>4,842</u>	<u>4,468</u>	<u>4,449</u>
Totals	<u>\$ 104,634</u>	<u>\$ 102,221</u>	<u>\$ 86,718</u>	<u>\$ 84,376</u>

Business-Type Activities

Net position of the Town's business-type activities (see Table 2) decreased by 3.3% (\$54.8 million in 2018 compared to \$ 56.7 million in 2017). Revenues and transfers in for the Town's business-type activities (see Table 2) decreased by \$265 thousand (\$3.9 million in 2018 compared to \$4.2 million in 2017). The factors driving these results include:

- A decrease in capital contributions of \$221.0 thousand or 5.3% over fiscal year 2017 due mostly to the completion of work on the Pump Station Grit Facility. This project had been funded primarily through the Capital and Nonrecurring Fund.

TOWN FUNDS FINANCIAL ANALYSIS

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit III) reported a combined fund balance of \$22.0 million, which is increase of \$0.9 million from last year's total of \$21.1 million. Included in this year's total change in fund balance is an increase of \$1.2 million in the General Fund, a decrease of \$880.6 thousand in the Capital and NonRecurring Fund and an increase of \$506.2 thousand for Nonmajor Governmental Funds.

Capital Projects Funds:

- The Capital and Nonrecurring Fund balance decreased by \$880.6 thousand due to expenditures of \$3.7 million being offset by revenues of \$1.2 million and transfers in of \$1.6 million.

Non-Major Capital Projects Funds:

- The Fleet Management Fund decreased by \$522.5 thousand due to expenditures of \$1.9 million being offset by net transfers in and out of \$1.3 million.
- The Great Neck Elementary School Fund increased by \$378.8 thousand due to a transfer in from the General Fund to close the project
- The Quaker Hill Elementary School Fund increased by \$23.5 thousand due to a transfer in from the General fund to close the project.
- The Oswegatchie Elementary School Fund increased by \$290.8 thousand due to a transfer in from the General fund to close the project.
- The Capital Improvement Fund increased by \$279.7 thousand due to expenditures of \$795.0 thousand being offset by net transfers in and out of \$1.1 million.

Special Revenue Funds:

- The Mago Point Grant Fund increased by \$50.1 thousand due to grant revenue of \$118.0 thousand and expenditures of \$67.9 thousand.
- The Cafeteria Fund decreased by \$34.0 thousand due to expenditures of \$947.5 thousand and total revenues of \$913.5 thousand.

Proprietary Funds

The Town's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Overall, proprietary funds net assets total \$59.7 million at the end of the year, which includes a \$4.9 million fund balance in the Internal Service Fund.

Net position of the Utility Commission Fund at the end of the year amounted to \$54.8 million. Factors affecting the balance of this fund are included in the discussion of the Town's business-type activities.

In fiscal year 2018, net position of the Internal Service fund increased by \$255.3 thousand from fiscal year 2017. This is due to \$11.2 million in contributions and other revenues (an increase of \$0.2 million over fiscal year 2017), offset by expenses for claims and program administration of \$11.0 million (an increase of \$0.2 million over fiscal year 2017).

General Fund Budgetary Highlights

Revenues were higher than budgetary estimates by \$823.4 thousand and expenditures were less than original budgetary estimates by \$792.6 thousand. Overall revenues over expenditures on a budgetary basis were \$934.9 thousand. In the current year, revenues increased by \$1.3 million or 1.4 % over the prior year and expenditures increased by \$2.2 million or 2.5%.

The major factors affecting this year's annual operating results are as follows:

- Property tax revenue was over budgetary estimates by \$443.8 thousand and over prior year revenue by \$1.7 million.
- State grant funding was under budgetary estimates by \$390.7 thousand and under prior year revenue by \$583.2 thousand.
- Assessment revenue is over budgetary estimates by \$10.0 thousand and under the prior year by \$3.6 thousand.
- License and Permit revenue is over budgetary estimates by \$72.3 thousand and under the prior year by \$117.5 thousand. The building department is down from FY17 by \$61.5 thousand, followed by planning & zoning, which had a decrease of \$39.6 thousand.
- Fines, Penalties and Charges for Services are over budgetary estimates by \$106.8 thousand and under the prior year revenue by \$30.6 thousand. The biggest change was in tipping fee revenue with a decrease of \$70.2 thousand over fiscal year 2017.
- Other sources of revenue were over budgetary estimates by \$158.8 thousand and over the prior year revenue by \$91.1 thousand. The biggest increase was due to the CIRMA members' equity distribution of \$84.1 thousand in FY18.
- Investment income is over budgetary estimates by \$418.2 thousand and over the prior year by \$346.3 thousand.
- Other Financing Sources, which consists of the cancelation of prior year encumbrances and transfers in from the capital improvement fund, was over estimated revenue by \$4.3 thousand and under the prior year by \$11.3 thousand.

Overall Expenditures came in \$792.6 thousand under budgetary estimates. The largest amounts of appropriations returned are outlined below:

- The Public Works Department returned \$270.3 thousand of unused appropriations in the current year.
- The Police Department returned \$177.3 thousand of unused appropriations in the current year.
- The Board of Education returned \$115.0 thousand of unused appropriations in the current year.
- The Recreation and Parks Department returned \$52.2 thousand of unused appropriations in the current year.
- The Fire Services Department returned \$40.2 thousand of unused appropriations in the current year.
- The Emergency Management Department returned \$30.4 thousand of unused appropriations in the current year.
- The Library returned \$21.3 thousand of unused appropriations in the current year.

The Town's General Fund balance of \$14.8 million reported on Exhibit III differs from the General Fund's budgetary balance of \$14.2 million reported in the budgetary comparison in the required supplementary information. This is principally because budgetary fund balance does not include \$566.8 thousand of outstanding encumbrances at year-end, which are reported as expenditures for budgetary purposes. The balances for special revenue funds that are funded primarily from operating transfers from the General Fund are also rolled into that fund for reporting purposes. For fiscal year 2018, those balances amounted to \$74.9 thousand.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the Town had \$300.1 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and water and sewer lines - Table 4. This amount represents a net decrease (including additions and deductions) of \$7.0 million, or 2.3%, from last year.

TABLE 4 (In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 8,379	\$ 8,018	\$ 128	\$ 128	\$ 8,507	\$ 8,146
Land improvements	583	601			583	601
Building and improvements	171,887	177,673	1,048	1,082	172,935	178,755
Machinery and equipment	4,668	5,045	707	768	5,375	5,813
Vehicles	6,363	5,607	190	151	6,553	5,758
Infrastructure	56,832	55,921	48,892	50,679	105,724	106,600
Permanent easements	5	5			5	5
Software	119	170	10	14	129	184
Construction in progress	302	1,259		26	302	1,285
Total	\$ 249,138	\$ 254,299	\$ 50,975	\$ 52,848	\$ 300,113	\$ 307,147

Major capital asset events during the current fiscal year are noted below:

Governmental Activities:

- Land Increased by \$361.2 thousand due to the addition of property acquired through a foreclosure.
- Buildings and improvements decreased by \$5.8 million due mainly to depreciation expense.
- Construction-in-progress decreased by \$957 thousand due mainly to projects being completed and moved to infrastructure (\$629.7 thousand). Costs of \$510.3 thousand related to the municipal complex renovation were moved from the construction-in progress account. The reduction was offset by an increase to construction-in-progress of \$183.1 thousand for ongoing projects that had not completed as of the end of the fiscal year.
- Infrastructure increased by \$911 thousand due to the capitalization of the Jordan Cove Bridge (\$1.8 million), the Oil Mill Culvert (\$412 thousand) and the Mago Point Fishing Pier (\$328.8 thousand). The increases were offset by depreciation expense of \$1.6 million.
- Vehicles increased by \$756.0 thousand due to additions of \$1.9 million, in accordance with the fleet management plan, this was offset by retirements of \$19.7 thousand and depreciation expense of \$1.1 million.
- Machinery and equipment decreased by \$377.0 thousand due to mainly to depreciation expense of \$1.1 million, which was offset by additions of \$714.7 thousand.
- Software decreased by \$51.0 thousand due to retirements of \$22.6 thousand and amortization expense of \$28.1 thousand.

Business-Type Activities

- There was a decrease to construction-in-progress of \$26.0 thousand due to the completion of the pump station grit facility project.
- There was a decrease to infrastructure of \$1.8 million due to depreciation of \$1.9 million, which was offset by \$153.9 thousand for the addition of the pump station grit facility.
- There was an increase in vehicles of \$39 thousand due to additions of \$108.7 thousand and depreciation expense of \$69.4 thousand.
- Software decreased by \$4.0 thousand due to retirements of \$3 thousand and amortization expense of \$1.0 thousand.
- The decreases to all other assets were due entirely to depreciation expense.

Additional information on the Town's capital assets can be found in Note 6 of this report.

Long-Term Debt

At the end of the current fiscal year, the Town had \$74.5 million of outstanding general obligation bonds. Bonds issued in June 2017 carried an AA rating from Standard & Poor.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times its total prior years' tax collections. The current debt limitation for the Town is \$603.2 million.

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

Economic Factors

- The unemployment rate for the Town in 2018 was 4.0%, which is a decrease from a rate of 4.7% a year ago. Waterford's unemployment rate is lower than the State's average unemployment rate of 4.5%, and the national average of 4.2% as of June 2018.

During the current fiscal year, unassigned fund balance in the General Fund increased by \$796.8 thousand. The main reason for the increase is due to the positive operating results of \$1.0 million. Increases in the assigned and nonspendable categories of fund balance offset a portion of the increase of the unassigned total.

All of these factors were considered in preparing the Town's budget for the 2018-19 fiscal year.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, Town of Waterford, 15 Rope Ferry Road, Waterford, Connecticut 06385.

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 28,080,640	\$ 3,138,882	\$ 31,219,522
Investments	4,656,532		4,656,532
Receivables, net	3,733,932	1,613,625	5,347,557
Internal balances	188,688	(188,688)	-
Inventories	3,789		3,789
Prepaid items	158,732	81	158,813
Capital assets:			
Intangible assets not being amortized	5,000		5,000
Intangible assets being amortized, net	119,099	10,080	129,179
Assets not being depreciated	8,680,500	127,970	8,808,470
Assets being depreciated, net	240,333,880	50,836,575	291,170,455
Total assets	<u>285,960,792</u>	<u>55,538,525</u>	<u>341,499,317</u>
Deferred Outflows of Resources:			
Deferred outflows of resources related to pensions	4,580,025		4,580,025
Deferred outflows of resources related to OPEB	63,894		63,894
Deferred charge on refunding	1,330,766		1,330,766
Total deferred outflows of resources	<u>5,974,685</u>	<u>-</u>	<u>5,974,685</u>
Liabilities:			
Accounts and other payables	1,975,861	215,509	2,191,370
Accrued liabilities	5,242,309	124,200	5,366,509
Unearned revenue	497,694	23,444	521,138
Noncurrent liabilities:			
Due within one year	6,415,023	12,511	6,427,534
Due in more than one year	116,055,605	345,945	116,401,550
Total liabilities	<u>130,186,492</u>	<u>721,609</u>	<u>130,908,101</u>
Deferred Inflows of Resources:			
Deferred inflows of resources related to pensions	394,225		394,225
Deferred inflows of resources related to OPEB	686,207		686,207
Total deferred inflows of resources	<u>1,080,432</u>	<u>-</u>	<u>1,080,432</u>
Net Position:			
Net investment in capital assets	172,062,777	50,974,625	223,037,402
Restricted for:			
Trust purposes:			
Nonexpendable	137,414		137,414
Unrestricted	(11,531,638)	3,842,291	(7,689,347)
Total Net Position	<u>\$ 160,668,553</u>	<u>\$ 54,816,916</u>	<u>\$ 215,485,469</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Net Revenue (Expense) And Changes In Net Position					
		Program Revenues			Primary Government		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 14,892,092	\$ 1,031,881	\$ 146,135	\$	\$ (13,714,076)	\$	\$ (13,714,076)
Public safety	12,098,032	500,273	140,174		(11,457,585)		(11,457,585)
Public works	7,180,391	635,155		2,332,303	(4,212,933)		(4,212,933)
Recreation	1,019,923	228,350		117,959	(673,614)		(673,614)
Library	1,064,782	16,817			(1,047,965)		(1,047,965)
Social services	1,299,126	236,472	41,549		(1,021,105)		(1,021,105)
Education	64,679,753	611,482	11,877,081		(52,191,190)		(52,191,190)
Interest on long-term debt	2,400,004				(2,400,004)		(2,400,004)
Total governmental activities	<u>104,634,103</u>	<u>3,260,430</u>	<u>12,204,939</u>	<u>2,450,262</u>	<u>(86,718,472)</u>	<u>-</u>	<u>(86,718,472)</u>
Business-type activities:							
Utility commission	<u>5,740,320</u>	<u>3,654,349</u>	<u></u>	<u></u>	<u></u>	<u>(2,085,971)</u>	<u>(2,085,971)</u>
Total primary governmental activities	<u>\$ 110,374,423</u>	<u>\$ 6,914,779</u>	<u>\$ 12,204,939</u>	<u>\$ 2,450,262</u>	<u>(86,718,472)</u>	<u>(2,085,971)</u>	<u>(88,804,443)</u>
General revenues:							
Property taxes					87,926,897		87,926,897
Grants and contributions not restricted to specific programs					294,469		294,469
Unrestricted investment earnings					686,292	36,930	723,222
Miscellaneous					144,893		144,893
Transfers					(196,434)	196,434	-
Total general revenues and transfers					<u>88,856,117</u>	<u>233,364</u>	<u>89,089,481</u>
Change in Net Position					2,137,645	(1,852,607)	285,038
Net Position at Beginning of Year, as Restated					<u>158,530,908</u>	<u>56,669,523</u>	<u>215,200,431</u>
Net Position at End of Year					<u>\$ 160,668,553</u>	<u>\$ 54,816,916</u>	<u>\$ 215,485,469</u>

The accompanying notes are an integral part of the financial statements

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

	General Fund	Capital and Nonrecurring Expenditures Fund	Waterford High School Building Project	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 16,962,521	\$ 3,436,354	\$ 1,135	\$ 4,275,327	\$ 24,675,337
Investments	1,866,584	2,584,818		205,130	4,656,532
Receivables, net	2,531,669	876,106		310,825	3,718,600
Interfund receivables	4,604,830			1,781,220	6,386,050
Inventories				3,789	3,789
Prepaid items	158,432			300	158,732
Total Assets	\$ 26,124,036	\$ 6,897,278	\$ 1,135	\$ 6,576,591	\$ 39,599,040
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and other payables	\$ 1,159,063	\$ 431,556	\$ 270,325	\$ 1,860,944	
Accrued liabilities	3,341,910		67,177		3,409,087
Interfund payables	4,314,217	9,587	2,942,807	1,463,748	8,730,359
Unearned revenue	201,221			224,742	425,963
Total liabilities	9,016,411	441,143	2,942,807	2,025,992	14,426,353
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	2,223,155				2,223,155
Unavailable revenue - special assessments	62,059				62,059
Unavailable revenue - grants receivable		862,808		38,076	900,884
Unavailable revenue - other receivables	33,260			1,781	35,041
Total deferred inflows of resources	2,318,474	862,808	-	39,857	3,221,139
Fund Balances:					
Nonspendable	158,432			141,503	299,935
Restricted				1,039,817	1,039,817
Committed		5,593,327		2,467,719	8,061,046
Assigned	651,161			899,779	1,550,940
Unassigned	13,979,558		(2,941,672)	(38,076)	10,999,810
Total fund balances	14,789,151	5,593,327	(2,941,672)	4,510,742	21,951,548
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 26,124,036	\$ 6,897,278	\$ 1,135	\$ 6,576,591	\$ 39,599,040

(Continued on next page)

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

Reconciliation of the Balance Sheet - Governmental Funds

to the Statement of Net Position:

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

Fund balances - total governmental funds	\$ 21,951,548
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 388,446,647
Less accumulated depreciation	<u>(139,308,168)</u>
Net capital assets	249,138,479

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recorded in the funds:

Property tax receivables greater than 60 days	1,495,866
Interest receivable on property taxes	727,288
Delinquent special assessments	63,840
Unavailable revenue - grants receivable	900,884
Unavailable revenue - other receivables	33,260
Deferred outflows of resources related to pensions	4,580,025
Deferred outflows of resources related to OPEB	63,894
Deferred charge on refunding	1,330,766

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.

4,894,509

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability	(14,262,138)
Pension prior service cost	(1,678,977)
Bonds and notes payable	(74,485,000)
Bond premiums	(3,921,468)
Interest payable on bonds and notes	(960,746)
Compensated absences	(7,093,628)
Landfill post-closure monitoring liability	(309,000)
Net OPEB liability	(20,720,417)
Deferred inflows of resources related to pensions	(394,225)
Deferred inflows of resources related to OPEB	<u>(686,207)</u>
Net Position of Governmental Activities (Exhibit I)	<u>\$ 160,668,553</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Capital and Nonrecurring Expenditures District	Waterford High School Building Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 87,828,103	\$ 1,149,749	\$ 1,777,555	\$ 87,828,103	\$ 14,048,786
Intergovernmental	11,121,482			40,418	70,305
Assessments and connections	29,887				1,624,376
Licenses and permits	1,624,376				1,590,895
Fines, penalties and charges for services	659,442	4,040	927,413		658,735
Investment earnings	538,226	74,532	16	45,961	
Other	4,783			157,217	162,000
Total revenues	101,806,299	1,228,321	16	2,948,564	105,983,200
Expenditures:					
Current:					
General government	13,307,607			172,476	13,480,083
Public safety	10,135,438			112,550	10,247,988
Public works	4,294,765			46,547	4,341,312
Recreation	1,367,381			14,465	1,381,846
Library	1,003,139				1,003,139
Social services	965,358			277,057	1,242,415
Education	57,514,171			2,099,223	59,613,394
Capital outlay		3,686,108		2,737,805	6,423,913
Debt service:					
Principal retirements	4,980,000				4,980,000
Interest and fiscal charges	2,448,542				2,448,542
Total expenditures	96,016,401	3,686,108	-	5,460,123	105,162,632
Excess (Deficiency) of Revenues over Expenditures	5,789,898	(2,457,787)	16	(2,511,559)	820,568
Other Financing Sources (Uses):					
Transfers in		1,577,148		3,257,195	4,834,343
Transfers out	(4,594,873)			(239,470)	(4,834,343)
Total other financing sources (uses)	(4,594,873)	1,577,148	-	3,017,725	-
Net Change in Fund Balances	1,195,025	(880,639)	16	506,166	820,568
Fund Balances at Beginning of Year	13,594,126	6,473,966	(2,941,688)	4,004,576	21,130,980
Fund Balances at End of Year	\$ 14,789,151	\$ 5,593,327	\$ (2,941,672)	\$ 4,510,742	\$ 21,951,548

(Continued on next page)

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

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 820,568
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	4,787,786
Depreciation expense	(9,718,411)

The statement of activities reports losses arising from the disposal of existing capital assets.

Conversely, governmental funds do not report any gain or loss on disposal of capital assets. This amount represents the disposal of capital assets.

(252,598)

Donations of capital assets from external sources and from business-type funds increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

22,668

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:

Property tax receivable - accrual basis change	96,508
Property tax interest and lien revenue - accrual basis change	2,286
Delinquent special assessment receivable - accrual basis change	(25,144)
Miscellaneous grants and accounts receivable - accrual basis change	883,776
Change in deferred outflows of resources related to pensions	(3,289,084)
Change in deferred outflows of resources related to OPEB	63,894

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Bond principal payments	4,980,000
Amortization of deferred charge on refunding	(121,886)
Amortization of premiums	341,239
Landfill post-closure monitoring	59,000

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	207,549
Accrued interest	(170,852)
Change in net pension liability	2,462,354
Change in net OPEB liability	920,274
Change in prior service cost	431,519
Change in deferred inflows of resources related to pensions	67,113
Change in deferred inflows of resources related to OPEB	(686,207)

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.

255,293

Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>2,137,645</u>
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The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	Utility Commission	Internal Service Fund
Assets:		
Current assets:		
Cash and cash equivalents	\$ 3,138,882	\$ 3,405,303
Receivables, net	1,613,625	15,332
Prepaid expenses	81	
Interfund receivables		2,532,997
Total current assets	<u>4,752,588</u>	<u>5,953,632</u>
Noncurrent assets:		
Capital assets, net	<u>50,974,625</u>	<u>-</u>
Total assets	<u>55,727,213</u>	<u>5,953,632</u>
Liabilities:		
Current liabilities:		
Accounts and other payables	37,381	114,916
Accrued liabilities	124,200	872,476
Interfund payables	188,688	
Advance collections	23,444	71,731
Deposits	178,128	
Compensated absences	12,511	
Total current liabilities	<u>564,352</u>	<u>1,059,123</u>
Noncurrent liabilities:		
Compensated absences	<u>345,945</u>	<u>-</u>
Total liabilities	<u>910,297</u>	<u>1,059,123</u>
Net Position:		
Net investment in capital assets	50,974,625	
Unrestricted	<u>3,842,291</u>	<u>4,894,509</u>
Total Net Position	<u>\$ 54,816,916</u>	<u>\$ 4,894,509</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	Utility Commission	Internal Service Fund
Operating Revenues:		
User charges for services, interest and lien fees	\$ 3,654,349	\$
Premium charges to other funds		11,227,606
Other operating revenues		1,665
Total operating revenues	3,654,349	11,229,271
Operating Expenses:		
Amortization expense	1,280	
Depreciation expense	2,106,909	
Salaries, wages and employee benefits	1,272,828	
Treatment plant costs	1,514,149	
Utilities	348,960	
Repairs and maintenance	329,911	
Other operating expenses	45,083	
Materials and supplies	119,179	
Professional services	21,615	
Claims		9,644,329
Program and administrative expenses		1,357,206
Total operating expenses	5,759,914	11,001,535
Operating Income (Loss)	(2,105,565)	227,736
Nonoperating Revenue (Expense):		
Income on investments	36,930	27,557
Loss on sale of capital assets	(3,074)	
Total nonoperating revenues (expenses)	33,856	27,557
Income (Loss) Before Capital Contributions	(2,071,709)	255,293
Capital Contributions	219,102	
Change in Net Position	(1,852,607)	255,293
Net Position at Beginning of Year	56,669,523	4,639,216
Net Position at End of Year	\$ 54,816,916	\$ 4,894,509

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	Utility Commission	Internal Service Fund
Cash Flows from Operating Activities:		
Charges for services and premiums	\$ 3,647,532	\$ 11,235,802
Payments to suppliers	(2,222,610)	(13,341,931)
Claims and other expenses paid		
Payments to employees	(1,294,763)	
Net cash provided by (used in) operating activities	<u>130,159</u>	<u>(2,106,129)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(18,777)	
Net cash provided by (used in) capital and related financing activities	<u>(18,777)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Income on investments	36,930	27,557
Net cash provided by (used in) investing activities	<u>36,930</u>	<u>27,557</u>
Net Increase (Decrease) in Cash and Cash Equivalents	148,312	(2,078,572)
Cash and Cash Equivalents at Beginning of Year	<u>2,990,570</u>	<u>5,483,875</u>
Cash and Cash Equivalents at End of Year	\$ 3,138,882	\$ 3,405,303
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ (2,105,565)	\$ 227,736
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	2,108,189	
Change in asset and liabilities:		
(Increase) decrease in accounts receivable	45,763	6,531
(Increase) decrease in interfunds receivable		(2,325,090)
(Increase) decrease in prepaid assets	(81)	
Increase (decrease) in accounts payable	(9,010)	(66,251)
Increase (decrease) in accrued liabilities	28,800	57,667
Increase (decrease) in interfunds payable	139,594	
Increase (decrease) in advance collections and deposits	(52,499)	(6,722)
Increase (decrease) in compensated absences	(25,032)	
Total adjustments	<u>2,235,724</u>	<u>(2,333,865)</u>
Net Cash Provided by (Used in) Operating Activities	\$ 130,159	\$ (2,106,129)
Noncash Capital and Related Financing Activity		
Capital contributions from other funds	<u>\$ 219,102</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

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

	Trust Funds	Agency Funds
Assets:		
Cash and cash equivalents	\$ 30,716	\$ 709,720
Investments:		
Certificates of deposit		276,715
Mutual funds	<u>4,161,369</u>	<u></u>
Total assets	<u>4,192,085</u>	<u>\$ 986,435</u>
Liabilities:		
Accounts and other payables	12,094	
Deposits held for others		<u>\$ 986,435</u>
Total liabilities	<u>12,094</u>	<u>\$ 986,435</u>
Net Position:		
Restricted for OPEB Benefits	3,636,422	
Restricted for Pension Benefits		<u>543,569</u>
Total Net Position	<u>\$ 4,179,991</u>	

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Trust Funds
Additions:	
Contributions:	
Employer	<u>\$ 1,988,200</u>
Investment income:	
Net appreciation in fair value of investments	<u>161,460</u>
Total additions	<u>2,149,660</u>
Deductions:	
Benefit payments	872,736
Administration	<u>16,589</u>
Total deductions	<u>889,325</u>
Change in Net Position	1,260,335
Net Position at Beginning of Year	<u>2,919,656</u>
Net Position at End of Year	<u>\$ 4,179,991</u>

The accompanying notes are an integral part of the financial statements

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town was settled in 1646 and incorporated in 1801. The Town operates under a charter and a Board of Selectmen, Board of Finance and Representative Town Meeting (RTM) form of government.

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. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

B. Basis of Presentation

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

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. However, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which are normally 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.

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 expenses 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 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 fund and fiduciary fund financial statements. Agency funds have no measurement focus.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 after the end of the current fiscal period.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to capital leases, compensated absences and claims and judgments, are recorded only when payment is due.

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 activities required to be accounted for in another fund.

The *Capital and Nonrecurring Expenditures Fund* accounts for revenues and expenditures to be used for various short-term construction projects funded by the General Fund.

The *Waterford High School Building Project* accounts for revenues and expenditures and other financing sources for the construction of the High School.

Additionally, the Town reports the following proprietary fund:

The *Utility Commission Fund* accounts for the operation and maintenance of the sewer collection system, which is owned by the Town and is primarily supported through charges to customers.

Additionally, the Town reports the following fund types:

The *Internal Service Fund* is used to account for the Town's insurance program for health insurance coverage of the Town and Board of Education employees.

The *Pension and Other Employee Benefit Trust Funds* account for the assets that have been set aside in a trust for the employee retirement plan for certain Town employees and assets that have been set aside in a trust for other post-employment benefits for certain employees.

The *Agency Funds* account for monies held on behalf of students and for scholarships and performance bonds.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other function of the government. 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 revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to users for services. Operating expenses for internal service funds 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 government's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

C. Cash and Cash Equivalents

The Town classifies money market funds, STIF investments, treasury bills and certificates of deposit having original maturities of three months or less when purchased as cash equivalents. The Connecticut State Treasurer's Short-Term Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c through 3-27e. Investment guidelines are adopted by the State Treasurer. The pool is reported at amortized cost.

D. Investments

Investments are stated at fair value.

E. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of United States Department of Agriculture donated commodities are stated at fair market value. 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.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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."

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

In the government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles.

G. 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 and proprietary fund financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets 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 lives are not capitalized.

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

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Infrastructure:	
Public domain infrastructure	10-65
System infrastructure	30
Land and Buildings:	
Land	-
Land improvements	20
Buildings	25-40
Building improvements	25-40
Equipment:	
Vehicles	8
Office equipment	5-20
Computer equipment	5
Machinery and equipment	5-30
Software	15

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension and OPEB in the government-wide statement of net position. A deferred charge on refunding results from the difference

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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 over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows related to pensions and OPEB 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 over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plan (active employees and inactive employees). Also, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from four sources: grants receivable, special assessments, property taxes and interest on property taxes. These amounts are deferred and recognized as an inflow of resources (revenue) in the period during which the amounts become available.

I. Net Pension Liability and Net OPEB 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 periods.

The net OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total OPEB liability), net of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB 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 periods.

J. 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 the 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 period incurred.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

K. Compensated Absences

Town and Board of Education employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future period are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for amounts that have become due. The general fund is typically used to liquidate the liability.

L. Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

Restricted net position contains assets subject to restrictions that are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

This component represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of Waterford Representative Town Meeting) in the form of an ordinance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Assigned Fund Balance

This balance represents amounts constrained for the intent to be used for a specific purpose by a governing body or board or official that has been delegated authority to assign amounts by the Town Charter. The Finance Director has been delegated authority to assign amounts.

Unassigned Fund Balance

This component 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.

M. Property Taxes

The Town's property tax is levied each June on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town and are computed at 70% of market value. Although taxes are levied in June, the legal right to attach property does not exist until July 1. Taxes are due and payable in two installments on the following July 1 and January 1. Interest of 1 ½ percent per month is charged on delinquent taxes. The Town files liens against property if taxes that are due July 1 remain unpaid on the following June 30. Liens are effective on the attachment date and are continued by filing prior to the following levy date.

Additional supplemental property taxes are assessed for motor vehicles registered subsequent to the Grand List date through July 31 and are payable in one installment due January 1.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Town defines the current period to mean within 60 days after year end. Property taxes receivable not expected to be collected during the available period are reflected in unavailable revenue in the fund financial statements. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30 that are applicable to the subsequent years' assessment are reflected as advance tax collections in both the fund financial statements and the government-wide financial statements.

N. Accounting Estimates

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

O. New Accounting Standards Adopted

Effective for the year ended June 30, 2018, the Town adopted two new statements of financial accounting standard issued by the Governmental Accounting Standards Board:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

payments to their actuarial present value, and attribute that present value to periods of employee service. The related disclosure is included in Note 11 and required supplementary information included at RSI-9, RSI-10, RSI-11 and RSI-12.

- GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits). There are no significant changes from the implementation of this standard on the financial statements for the year ended June 30, 2018.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Formal legally adopted annual budgets are employed as a management control device in the General Fund. Project-length budgets are employed in the Capital Projects Funds. All unencumbered appropriations lapse at year end.

The Town uses the following procedures in establishing the budgetary data included in the financial statements. Those boards seeking appropriations, with the exception of the Board of Education, make their budgetary requests to the Board of Selectmen by a date designated by the Board. During the months of January and February, the Board of Selectmen conducts budget hearings with the requesting agencies. The Board of Selectmen will take action on these requests no later than the second week in February and forward the budgets and its recommendation for funding to the Board of Finance. During the month of March, the Board of Finance conducts budget hearings with the requesting departments, Boards, Commissions and Agencies including the Board of Education. The Board of Finance then conducts a public hearing to determine the budget it will recommend to the Representative Town Meeting (RTM). This recommendation cannot exceed the recommended level of appropriation by the Board of Selectmen unless a departmental appeal is made to them based upon the action of the Board of Selectmen in a timeframe approved by Ordinance. The RTM holds its annual budget meeting the first Monday in May and acts upon the recommended budget as submitted by the Board of Finance inclusive of the Board of Education. The RTM cannot increase the level of appropriation recommended by the Board of Finance unless a departmental appeal is made to them from the action of the Board of Finance in a timeframe approved by Ordinance. The annual budget meeting legally appropriates this budget to departmental line items for expenditures and transfers. The Board of Finance then sets a tax mill rate for the ensuing fiscal year based upon this level of budget.

Town management may transfer amounts within the series level within a department with Commission or Board approval, but only the Board of Finance is authorized to transfer the legally budgeted amounts between series within or between departmental accounts. In this function, series within the various departments serve as the level of management control.

The Superintendent of Schools is authorized to make limited line item transfers under emergency circumstances where the urgent need for the transfer prevents the Board of Education from meeting in a timely fashion to consider the transfer. Any such transfer shall be announced at the next regularly scheduled meeting of the Board.

The Town's budgeting system requires accounting for certain transactions to be on a basis other than GAAP. The major difference between the budgetary and GAAP basis is that encumbrances are recognized as a charge against a budget appropriation in the year in which the purchase order is

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

issued and, accordingly, encumbrances outstanding at year end are recorded in budgetary reports as expenditures of the current year, whereas, on a GAAP basis, encumbrances are recorded as assigned fund balance.

Summarizations of the amended budget approved by the RTM for the “budgetary” general fund is presented. During the year, supplemental budgetary appropriations of \$693,075 were made.

As explained above, the Town’s budgetary fund structure accounts for certain transactions differently from that utilized in reporting in conformity with generally accepted accounting principles.

The differences between the budgetary and GAAP basis of accounting are as follows:

- Encumbrances are recognized as valid and proper charges against budget appropriations in the year in which the purchase order is issued and, accordingly, encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year but are shown as an assigned fund balance on a GAAP basis.
- State of Connecticut payments on behalf of Town of Waterford teachers for the State Teachers’ Retirement System for pension and OPEB benefits are reported for GAAP purposes only.
- Excess Cost - Student based grant is credited against the Board of Education’s operating budget.

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

B. Deficit Fund Equity

The following funds had deficit fund balances at year end:

Fund	Amount
Waterford High School Building Project	\$ 2,941,672
Nonmajor Governmental Funds	
Nuclear Safety Emergency Preparedness Grant Fund	38,076

These deficits will be eliminated in future years by grants and when permanent financing is obtained.

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 Town and the Pension and OPEB Trust Funds have a policy for investments which is governed by State Statutes. 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

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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 deposits 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*, \$633,815 of the Town's bank balance of \$1,258,200 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 535,697
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>98,118</u>
Total Amount Subject to Custodial Credit Risk	\$ <u>633,815</u>

Cash Equivalents

At June 30, 2018, the Town's cash equivalents amounted to \$31,436,956. 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.

	Standard & Poor's	Fitch Ratings
State Short-Term Investment Fund (STIF) Money Market Funds	AAAm Not Rated	

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Investments

As of June 30, 2018, the Town had the following investments:

	Fair Value	Investment Maturities (Years)		
		Less Than 1	1 - 10	More Than 10
Interest-bearing investments:				
Certificates of deposit*	\$ 3,590,226	\$	\$ 3,590,226	\$
Other investments:				
Mutual funds		<u>5,504,390</u>		
Total Investments	\$	<u>9,094,616</u>		

* Subject to coverage by Federal Depository Insurance and Collateralization. Investments are not rated.

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, 2018:

	Fair Value	Level 1	Level 2	Level 3
Investments by fair value level:				
Mutual funds	\$ 5,504,390	\$ 5,504,390	\$	\$

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

Interest Rate Risk

The Town, Pension and OPEB plans have a policy that limits investing in short-term securities, money market funds or similar investment pools, and limiting the average maturity in the portfolio in accordance with this policy will minimize interest rate risk.

Credit Risk - Investments

The Town does not have an investment policy that would limit its investment choices due to credit risk, other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Concentration of Credit Risk

The Town and pension plan do have a policy that limits that amounts invested in any one issuer to no more than 15 percent from a specific issuer or business sector (except U.S. Treasuries or Connecticut Short Term Investment Funds), which is to maintain a diversified portfolio to minimize the risk of loss resulting from over-concentration of assets in a specific issuer.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the Town did not have any uninsured and unregistered securities held by the counterparty, or by its trust department or agent, that were not in the Town's name.

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 Fund	Capital and Nonrecurring Expenditures Fund	Utility Commission	Nonmajor and Other Funds	Total
Receivables:					
Property taxes	\$ 1,587,257	\$	\$	\$	\$ 1,587,257
Interest	727,289				727,289
Accounts	236,187		1,613,625	49,280	1,899,092
Intergovernmental	33,450	876,106		280,100	1,189,656
Assessment charges	71,652				71,652
Gross receivables	2,655,835	876,106	1,613,625	329,380	5,474,946
Less allowance for uncollectibles	(124,166)			(3,223)	(127,389)
Net Total Receivables	\$ 2,531,669	\$ 876,106	\$ 1,613,625	\$ 326,157	\$ 5,347,557

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

5. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 8,017,930	\$ 361,150	\$ (450)	\$ 8,378,630
Permanent easements	5,000			5,000
Construction in progress	1,258,699	183,089	(1,139,918)	301,870
Total capital assets not being depreciated	<u>9,281,629</u>	<u>544,239</u>	<u>(1,140,368)</u>	<u>8,685,500</u>
Capital assets being depreciated:				
Land improvements	2,392,999	42,840		2,435,839
Buildings and improvements	240,851,845		(7,635)	240,844,210
Vehicles	15,445,033	1,877,159	(928,213)	16,393,979
Machinery and equipment	15,055,116	714,680	(301,568)	15,468,228
Infrastructure	101,826,647	2,771,454	(539,474)	104,058,627
Software	610,339		(50,075)	560,264
Total capital assets being depreciated	<u>376,181,979</u>	<u>5,406,133</u>	<u>(1,826,965)</u>	<u>379,761,147</u>
Less accumulated depreciation for:				
Land improvements	(1,792,123)	(60,243)		(1,852,366)
Buildings and improvements	(63,178,569)	(5,786,396)	7,635	(68,957,330)
Vehicles	(9,838,007)	(1,101,439)	908,512	(10,030,934)
Machinery and equipment	(10,010,094)	(1,091,617)	301,568	(10,800,143)
Infrastructure	(45,905,221)	(1,650,591)	329,582	(47,226,230)
Software	(440,560)	(28,125)	27,520	(441,165)
Total accumulated depreciation	<u>(131,164,574)</u>	<u>(9,718,411)</u>	<u>1,574,817</u>	<u>(139,308,168)</u>
Total capital assets being depreciated, net	<u>245,017,405</u>	<u>(4,312,278)</u>	<u>(252,148)</u>	<u>240,452,979</u>
Governmental Activities Capital Assets, Net	<u>\$ 254,299,034</u>	<u>\$ (3,768,039)</u>	<u>\$ (1,392,516)</u>	<u>\$ 249,138,479</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 127,970	\$	\$	\$ 127,970
Construction in progress	24,771		(24,771)	-
Total capital assets not being depreciated	<u>152,741</u>	<u>-</u>	<u>(24,771)</u>	<u>127,970</u>
Capital assets being depreciated:				
Buildings and improvements	1,383,627			1,383,627
Vehicles	630,642	108,715	(22,670)	716,687
Machinery and equipment	999,251			999,251
Infrastructure	95,863,333	153,935		96,017,268
Software	23,940		(4,940)	19,000
Total capital assets being depreciated	<u>98,900,793</u>	<u>262,650</u>	<u>(27,610)</u>	<u>99,135,833</u>
Less accumulated depreciation for:				
Buildings and improvements	(301,228)	(34,590)		(335,818)
Vehicles	(480,106)	(69,352)	22,670	(526,788)
Machinery and equipment	(231,422)	(60,997)		(292,419)
Infrastructure	(45,183,263)	(1,941,970)		(47,125,233)
Software	(9,506)	(1,280)	1,866	(8,920)
Total accumulated depreciation	<u>(46,205,525)</u>	<u>(2,108,189)</u>	<u>24,536</u>	<u>(48,289,178)</u>
Total capital assets being depreciated, net	<u>52,695,268</u>	<u>(1,845,539)</u>	<u>(3,074)</u>	<u>50,846,655</u>
Business-Type Activities Capital Assets, Net	<u>\$ 52,848,009</u>	<u>\$ (1,845,539)</u>	<u>\$ (27,845)</u>	<u>\$ 50,974,625</u>

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Governmental activities:	
General government	\$ 243,806
Public safety	1,235,442
Public works	2,228,275
Recreation	306,595
Library	21,650
Social services	110,885
Education	<u>5,571,758</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$ 9,718,411</u>
 Business-type activities:	
Utility Commission	<u>\$ 2,108,189</u>

Construction Commitments

The Town has active construction projects as of June 30, 2018. At year end, the Town's commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
General government projects	\$ 2,087,870	\$ 1,157,670
Fire services projects		50,000
Department of Public Works projects	2,061,533	474,368
Recreation projects		<u>44,950</u>
 Total	 <u>\$ 4,149,403</u>	 <u>\$ 1,726,988</u>

The commitments are being financed with General Fund and Capital Projects Fund appropriations and state and federal grants and bonding.

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2018 is as follows:

Receivable Entity	Payable Entity	Amount
General Fund	Capital and Nonrecurring Expenditures Fund	\$ 9,587
General Fund	Waterford Highschool Building Project	2,942,807
General Fund	Nonmajor Governmental Funds	1,463,748
General Fund	Utility Commission	188,688
Nonmajor Governmental Funds	General Fund	1,781,220
Internal Service Fund	General Fund	<u>2,532,997</u>
		 <u>\$ 6,386,050</u>

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Interfund receivables and payables generally represent temporary balances arising from reimbursement-type transactions.

Interfund transfers for the year ended June 30, 2018 are as follows:

	Transfers In		
	Capital and Nonrecurring Expenditures Fund	Nonmajor Governmental Funds	Total Transfers Out
Transfers:			
General Fund	\$ 1,337,678	\$ 3,257,195	\$ 4,594,873
Nonmajor Governmental Funds	<u>239,470</u>	<u> </u>	<u>239,470</u>
Total Transfers In	\$ 1,577,148	\$ 3,257,195	\$ 4,834,343

Capital asset contributions totaling \$219,102 were made from governmental funds to business-type funds and \$22,668 made from business-type funds to governmental funds during the year ended June 30, 2018. This activity is included in transfers in the government-wide activity in Exhibit II of the accompanying financial statements.

Interfund transfers arose from appropriating General Fund amounts to the Nonrecurring Capital Projects Fund and various nonmajor governmental funds.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance		Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:						
General obligation bonds	\$ 79,465,000	\$		\$ 4,980,000	\$ 74,485,000	\$ 5,020,000
Premium on bonds	4,262,707			341,239	3,921,468	
Total bonds payable	<u>83,727,707</u>		-	<u>5,321,239</u>	<u>78,406,468</u>	<u>5,020,000</u>
Other liabilities:						
Net OPEB liability *	21,640,691	*		920,274	20,720,417	
Landfill post-closure monitoring	368,000			59,000	309,000	21,000
Compensated absences	7,301,177			207,549	7,093,628	947,675
Net pension liability	16,724,492			2,462,354	14,262,138	
Prior service cost (MERS)	2,110,496			431,519	1,678,977	426,348
Total Governmental Activities						
Long-Term Liabilities	<u>\$ 131,872,563</u>	\$	-	<u>\$ 9,401,935</u>	<u>\$ 122,470,628</u>	<u>\$ 6,415,023</u>
Business-type activities:						
Compensated absences	<u>\$ 383,488</u>	\$	-	<u>\$ 25,032</u>	<u>\$ 358,456</u>	<u>\$ 12,511</u>

* As restated and further detailed at Note 15

Compensated absences, net pension liability and net OPEB liability are generally liquidated by the General Fund.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and are payable from taxes levied on all taxable properties located within the Town. The Town is liable for all outstanding bonds. General obligation bonds currently outstanding are as follows:

Description	Maturity Ranges	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance June 30, 2018
Governmental activities:						
Schools:						
Clark Lane School	\$800,000 - \$850,000	\$ 9,440,000	12/29/2014	8/15/2026	3.0% - 5.0%	\$ 7,505,000
Oswegatchie School	\$735,000 - \$740,000	14,000,000	8/1/2011	8/1/2030	2.0% - 4.0%	2,210,000
Great Neck Elementary	\$655,000 - \$975,000	15,640,000	3/1/2012	8/1/2031	1.75% - 3.25%	12,175,000
Waterford High School	\$1,355,000 - \$2,000,000	33,750,000	3/15/2013	8/15/2032	2.0% - 4.0%	24,195,000
School Issue of 2014	\$640,000 - \$940,000	15,930,000	3/17/2014	3/15/2034	3.0% - 4.0%	14,000,000
School Issue of 2017	\$185,000 - \$2,830,000	14,585,000	6/21/2017	6/30/2031	2.0% - 5.0%	<u>14,400,000</u>
						\$ <u>74,485,000</u>

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

General Obligation Bonds - Advance Refunding

In prior years, the Town has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase Government Obligations that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. The balance in escrow was \$11,750,015 as of June 30, 2018. The balance of the defeased bonds was \$11,350,000 at June 30, 2018.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2019	\$ 5,020,000	\$ 2,565,439
2020	5,145,000	2,387,839
2021	5,380,000	2,187,776
2022	5,430,000	2,003,520
2023	5,460,000	1,828,195
2024-2028	27,275,000	6,274,563
2029-2033	19,835,000	1,805,433
2034	940,000	36,425
Total	\$ 74,485,000	\$ 19,089,190

Landfill Post-Closure Care Costs

Effective January 1, 2002, the Town's Miner Lane landfill was closed. The cost of the ongoing maintenance of the cap and the Department of Energy and Environmental Protection requirement for water quality testing over a 30-year period is estimated to be approximately \$21,000 a year. Accordingly, the Town has recorded a liability in the government-wide financial statements of \$309,000.

Authorized But Unissued

The total of authorized but unissued bonds at June 30, 2018 is \$8,376,000. In most cases, interim financing is obtained through bond anticipation notes or other short-term borrowings until the issuance of long-term debt.

Debt Limitation

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

Category	Debt Limit	Indebtedness	Balance
General purpose	\$ 193,879	\$ 193,879	
Schools	387,757	74,485	313,272
Sewers	323,131		323,131
Urban renewal	280,047		280,047
Pension deficit	258,505		258,505

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

8. FUND BALANCE

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

	General Fund	Capital and Nonrecurring Expenditures Fund	Waterford High School Building Project	Nonmajor Governmental Funds	Total
Fund balances:					
Nonspendable:					
Inventory	\$ 158,432	\$ 3,789	\$ 300	\$ 137,414	\$ 3,789
Prepaid expenditures					158,732
Non-spendable trust					137,414
Restricted for:					
General government					32,539
Public safety					250,337
Public works					546,493
Recreation					43,408
Social services					101,024
Education					66,016
Committed to:					
Public works					602,480
Other capital projects		5,593,327			1,865,239
Assigned to:					
General government	66,291				66,291
Public works	161,453				161,453
Recreation	17,310				17,310
Capital projects					899,779
Education	406,107				406,107
Unassigned	<u>13,979,558</u>		<u>(2,941,672)</u>	<u>(38,076)</u>	<u>10,999,810</u>
Total Fund Balances	<u>\$ 14,789,151</u>	<u>\$ 5,593,327</u>	<u>\$ (2,941,672)</u>	<u>\$ 4,510,742</u>	<u>\$ 21,951,548</u>

As discussed in Note 2.A., budgetary information, under budgetary basis of accounting encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. As of June 30, 2018 the amount of General Fund encumbrances expected to be honored upon performance by the vendor in the next year totaled \$566,747.

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

9. TAX ABATEMENTS

As of June 30, 2018, the Town provides tax abatements through multiple programs:

- AHEPA 250-II Inc.
- Twin Haven, Inc.

The AHEPA 250-II Inc. (AHEPA) tax abatement agreement provides a real property tax abatement on certain property within the Town for the purpose of providing housing to the low or moderate-income elderly and handicapped, as allowed under Chapter 133 of the Connecticut General Statutes Section 8-215 and 8-216. Eligibility for the abatement is predicated on AHEPA limiting occupancy in the premises to those meeting the criteria for low or moderate-income elderly and handicapped individuals in addition to maintaining a contracted standard of housing for the property. The agreement allows for an abatement over a five-year period to end on June 27, 2019, if not extended, and is determined by the percentage of the annual Town levy that is expended for education. For the year ended June 30, 2018, taxes abated through this agreement totaled \$28,262. There are no provisions to recapture abated taxes under this program. No other commitments have been made by the Town to the abatement recipient under this agreement.

The Twin Haven, Inc. (Twin Haven) tax abatement agreement provides a real property tax abatement on certain property within the Town for the purpose of providing housing to the low or moderate-income elderly, as allowed under Chapter 133 of the Connecticut General Statutes Section 8-215. Eligibility for the abatement is predicated on Twin Haven limiting occupancy in the premises to those meeting the criteria for low or moderate-income elderly individuals in addition to maintaining a contracted standard of housing for the property. The abatement term is over a five-year period to end on June 30, 2021, if not extended, and is determined by the percentage of the annual Town levy that is expended for education. For the year ended June 30, 2018, taxes abated through this agreement totaled \$22,665. There are no provisions to recapture abated taxes under this program. No other commitments have been made by the Town to the abatement recipient under this agreement.

10. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Pension Trust Fund

Plan Description

The Town maintains a single-employer defined benefit pension plan (the Plan). The Plan was established and is administered by the Town. The Plan covers employees who retired or terminated in a vested status prior to State of Connecticut Municipal Employees' Retirement System (MERS) participation. There are no contributions required from the members. The Town is required to contribute the amounts necessary to finance the benefits for the participants in this Plan. The Plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a Pension Trust Fund. The Plan does not issue a separate stand-alone financial report.

The Plan provides retirement, disability and death benefits to plan members and their beneficiaries. The Plan is closed to new members. All eligible full-time employees have the option of enrolling in the MERS plan.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Benefit Provisions

Members who retired at normal retirement date (age 62 and 15 years of service) receive benefits equal to 1.5% of final average earnings (the average of the highest 5 years within the last 10 years) per year of service, limited to 30 years. Members who retired at service retirement date (age 50 and 25 years of service) receive benefits equal to 2% of final average earnings per year of service, limited to 30 years, until age 62. Members who retired at early retirement date (age 57 and 15 years of service) could elect to receive benefits accrued to that date, reduced by .4167% for each month prior to normal retirement date, or to defer benefits until normal retirement date with no reduction. Benefit provisions are established and can be amended by the Representative Town Meeting.

Plan Administration

The general administration and management of the pension plan and the responsibility for carrying out the provision of the plan shall be placed with the Retirement Commission. The Retirement Commission is made up as follows:

- A member of the Board of Police Commissioners to be appointed by the Board of Police Commissioners, annually;
- A member of the Board of Selectmen to be appointed by the Board of Selectmen, annually;
- A member of the Board of Education to be appointed by the Board of Education, annually;
- A member of the Board of Finance to be appointed by the Board of Finance, biennially, for a two-year term, subsequent to December 1st but no later than December 31st of each odd-numbered year;
- Two members of the Representative Town Meeting to be appointed by the Representative Town Meeting biennially, for a two-year term at the regularly scheduled December meeting of each odd-numbered year, and;
- A member of the fire service to be appointed by the Director of Fire Services, annually.

Plan membership consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

Retirees, disabled employees and beneficiaries currently receiving benefits	13
Terminated Plan members entitled to benefits but not yet receiving them	-
Active Members	-
	<hr/>
	13
	<hr/>

Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member and employer contributions are recognized as revenues when due in accordance with the terms of the plan. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs are paid from pension fund resources.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Funding Policy

There are no active employees of the Plan. Contributions required for the year ended June 30, 2018 were \$81,493. Excess assets in the Plan may be used to fund past service costs for employees who transferred to MERS.

Investments

Investment Policy

The Plan's policy in regards to the allocation of invested assets is established and may be amended.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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. Best estimates of the real rates of return for each major asset class are included in the pension plan's target asset allocation as of June 30, 2018, and are summarized in the following table.

The following was the Retirement Commission's adopted asset allocation policy and the long-term expected real rate of return as of June 30, 2018:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap	17.5%	5.60%
Mid/small cap	7.5%	5.90%
International developed	20.0%	5.80%
International emerging	5.0%	6.85%
Fixed income	<u>50.0%</u>	<u>1.75%</u>
Total	<u><u>100.0%</u></u>	

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2018 were as follows:

Total pension liability	\$ 1,066,831
Plan fiduciary net position	<u>543,569</u>
Net Pension Liability	\$ <u><u>523,262</u></u>
Plan fiduciary net position as a percentage of the total pension liability	50.95%

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Actuarial Assumptions

The total pension liability for both plans was determined by an actuarial valuation as of July 1, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Cost of Living Adjustments	2.60%
Actuarial Cost Method	Entry age normal
Investment rate of return	6.25%, compounded annually

Plan mortality rates were based on the RP-2000 Mortality Table with separate male and female rates, with no collar adjustments, projected to the valuation date with Scale BB.

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. 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 Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of July 1, 2017	\$ 1,052,775	\$ 564,520	\$ 488,255
Changes for the year:			
Interest on total pension liability	61,919		61,919
Differences between expected and actual experience	(23,064)		(23,064)
Changes in assumptions	101,230		101,230
Employer contributions		81,493	(81,493)
Net investment income		28,406	(28,406)
Benefit payments, including refund to employee contributions	(126,029)	(126,029)	-
Administrative expenses		(4,821)	4,821
Net Changes	<u>14,056</u>	<u>(20,951)</u>	<u>35,007</u>
Balances as of June 30, 2018	<u>\$ 1,066,831</u>	<u>\$ 543,569</u>	<u>\$ 523,262</u>

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

The following presents the net pension liability of the Town, calculated using the discount rate of 6.25%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.25%) or 1-percentage point higher (7.25%) than the current rate:

	Current		
	1% Decrease	Discount Rate	1% Increase
	(5.25%)	(6.25%)	(7.25%)
Net Pension Liability	\$ 606,568	\$ 523,262	\$ 450,672

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Town recognized pension expense of \$120,404. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earning on pension plan investments	\$ 16,720

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2019	\$ 11,851
2020	5,197
2021	(1,925)
2022	<u>1,597</u>
 Total	 <u>\$ 16,720</u>

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Schedule of Plan Net Position - June 30, 2018

	Pension Trust Fund
Assets:	
Cash and cash equivalents	\$ 19,839
Investments:	
Mutual funds	<u>527,419</u>
Total assets	547,258
Liabilities:	
Accounts and other payables	<u>3,689</u>
Net Position:	
Restricted for Pension Benefits	<u>\$ 543,569</u>

Schedule of Changes in Plan Net Position for the Year Ended June 30, 2018

	Pension Trust Fund
Additions:	
Contributions:	
Employer	\$ 81,493
Investment income:	
Net appreciation in fair value of investments	<u>28,406</u>
Total additions	<u>109,899</u>
Deductions:	
Benefit payments	126,029
Administration	<u>4,821</u>
Total deductions	<u>130,850</u>
Change in Net Position	(20,951)
Net Position at Beginning of Year	<u>564,520</u>
Net Position at End of Year	<u>\$ 543,569</u>

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

B. Municipal Employees' Retirement System

Plan Description

Certain employees of the Town of Waterford, Connecticut and Waterford Public Schools 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.

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 years of active noncontinuous 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.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2½% of compensation up to the social security taxable wage base plus 5%, if any, in excess of such base.

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, 2018, the Town reports a total liability of \$13,738,876 for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2018, the Town's proportion was 5.54%. The decrease in proportion from June 30, 2017 is 0.55%.

For the year ended June 30, 2018, the Town recognized pension expense of \$3,358,779. At June 30, 2018, 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
Differences between expected and actual experience	\$ 489,468	\$
Net difference between projected and actual earning on pension plan investments	1,055,659	
Change in employer proportional share	324,101	394,225
Contributions after the measurement date	<u>2,694,077</u>	
 Total	 \$ <u>4,563,305</u>	 \$ <u>394,225</u>

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 479,362
2019	1,135,766
2020	427,320
2021	<u>(567,445)</u>
 Total	 <u>\$ 1,475,003</u>

Payable to MERS

The Town has recorded \$1,678,977 as a long-term liability to MERS at June 30, 2018. This amount represents prior services cost calculated when the Town entered the Plan. This amount will be paid in annual installments. The current year amount paid was \$431,519.

Actuarial Assumptions

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

Inflation	3.25%
Salary increases	4.25% - 11.00%, including inflation
Investment rate of return	8.00%, net of investment related expense

Mortality rates were based on the RP-2000 Mortality Table for annuitants and nonannuitants (set forward one year for males and set back one year for females).

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2007 - June 30, 2012.

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%.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. equities	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%
Total	<u>100.00%</u>	

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 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.

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 (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Town's proportionate share of the net pension liability (asset)	\$ 33,861,170	\$ 13,738,876	\$ (3,199,622)

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

C. Teachers' Retirement System - Pension

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

Employer (School Districts)

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

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

Employees

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

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

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

At June 30, 2018, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ -	-
State's proportionate share of the net pension liability associated with the Town	<u>75,284,376</u>	
Total	\$ <u>75,284,376</u>	

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

For the year ended June 30, 2018, the Town recognized pension expense and revenue of \$8,708,203 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, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

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

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (Non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Cash	6.0%	0.4%
Total	<u><u>100.0%</u></u>	

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.

Other Information

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

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

11. OTHER POST EMPLOYMENT BENEFITS

A. Town Post-Retirement Healthcare Plan

Plan Description

The Town administers one single-employer, post-retirement healthcare plan (OPEB Plan) for the Town, Police, Fire and Board of Education employee. The OPEB plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial report as the OPEB Trust fund. The Town does not issue a separate stand-alone financial statement for this program.

The Town plan provides for medical, dental and life insurance benefits for all eligible Town, Police, Fire and Board of Education retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations. Administration costs are financed from investment earnings.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Town. The Town currently funds on the "pay-as-you-go" basis. The Town's contributions are actuarially determined on an annual basis using the projected unit cost method. The Town's total plan contribution was \$1,906,707. There are no employee contributions.

At July 1, 2016, plan membership consisted of the following:

Active employees	411
Retired employees	<u>117</u>
Total	<u>528</u>

Investments

Investment Policy

The OPEB Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB Plan.

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 4.13%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Net OPEB Liability of the Town

The components of the net OPEB liability of the Town at June 30, 2018, were as follows:

Total OPEB liability	\$ 24,356,839
Plan fiduciary net position	<u>3,636,422</u>
Net OPEB Liability	\$ <u>20,720,417</u>
Plan fiduciary net position as a percentage of the total OPEB liability	14.93%

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	2.75%, average, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	7.75% decreasing 0.5% per year to an ultimate rate of 4.75% for 2023 and later years

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

The actuarial assumptions used in the July 1, 2016 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. A full actuarial experience study has not been completed.

The long-term expected rate of return on OPEB plan investments was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Best estimates of the real rates of returns for each major asset class are included in the OPEB Plan's target asset allocation. Best estimates of arithmetic real rates of return for each major asset as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
International	32.50%	5.50%
Core Fixed Income	35.00%	2.25%
US Equities	<u>32.50%</u>	<u>5.25%</u>
<u>100.00%</u>		

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that Town contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current discount rate:

	Current Discount		
	1% Decrease (6.00%)	Rate (7.00%)	1% Increase (8.00%)
Net OPEB Liability	\$ 23,461,426	\$ 20,720,417	\$ 18,405,541

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

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.75% decreasing to 3.75%) or 1 percentage point higher (8.75% decreasing to 5.75%) than the current healthcare cost trend rates:

	Current Healthcare		
	1% Decrease (6.75% decreasing to 3.75%)	Trend Rate (7.75% decreasing to 4.75%)	1% Increase (8.75% decreasing to 5.75%)
Net OPEB Liability	\$ 18,337,145	\$ 20,720,417	\$ 23,585,711

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of July 1, 2017	<u>\$ 23,995,827</u>	<u>\$ 2,355,136</u>	<u>\$ 21,640,691</u>
Changes for the year:			
Service cost	264,365	264,365	
Interest on total OPEB liability	1,672,521	1,672,521	
Differences between expected and actual experience	(829,167)	(829,167)	
Employer contributions	1,906,707	(1,906,707)	
Net investment income	133,054	(133,054)	
Benefit payments, including refund to employee contributions	(746,707)	(746,707)	-
Administrative expenses	(11,768)	11,768	
Net Changes	<u>361,012</u>	<u>1,281,286</u>	<u>(920,274)</u>
Balances as of June 30, 2018	<u>\$ 24,356,839</u>	<u>\$ 3,636,422</u>	<u>\$ 20,720,417</u>

OPEB Expense and Deferred Outflow/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB expense of \$1,539,938. At June 30, 2018, 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	\$ (686,207)	\$ (686,207)
Net difference between projected and actual earning on OPEB plan investments	<u>63,894</u>	<u>63,894</u>
Total	<u>\$ 63,894</u>	<u>\$ (686,207)</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2019	\$ (126,986)
2020	(126,986)
2021	(126,986)
2022	(126,988)
2023	<u>(114,367)</u>
Total	<u>\$ (622,313)</u>

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

Schedule of Plan Net Position - June 30, 2018

	OPEB Trust Fund
Assets:	
Cash and cash equivalents	\$ 10,877
Investments:	
Mutual funds	<u>3,633,950</u>
Total assets	3,644,827
Liabilities:	
Accounts and other payables	<u>8,405</u>
Net Position:	
Restricted for OPEB Benefits	<u>\$ 3,636,422</u>

Schedule of Changes in Plan Net Position for the Year Ended June 30, 2018

	OPEB Trust Fund
Additions:	
Contributions:	
Employer	\$ 1,906,707
Investment income:	
Net appreciation in fair value of investments	<u>133,054</u>
Total additions	<u>2,039,761</u>
Deductions:	
Benefit payments	746,707
Administration	<u>11,768</u>
Total deductions	<u>758,475</u>
Change in Net Position	1,281,286
Net Position at Beginning of Year	<u>2,355,136</u>
Net Position at End of Year	<u>\$ 3,636,422</u>

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

B. Other Post-Employment Benefits - Connecticut State 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

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

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

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

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

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

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

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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.

Contributions

State of Connecticut

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

Employer (School Districts)

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

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018, the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related State support and the total portion of the net OPEB liability that was associated with the Town was as follows:

Town's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the Town		<u>19,377,337</u>
Total	\$	<u>19,377,337</u>

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

For the year ended June 30, 2018, the Town recognized OPEB expense and revenue of \$898,044 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, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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.

12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error 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 three years ended June 30, 2018.

Workers Compensation

The Town currently is a member in Connecticut Interlocal Management Agency (CIRMA), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a et seq., of Connecticut General Statutes, for workers' compensation first dollar coverage.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an insured loss retrospective rating plan and losses incurred in the coverage period will be evaluated at 18, 30, and 42 months after the effective date of coverage. The premium is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence. The Town has not incurred any retrospective charges and is not aware of potential obligations related to its membership in CIRMA as of June 30, 2018.

Medical Self Insurance

The Town's self-insurance program is used to account for health insurance coverage for Town and Board of Education employees on a cost-reimbursement basis. Under the program, the Town is obligated for claim payments. A stop loss insurance contract executed with an insurance captive covers claims in excess of \$175,000 on a per member basis with an aggregate stop loss coverage limit of \$10,833,615, per year.

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, 2018 of \$872,476.

Premium payments are reported as interfund services provided and used for the General Fund, and, accordingly, they are treated as operating revenues of the Self-Insurance Fund and operating expenditures of the General Fund.

A schedule of changes in the claims liability for the years ended June 30, 2018 and 2017 is presented below:

	2018	2017
Unpaid claims, July 1	\$ 814,809	\$ 764,096
Incurred claims (including IBNR)	9,701,996	9,372,531
Claim payments	<u>(9,644,329)</u>	<u>(9,321,818)</u>
Unpaid Claims, June 30	<u>\$ 872,476</u>	<u>\$ 814,809</u>

13. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities

Litigation and Unasserted Claims

There are various lawsuits pending against the Town. The outcome and eventual liability of the Town, if any, in these cases is not known at this time. Based upon consultation with legal counsel, the Town's management estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not have a materially adverse effect on the financial position of the Town.

Federal and State Assistance Programs - Compliance Audits

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

TOWN OF WATERFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

14. MAJOR TAXPAYER

For the fiscal year ended June 30, 2018, 34.9% of the Town's property tax revenues were derived from its largest taxpayer, Dominion Nuclear Connecticut, Inc., an electrical power facility.

15. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

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

Governmental Activities:

Net position at June 30, 2017, as previously reported	\$ 166,330,299
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GASB No. 75 adoption adjustments:

Eliminate net OPEB obligation reported per GASB No. 45	13,841,300
Record net OPEB liability per GASB No. 75	<u>(21,640,691)</u>

Net Position at July 1, 2017, as Restated	\$ <u>158,530,908</u>
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TOWN OF WATERFORD, CONNECTICUT
GENERAL FUND SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Budgetary Basis	Variance Over (Under)
	Original	Final		
Property taxes:				
Revenues from current year	\$ 86,784,326	\$ 86,784,326	\$ 86,918,201	\$ 133,875
Prior year taxes	300,000	300,000	487,477	187,477
Interest and lien fees	300,000	300,000	422,425	122,425
Total property taxes	<u>87,384,326</u>	<u>87,384,326</u>	<u>87,828,103</u>	<u>443,777</u>
Intergovernmental:				
State of Connecticut:				
Equalized cost sharing			227,194	227,194
Health and welfare	5,770	5,770	5,441	(329)
General Government:				
Tax relief:				
Tax relief - state-owned property	182,357	182,357	112,039	(70,318)
Elderly	155,000	155,000		(155,000)
Disabled	2,400	2,400	2,161	(239)
Private tax exempt property	16,417	16,417	36,055	19,638
Veterans	11,600	11,600	10,439	(1,161)
Court fines	14,000	14,000	9,103	(4,897)
Civil preparedness	36,000	36,000		(36,000)
Telecommunication	87,000	87,000	56,222	(30,778)
Town aid road	320,698	320,698	319,746	(952)
SDE state grant	14,000	14,000	14,000	-
Mashantucket Pequot grant	42,167	42,167	42,167	-
Enhancement 911	22,916	22,916	22,650	(266)
Miscellaneous state revenue			1	1
Municipal Revenue Share	372,956	372,956		(372,956)
Grants for Municipal Projects			34,255	34,255
Municipal stabilization grant			1,131	1,131
Total intergovernmental	<u>1,283,281</u>	<u>1,283,281</u>	<u>892,604</u>	<u>(390,677)</u>
Assessments and connections:				
Water main assessments			6,057	6,057
Sewer assessments	20,000	20,000	23,830	3,830
Total assessments and connections	<u>20,000</u>	<u>20,000</u>	<u>29,887</u>	<u>9,887</u>
Licenses and Permits:				
Recreation and parks commission	200,000	200,000	224,312	24,312
Building inspector	325,000	325,000	328,533	3,533
License, fees, permits and fines	25,000	25,000	22,653	(2,347)
Conveyance tax	200,000	200,000	267,615	67,615
Planning and zoning	40,000	40,000	32,704	(7,296)
Liens - Utility Commission	15,000	15,000	10,140	(4,860)
Town Clerk fees	175,000	175,000	166,333	(8,667)
Total licenses and permits	<u>980,000</u>	<u>980,000</u>	<u>1,052,290</u>	<u>72,290</u>
Fines, Penalties and Charges for Services:				
Tuition			21,126	21,126
Library	19,020	19,020	16,817	(2,203)
False alarm fines	1,000	1,000	400	(600)
Bulky waste fees	97,176	97,176	106,431	9,255
Recycling	34,000	34,000	66,805	32,805
Miscellaneous	35,000	35,000	67,478	32,478
EMS - Reg. Comm Ctr fees	20,000	20,000	42,049	22,049
Tipping fees	285,000	285,000	275,468	(9,532)
Senior services	30,500	30,500	31,949	1,449
Total fines, penalties and charges for services	<u>521,696</u>	<u>521,696</u>	<u>628,523</u>	<u>106,827</u>

(Continued on next page)

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

	Budgeted Amounts		Actual Budgetary Basis	Variance Over (Under)
	Original	Final		
Other Sources:				
Rent and miscellaneous	\$ 5,635	\$ 5,635	\$ 5,261	\$ (374)
Rental of buildings	155,600	155,600	205,686	50,086
Sale of Equipment	1,000	1,000		(1,000)
NL Radio Comm. Network Use Fee	110,573	110,573	106,138	(4,435)
SCRRRA Rebate			10,054	10,054
Eugene O'Neill Lease			19,984	19,984
CIRMA members equity distribution			84,052	84,052
Ambulance operating subsidy	202,115	202,115	202,115	-
YSB BOE clerical stipend	5,000	5,000	5,000	-
BOE human resources offset	14,347	14,347	14,765	418
Total other sources	<u>494,270</u>	<u>494,270</u>	<u>653,055</u>	<u>158,785</u>
Interest and dividends:				
Interest on investments	<u>120,000</u>	<u>120,000</u>	<u>538,226</u>	<u>418,226</u>
Total revenues	<u>90,803,573</u>	<u>90,803,573</u>	<u>91,622,688</u>	<u>819,115</u>
Other financing sources:				
Cancellation of prior year encumbrances	<u>100</u>	<u>100</u>	<u>4,421</u>	<u>4,321</u>
Total revenues and other financing sources	<u>\$ 90,803,673</u>	<u>\$ 90,803,673</u>	<u>91,627,109</u>	<u>\$ 823,436</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut on-behalf contributions to the Connecticut State				
Teachers' Retirement System pension for Town teachers are not budgeted			8,708,203	
State of Connecticut on-behalf contributions to the Connecticut State				
Teachers' Retirement System OPEB for Town teachers are not budgeted			898,044	
Encumbrances for purchases and commitments which were subsequently cancelled in the next fiscal year			(4,421)	
Excess cost - student based grant			538,579	
GASB 54 activity of certain special revenue funds now consolidated into the General Fund			<u>38,785</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds			<u>\$ 101,806,299</u>	

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

	Budgeted Amounts		Actual Budgetary Basis	Variance (Over) Under
	Original	Final		
General Government:				
Selectman				
Personnel costs	\$ 180,299	\$ 182,342	\$ 182,341	\$ 1
Services	43,130	119,947	117,201	2,746
Materials and supplies	925	852	851	1
Total selectman	<u>224,354</u>	<u>303,141</u>	<u>300,393</u>	<u>2,748</u>
Registrar of Voters:				
Personnel costs	58,808	58,808	58,643	165
Services	5,758	5,675	5,599	76
Materials and supplies	4,491	4,574	4,573	1
Equipment	1	1		1
Total registrar of voters	<u>69,058</u>	<u>69,058</u>	<u>68,815</u>	<u>243</u>
Board of Finance:				
Personnel costs	4,690	4,690	3,203	1,487
Services	52,225	52,225	50,467	1,758
Materials and supplies	30	30	30	-
Total board of finance	<u>56,945</u>	<u>56,945</u>	<u>53,700</u>	<u>3,245</u>
Assessor:				
Personnel costs	278,921	278,921	262,102	16,819
Services	28,098	28,098	26,548	1,550
Materials and supplies	1,048	1,048	937	111
Total assessor	<u>308,067</u>	<u>308,067</u>	<u>289,587</u>	<u>18,480</u>
Board of Assessment Appeals:				
Personnel costs	2,647	2,647	2,063	584
Services	1,143	1,143	276	867
Total board of assessment appeals	<u>3,790</u>	<u>3,790</u>	<u>2,339</u>	<u>1,451</u>
Tax Collector:				
Personnel costs	165,367	165,800	165,400	400
Services	38,819	39,690	39,448	242
Materials and supplies	50	50	50	-
Total tax collector	<u>204,236</u>	<u>205,540</u>	<u>204,898</u>	<u>642</u>
Finance:				
Personnel costs	519,526	490,701	490,699	2
Services	132,078	121,550	115,214	6,336
Materials and supplies	35,000	23,045	23,045	-
Total finance	<u>686,604</u>	<u>635,296</u>	<u>628,958</u>	<u>6,338</u>
Legal Department:				
Services	289,000	289,000	284,074	4,926
Town Clerk:				
Personnel costs	216,337	219,499	219,271	228
Services	33,804	33,804	28,852	4,952
Materials and supplies	2,903	1,838	1,597	241
Equipment	4,620	4,620	4,603	17
Total town clerk	<u>257,664</u>	<u>259,761</u>	<u>254,323</u>	<u>5,438</u>
Planning and Zoning Commission:				
Personnel costs	539,322	545,174	545,170	4
Services	44,866	39,014	32,949	6,065
Materials and supplies	3,225	3,225	2,198	1,027
Equipment	400	400	23	377
Total planning and zoning commission	<u>587,813</u>	<u>587,813</u>	<u>580,340</u>	<u>7,473</u>

(Continued on next page)

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

	Budgeted Amounts		Actual Budgetary Basis	Variance (Over) Under
	Original	Final		
General Government (Continued):				
Building Maintenance:				
Personnel costs	\$ 27,694	\$ 20,894	\$ 19,799	\$ 1,095
Services	139,870	130,117	122,837	7,280
Materials and supplies	28,620	28,620	27,657	963
Capital Improvements	20,000	54,731	49,276	5,455
Total building maintenance	216,184	234,362	219,569	14,793
Insurance:				
Services	4,389,260	4,437,170	4,436,973	197
Economic Development Commission:				
Services	11,634	10,474	7,200	3,274
Conservation Commission:				
Services	17,750	17,750	14,956	2,794
Materials and supplies	500	500	243	257
Total conservation commission	18,250	18,250	15,199	3,051
Zoning Board of Appeals:				
Services	3,301	4,301	3,941	360
Materials and supplies	50	50	14	36
Total zoning board of appeals	3,351	4,351	3,955	396
Retirement Commission:				
Personnel costs	4,908,215	5,041,652	5,041,081	571
Representative Town Meeting:				
Personnel costs	54	54		54
Services	19,552	17,086	16,809	277
Total representative town meeting	19,606	17,140	16,809	331
Building Department:				
Personnel costs	278,958	336,276	336,273	3
Services	12,031	6,900	6,885	15
Materials and supplies	1,793	1,599	1,585	14
Equipment	480	301	300	1
Total building department	293,262	345,076	345,043	33
Social Service Grants:				
Services	65,367	65,367	65,079	288
Contracts out to agencies	13,000	13,000	13,000	-
Total social service grants	78,367	78,367	78,079	288
Contingency:				
Miscellaneous	245,000	3,999		3,999
Flood and Erosion Control Board:				
Personnel costs	817	817	462	355
Services	85	85		85
Materials and supplies	25	25	6	19
Total flood and erosion control board	927	927	468	459
Ethics Commission:				
Personnel costs	323	343	342	1
Services	375	355		355
Materials and supplies	25	25		25
Total ethics commission	723	723	342	381

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

	Budgeted Amounts		Actual Budgetary Basis	Variance (Over) Under
	Original	Final		
General Government (Continued):				
Human Resources:				
Personnel costs	\$ 179,312	\$ 183,762	\$ 183,762	\$ -
Services	29,742	30,840	30,740	100
Materials and supplies	1,395	426	426	-
Total human resources	<u>210,449</u>	<u>215,028</u>	<u>214,928</u>	<u>100</u>
Information Technology:				
Services	217,214	229,678	229,677	1
Equipment	46,200	41,841	41,841	-
Total information technology	<u>263,414</u>	<u>271,519</u>	<u>271,518</u>	<u>1</u>
Total general government	<u>13,346,173</u>	<u>13,397,449</u>	<u>13,318,591</u>	<u>78,858</u>
Public Safety:				
Emergency Management:				
Personnel costs	891,347	885,112	875,583	9,529
Services	417,507	417,507	398,052	19,455
Materials and supplies	3,650	3,650	2,270	1,380
Equipment	3	3		3
Total emergency management	<u>1,312,507</u>	<u>1,306,272</u>	<u>1,275,905</u>	<u>30,367</u>
Fire Services:				
Personnel costs	1,772,759	1,740,659	1,725,730	14,929
Services	924,692	948,692	939,284	9,408
Materials and supplies	228,090	236,190	230,192	5,998
Equipment	78,991	78,991	69,144	9,847
Total fire services	<u>3,004,532</u>	<u>3,004,532</u>	<u>2,964,350</u>	<u>40,182</u>
Police Department:				
Personnel costs	5,348,232	5,305,707	5,173,044	132,663
Services	396,862	396,772	356,925	39,847
Materials and supplies	215,359	231,144	227,145	3,999
Equipment	12,277	12,277	11,532	745
Total police department	<u>5,972,730</u>	<u>5,945,900</u>	<u>5,768,646</u>	<u>177,254</u>
Total public safety	<u>10,289,769</u>	<u>10,256,704</u>	<u>10,008,901</u>	<u>247,803</u>
Public Works:				
Personnel costs	2,283,041	2,289,980	2,286,380	3,600
Services	1,430,956	1,424,017	1,296,555	127,462
Materials and supplies	717,988	674,056	535,004	139,052
Equipment	6,050	6,050	5,891	159
Capital improvements	321,800	321,800	321,800	-
Total public works	<u>4,759,835</u>	<u>4,715,903</u>	<u>4,445,630</u>	<u>270,273</u>
Social Services:				
Youth Service Bureau:				
Personnel costs	178,814	193,476	193,473	3
Services	50,296	37,958	37,956	2
Total social services	<u>229,110</u>	<u>231,434</u>	<u>231,429</u>	<u>5</u>
Conservation of Health:				
Services	<u>142,101</u>	<u>142,101</u>	<u>142,101</u>	<u>-</u>
Waterford Public Health Nursing Service:				
Contracts out to agencies	<u>32,371</u>	<u>32,371</u>	<u>29,418</u>	<u>2,953</u>

(Continued on next page)

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

	Budgeted Amounts		Actual Budgetary Basis	Variance (Over) Under
	Original	Final		
Senior Citizen Commission:				
Personnel costs	\$ 380,621	\$ 424,250	\$ 424,245	\$ 5
Services	122,600	119,331	118,038	1,293
Materials and supplies	14,887	15,740	15,344	396
Equipment	4,971	4,785	4,783	2
Total senior citizen commission	<u>523,079</u>	<u>564,106</u>	<u>562,410</u>	<u>1,696</u>
Total social services	<u>926,661</u>	<u>970,012</u>	<u>965,358</u>	<u>4,654</u>
Library:				
Personnel costs	904,817	897,567	876,755	20,812
Services	66,621	73,871	73,397	474
Materials and supplies	8,000	8,000	7,990	10
Equipment	45,000	45,000	44,997	3
Total library	<u>1,024,438</u>	<u>1,024,438</u>	<u>1,003,139</u>	<u>21,299</u>
Recreation and Parks:				
Personnel costs	1,056,602	1,056,602	1,014,796	41,806
Services	293,396	293,396	284,011	9,385
Materials and supplies	65,146	65,146	64,124	1,022
Equipment	8,004	8,004	7,993	11
Total recreation and parks	<u>1,423,148</u>	<u>1,423,148</u>	<u>1,370,924</u>	<u>52,224</u>
Community Use of Schools	<u>344,504</u>	<u>344,504</u>	<u>344,504</u>	<u>-</u>
Debt Service:				
Principal	4,795,000	4,980,000	4,980,000	-
Interest	2,653,583	2,450,953	2,448,542	2,411
Total debt service	<u>7,448,583</u>	<u>7,430,953</u>	<u>7,428,542</u>	<u>2,411</u>
Board of Education	<u>47,287,524</u>	<u>47,287,524</u>	<u>47,172,536</u>	<u>114,988</u>
Total expenditures	<u>86,850,635</u>	<u>86,850,635</u>	<u>86,058,125</u>	<u>792,510</u>
Other Financing Uses:				
Transfers out	<u>3,941,038</u>	<u>4,634,113</u>	<u>4,634,060</u>	<u>53</u>
Total Expenditures and Other Financing Uses	<u>\$ 90,791,673</u>	<u>\$ 91,484,748</u>	<u>\$ 90,692,185</u>	<u>\$ 792,563</u>

Budgetary expenditures are different than GAAP expenditures because:

State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System pension for Town teachers are not budgeted	8,708,203
State of Connecticut on-behalf contributions to the Connecticut State Teachers' Retirement System OPEB for Town teachers are not budgeted	898,044
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the order is received for financial reporting purposes	(291,585)
Excess cost - student based grant	538,579
Retro-pay salary costs related to contract adjustments after year end are not budgeted	15,295
GASB 54 Activity of Certain Special Revenue Funds now consolidated into the General Fund	<u>50,553</u>
Total Expenditures and Other Financing Sources as Reported in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 100,611,274</u>

TOWN OF WATERFORD, CONNECTICUT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - PENSION TRUST FUND

LAST SIX FISCAL YEARS*

	2018	2017	2016	2015	2014	2013
Total pension liability:						
Interest	\$ 61,919	\$ 66,103	\$ 82,588	\$ 87,820	\$ 93,351	\$ 98,557
Differences between expected and actual experience	(23,064)		(83,403)			
Changes of assumptions	101,230		65,285			
Benefit payments, including refunds of member contributions	(126,029)	(139,838)	(151,557)	(168,133)	(171,078)	(169,686)
Net change in total pension liability	14,056	(73,735)	(87,087)	(80,313)	(77,727)	(71,129)
Total pension liability - beginning	1,052,775	1,126,510	1,213,597	1,293,910	1,371,637	1,442,766
Total pension liability - ending	<u>1,066,831</u>	<u>1,052,775</u>	<u>1,126,510</u>	<u>1,213,597</u>	<u>1,293,910</u>	<u>1,371,637</u>
Plan fiduciary net position:						
Contributions - employer	81,493	84,000	83,367	83,367	78,744	78,744
Net investment income	28,406	54,202	11,137	19,200	84,249	55,520
Benefit payments, including refunds of member contributions	(126,029)	(139,838)	(151,557)	(168,133)	(171,078)	(169,686)
Administrative expense	(4,821)	(9,314)	(6,948)	(8,511)	(6,522)	(5,693)
Net change in plan fiduciary net position	(20,951)	(10,950)	(64,001)	(74,077)	(14,607)	(41,115)
Plan fiduciary net position - beginning	564,520	575,470	639,471	713,548	728,155	769,270
Plan fiduciary net position - ending	<u>543,569</u>	<u>564,520</u>	<u>575,470</u>	<u>639,471</u>	<u>713,548</u>	<u>728,155</u>
Net Pension Liability - Ending	<u>\$ 523,262</u>	<u>\$ 488,255</u>	<u>\$ 551,040</u>	<u>\$ 574,126</u>	<u>\$ 580,362</u>	<u>\$ 643,482</u>
Plan fiduciary net position as a percentage of the total pension liability	50.95%	53.62%	51.08%	52.69%	55.15%	53.09%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule:

Changes of assumptions. In 2018, amounts reported as changes of assumptions resulted primarily from an increase in the cost of living adjustment from 2.00% to 2.60% and mortality improvement to a projected date of decremented using Scale BB (generational) from Scale AA (generational).

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

N/A - Not applicable. Plan members are retired.

TOWN OF WATERFORD, CONNECTICUT

SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION TRUST FUND
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 81,493	\$ 81,493	\$ 83,367	\$ 83,367	\$ 78,744	\$ 78,744	\$ 82,855	\$ 82,855	\$ 63,081	\$ 63,081
Contributions in relation to the actuarially determined contribution	<u>81,493</u>	<u>84,000</u>	<u>83,367</u>	<u>83,367</u>	<u>78,744</u>	<u>78,744</u>	<u>82,855</u>	<u>82,855</u>	<u>63,081</u>	<u>63,081</u>
Contribution Deficiency (Excess)	\$ -	\$ (2,507)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	N/A									
Contributions as a percentage of covered-employee payroll	N/A									

Notes to Schedule

Valuation date: July 1, 2017

Measurement date: June 30, 2018

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method

Entry age normal

Amortization method

Level percentage of payroll, closed

Remaining amortization period

9 years

Asset valuation method

The actuarial value of assets used in the development of plan contributions phases in the recognition of differences between the market value and expected actuarial value by recognizing 20% of the difference each year.

Inflation

2.6%

Cost of living increases

2.6% per year (prior: 2.0% per year)

Investment rate of return

6.25%, net of pension plan investment expense, including inflation

Mortality

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

Prior: RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for non-annuitants and annuitants, projected to valuation date with Scale AA.

N/A - Not applicable. Plan members are retired.

TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - PENSION TRUST FUND
LAST FIVE FISCAL YEARS*

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	5.12%	9.89%	1.75%	2.57%	11.89%

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

TOWN OF WATERFORD, CONNECTICUT**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY****MUNICIPAL EMPLOYEES RETIREMENT SYSTEM****LAST FOUR FISCAL YEARS***

	2018	2017	2016	2015
Town's proportion of the net pension liability	5.54%	6.09%	4.88%	5.21%
Town's proportionate share of the net pension liability	\$ 13,738,876	\$ 16,236,237	\$ 12,496,017	\$ 12,413,899
Town's covered payroll	\$ 20,394,151	\$ 18,584,885	\$ 17,944,522	\$ 17,944,522
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	67.37%	87.36%	69.64%	69.18%
Plan fiduciary net position as a percentage of the total pension liability	91.68%	88.29%	92.72%	90.48%

Notes to Schedule

Changes in benefit terms None
 Changes of assumptions None

Actuarial cost method Entry Age Normal
 Amortization method Level dollar, closed
 Remaining amortization period 24 years
 Asset valuation method 5-year smoothed market with 20% recognition of investment gains and losses

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

TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 2,694,077	\$ 2,603,848	\$ 2,423,860	\$ 2,515,782	\$ 2,425,327	\$ 2,358,637	\$ 2,277,760	\$ 1,895,090	\$ 1,386,511	\$ 1,229,122
Contributions in relation to the actuarially determined contribution	<u>\$ 2,694,077</u>	<u>\$ 2,603,848</u>	<u>\$ 2,423,860</u>	<u>\$ 2,515,782</u>	<u>\$ 2,425,327</u>	<u>\$ 2,358,637</u>	<u>\$ 2,277,760</u>	<u>\$ 1,895,090</u>	<u>\$ 1,386,511</u>	<u>\$ 1,229,122</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 20,394,151	\$ 18,584,885	\$ 17,944,522	\$ 17,944,522	\$ 18,274,228	\$ 18,065,219	\$ 17,793,604	\$ 17,998,323	\$ 17,209,913	\$ 16,811,186
Contributions as a percentage of covered payroll	13.21%	14.01%	13.51%	14.02%	13.27%	13.06%	12.80%	10.53%	8.06%	7.31%

Notes to Schedule

Valuation date: June 30, 2016

Measurement date: June 30, 2017

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 Normal
Amortization method	Level dollar, closed
Single equivalent amortization period	24 years
Asset valuation method	5-year smoothed market with 20% recognition of investment gains and losses
Inflation	3.25%
Salary increases	4.25% - 11.00%, including inflation
Investment rate of return	8.00%, net of investment related expense

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

	2018	2017	2016	2015
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>75,284,376</u>	<u>79,425,593</u>	<u>60,790,928</u>	<u>56,189,042</u>
Total	\$ 75,284,376	\$ 79,425,593	\$ 60,790,928	\$ 56,189,042
Town's covered payroll	\$ 23,142,985	\$ 21,020,000	\$ 20,407,000	\$ 21,623,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.56%

Notes to Schedule

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

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

TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
OPEB TRUST FUND
LAST TWO FISCAL YEARS*

	2018	2017
Total OPEB liability:		
Service cost	\$ 264,365	\$ 257,290
Interest	1,672,521	1,622,163
Differences between expected and actual experience	(829,167)	(76,479)
Benefit payments, including refunds of member contributions	<u>(746,707)</u>	<u>(1,497,102)</u>
Net change in total OPEB liability	361,012	305,872
Total OPEB liability - beginning	<u>23,995,827</u>	<u>23,689,955</u>
Total OPEB liability - ending	<u>24,356,839</u>	<u>23,995,827</u>
Plan fiduciary net position:		
Contributions - employer	1,906,707	3,811,946
Net investment income	133,054	40,292
Benefit payments, including refunds of member contributions	(746,707)	(1,497,102)
Administrative expense	<u>(11,768)</u>	<u></u>
Net change in plan fiduciary net position	1,281,286	2,355,136
Plan fiduciary net position - beginning	<u>2,355,136</u>	<u></u>
Plan fiduciary net position - ending	<u>3,636,422</u>	<u>2,355,136</u>
Net OPEB Liability - Ending	<u>\$ 20,720,417</u>	<u>\$ 21,640,691</u>
Plan fiduciary net position as a percentage of the total OPEB liability	14.93%	9.81%
Covered payroll	\$ 30,429,413	\$ 29,615,001
Net OPEB liability as a percentage of covered payroll	68.09%	73.07%

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

TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
OPEB TRUST FUND
LAST TEN FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 2,474,700	\$ 2,607,000	\$ 2,755,300	\$ 2,720,300	\$ 2,747,000	\$ 2,718,100	\$ 2,690,600	\$ 3,644,900	\$ 3,694,400	\$ 3,649,500
Contributions in relation to the actuarially determined contribution	<u>\$ 1,906,707</u>	<u>\$ 3,811,946</u>	<u>\$ 798,000</u>	<u>\$ 584,100</u>	<u>\$ 608,000</u>	<u>\$ 1,266,500</u>	<u>\$ 1,409,100</u>	<u>\$ 1,575,600</u>	<u>\$ 1,357,300</u>	<u>\$ 745,813</u>
Contribution Deficiency (Excess)	\$ <u>567,993</u>	\$ <u>(1,204,946)</u>	\$ <u>1,957,300</u>	\$ <u>2,136,200</u>	\$ <u>2,139,000</u>	\$ <u>1,451,600</u>	\$ <u>1,281,500</u>	\$ <u>2,069,300</u>	\$ <u>2,337,100</u>	\$ <u>2,903,687</u>
Covered payroll	\$ 30,429,413	\$ 29,615,001	\$ 29,073,500	\$ 29,073,500	\$ 31,032,400	\$ 31,032,400	\$ 28,277,100	\$ 28,277,100	N/A	N/A
Contributions as a percentage of covered payroll	6.27%	12.87%	2.74%	2.01%	1.96%	4.08%	4.98%	5.57%	N/A	N/A

Notes to Schedule

Valuation date: July 1, 2016

Measurement date: June 30, 2018

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	Amortized over 30 years on a closed basis. The amortization began on July 1, 2006, and as of the July 1, 2016 valuation, 20 years remain.
Asset valuation method	Market value
Inflation	2.75% (prior: 3.00%)
Healthcare cost trend rates	7.75% decreasing to 4.75%
Rate of compensation increase	2.75%
Investment rate of return	7.00%
Retirement age	Medical and dental benefits pre-65 Medical benefits post-65
Mortality	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date with Prior: RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date

TOWN OF WATERFORD, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
OPEB TRUST FUND
LAST TWO FISCAL YEARS*

	2018	2017
Annual money-weighted rate of return, net of investment expense	4.13%	2.09%

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

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

	2018
Town's proportion of the net OPEB liability	0.00%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>19,377,337</u>
Total	<u>\$ 19,377,337</u>
Town's covered payroll	\$ 23,142,985
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%

Notes to Schedule

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

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

TOWN OF WATERFORD, CONNECTICUT
GENERAL FUND - BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES AND ENCUMBRANCES COMPARED WITH APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2018

	Final Appropriation	Expenditures and Encumbrances	Unexpended Balance
Salaries - certified	\$ 22,938,900	\$ 22,872,759	\$ 66,141
Salaries - support	5,591,002	5,423,424	167,578
Salaries - other	46,968	14,367	32,601
Temporary pay - certified	1,069,375	973,823	95,552
Temporary pay - support	129,562	153,003	(23,441)
Overtime - support	86,972	128,156	(41,184)
Health and dental insurance	5,577,609	5,500,042	77,567
Life and major medical insurance	73,494	73,204	290
Long term disability	2,820	2,256	564
Social security contribution	891,587	839,803	51,784
Reimbursements	73,400	76,600	(3,200)
Unemployment compensation	10,000	10,913	(913)
Workers' compensation	380,627	382,039	(1,412)
Sick pay	268,930	278,468	(9,538)
Retirement Incentive	27,000	27,000	-
Instructional services	169,660	155,646	14,014
Staff and curriculum development	91,050	147,587	(56,537)
Other professional and technical services	1,192,782	1,520,434	(327,652)
Legal services	99,769	112,794	(13,025)
Public utilities	69,475	69,074	401
Maintenance and repairs	487,604	574,487	(86,883)
Rentals	1,600	20,304	(18,704)
Pupil transportation	2,065,363	2,157,303	(91,940)
Insurance - property	129,162	120,770	8,392
Insurance - liability	118,992	115,564	3,428
Other insurance	26,008	24,273	1,735
Communications	69,430	66,645	2,785
Postage	21,573	18,571	3,002
Advertising	2,000	2,197	(197)
Tuition	2,366,466	1,941,994	424,472
Travel and conference	140,107	143,250	(3,143)
Other purchased services	63,800	78,647	(14,847)
Instructional supplies	388,418	375,426	12,992
Software	276,891	286,783	(9,892)
Maintenance and custodial	254,079	337,609	(83,530)
Heat and energy	1,281,170	1,276,163	5,007
Transportation supplies	156,465	162,427	(5,962)
Textbooks	179,800	206,796	(26,996)
Library and professional books	30,088	25,746	4,342
Other supplies	171,981	171,149	832
Equipment	238,997	280,338	(41,341)
Membership dues and fees	26,548	24,702	1,846
Total	47,287,524	47,172,536	114,988

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

Grand List	Uncollected Taxes July 1, 2017		Lawful Corrections		Transfers		Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2018	
	Current Levy		Additions	Deductions	To Suspense			Taxes	Interest	Lien Fees	Total	
2016	\$ 87,763,298	\$ 33,213	\$ 219,315	\$ 13,890	\$ 87,563,306	\$ 86,952,222	\$ 128,334	\$ 1,056	\$ 87,081,612	\$ 611,084		
2015	609,243	1,704	8,306	24,068	578,573	311,017	60,007	2,304	373,328	267,556		
2014	310,827	5	465	28,592	281,775	98,723	37,817	936	137,476	183,052		
2013	229,826		158	11,831	217,837	65,642	37,856	648	104,146	152,195		
2012	166,583	329		2,230	164,682	51,742	38,081	528	90,351	112,940		
2011	123,641				123,641	44,874	42,655	456	87,985	78,767		
2010	107,653				107,653	28,091	49,740	336	78,167	79,562		
2009	55,302				55,302	13,817	16,075	264	30,156	41,485		
2008	28,355				28,355	1,001	1,830		2,831	27,354		
2007	16,241				16,241		521		521	16,241		
2006	10,853				10,853		613		613	10,853		
2005	2,315				2,315		1,090		1,090	2,315		
2004	2,181				2,181		818		818	2,181		
2003	1,672	375			2,047	375	460		835	1,672		
2002	1,484	253	1,484		253	253			253	-		
Total	\$ 1,666,176	\$ 87,763,298	\$ 35,879	\$ 229,728	\$ 80,611	\$ 89,155,014	87,567,757	415,897	6,528	87,990,182	\$ 1,587,257	
							Suspense collections	11,145				11,145
							Total collections	\$ 87,578,902	\$ 415,897	\$ 6,528	88,001,327	
							Property taxes receivable - considered available:					
							June 30, 2017					(180,114)
							June 30, 2018					6,890
												\$ 87,828,103

**TOWN OF WATERFORD, CONNECTICUT
GENERAL FUND
SCHEDULE OF WATER MAIN ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2018**

Contract Number	Principal	Interest and Liens		New Contracts	Interest and Liens Billed	Lawful Corrections				Collections			Principal Balance	Interest and Liens	Balance				
	Uncollected July 1, 2017	Uncollected July 1, 2017	Uncollected July 1, 2017			Principal Additions	Principal Deductions	Interest and Lien Additions	Interest and Lien Deductions	Assessments	Interest and Lien Fees	Transferred to Town Clerk	Total	Uncollected June 30, 2018	Uncollected June 30, 2018	Uncollected June 30, 2018			
75	\$ 620	\$ 870	\$ 102			\$	\$	\$	\$	\$	\$	\$	\$ -	\$ 620	\$ 972	\$ 1,592			
76										4,466	993		5,459		10,379		2,319		12,698
Total	\$ 15,465	\$ 2,754	\$ -	\$ 1,530	\$ -	\$ -	\$ -	\$ -	\$ -	4,466	\$ 993	\$ -	5,459	\$ 10,999	\$ 3,291	\$ 14,290			

Water main assessment receivable - considered available:

June 30, 2017
June 30, 2018

(4,409)
5,007
6,057

**TOWN OF WATERFORD, CONNECTICUT
GENERAL FUND
SCHEDULE OF SEWER ASSESSMENTS RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2018**

Contract Number	Interest and Liens		Lawful Corrections				Collections			Principal Balance Uncollected June 30, 2018	Interest and Liens Uncollected June 30, 2018	Interest and Liens Balance Uncollected June 30, 2018			
	Principal Uncollected July 1, 2017	Uncollected July 1, 2017	New Contracts	Interest and Liens Billed	Principal Additions	Principal Deductions	Interest and Lien Additions	Interest and Lien Deductions	Assessments	Interest and Lien Fees	Transferred to Town Clerk	Total			
75	\$ 1,887	\$ 2,762	\$ 226	\$ 6,634	\$ 1,085	\$ 18,123	\$ 1,696	\$ 4,804	\$ 2,781	\$ 802	\$ 22,927	\$ 8,510	\$ 1,292	\$ 2,094	
76	\$ 64,881	\$ 6,680	\$ 6,634	\$ 18,123	\$ 4,804	\$ 22,927	\$ 46,758	\$ 8,510	\$ 55,268						
Total	\$ 66,768	\$ 9,442	\$ -	\$ 6,860	\$ -	\$ -	\$ -	\$ -	\$ 19,208	\$ 6,500	\$ -	\$ 25,708	\$ 47,560	\$ 9,802	\$ 57,362
Sewer assessment receivable - considered available:															
June 30, 2017															(6,464)
June 30, 2018															4,586
															\$ 23,830

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

EXHIBIT B-1

Special Revenue Funds										
	Special Education Grants	School Cafeteria	Drug Enforcement Grant	Youth Services	Water	Contributed Gifts	Senior Citizens	Youth Services DMHAS Grant	Small Harbor Improvement Grant	
ASSETS										
Cash and cash equivalents	\$ 219,241	\$ 50,846	\$ 3,003	\$ 1,737	\$ 3,186	\$ 58,525	\$ 62,852	\$ 625	\$ 35,000	
Investments		\$ 26,568								
Receivables, net		62,415		166,792	600,967					
Interfund receivables			21,295			58,525				
Inventories				168,529						
Prepaid items		3,789					300			
Total Assets	<u>\$ 222,244</u>	<u>\$ 143,618</u>	<u>\$ 21,295</u>	<u>\$ 168,529</u>	<u>\$ 604,153</u>	<u>\$ 58,525</u>	<u>\$ 63,152</u>	<u>\$ 625</u>	<u>\$ 35,000</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES										
Liabilities:										
Accounts and other payable	\$ 6,515	\$ 28,243	\$ 52	\$ 8,146	\$ 942	\$ 204	\$ 5,599	\$ 440	\$	
Accrued liabilities	41,589	7,299		16,890	731		131			
Interfund payables	81,379	43,702								
Unearned revenue	87,330			93,476			8,936		35,000	
Total liabilities	<u>216,813</u>	<u>79,244</u>	<u>52</u>	<u>118,512</u>	<u>1,673</u>	<u>204</u>	<u>14,666</u>	<u>440</u>	<u>35,000</u>	
Deferred Inflows of Resources:										
Unavailable revenue - sewer connection fees										
Unavailable revenue - grants receivable										
Total deferred inflows of resources	-	-	-	-	-	-	-	-	-	
Fund Balances:										
Nonspendable		3,789					300			
Restricted	5,431	60,585	21,243	50,017		58,321	48,186	185		
Committed					602,480					
Assigned										
Unassigned										
Total fund balances	<u>5,431</u>	<u>64,374</u>	<u>21,243</u>	<u>50,017</u>	<u>602,480</u>	<u>58,321</u>	<u>48,486</u>	<u>185</u>	<u>-</u>	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 222,244</u>	<u>\$ 143,618</u>	<u>\$ 21,295</u>	<u>\$ 168,529</u>	<u>\$ 604,153</u>	<u>\$ 58,525</u>	<u>\$ 63,152</u>	<u>\$ 625</u>	<u>\$ 35,000</u>	

(Continued on next page)

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

EXHIBIT B-1

	Special Revenue Funds						
	State of CT Mini Grant	Police Seatbelt Check Grant	Nuclear Safety Emergency Preparedness	Comprehensive DUI Enforcement Program Grant	Historic Properties	Jordan Mill Pond Fishway Grant	Harbor Management
ASSETS							
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$
Investments							
Receivables, net		4,344		38,076			
Interfund receivables	130				5,501	777	26,356
Inventories							
Prepaid items							
Total Assets	\$ 130	\$ 4,344	\$ 38,076	\$ -	\$ 5,501	\$ 777	\$ 26,356
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities:							
Accounts and other payable	\$	\$	\$	1,652	\$	\$	\$
Accrued liabilities							246
Interfund payables		4,344		36,424			
Unearned revenue							
Total liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred Inflows of Resources:							
Unavailable revenue - sewer connection fees							
Unavailable revenue - grants receivable			38,076				
Total deferred inflows of resources	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances:							
Nonspendable							
Restricted	130						
Committed							
Assigned							
Unassigned			(38,076)				
Total fund balances	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 130	\$ 4,344	\$ 38,076	\$ -	\$ 5,501	\$ 777	\$ 26,356
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

EXHIBIT B-1

	Special Revenue Funds								
	Waterford Education Foundation Grant	NL County Cold Case Grant	C-Pace Grant	Small Cities Grant II	Nutmeg Network Grant	Mago Point Park STEAP Grant	CT State Library Targeted Grant	Neglected Cemetery Grant	Distracted Driving Enforcement Grant
ASSETS									
Cash and cash equivalents	\$	\$	\$	\$	\$	\$	\$	\$	\$
Investments									
Receivables, net									
Interfund receivables									
Inventories									
Prepaid items									
Total Assets	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> 192	\$ <u> </u> 36	\$ <u> </u> 117,959	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accounts and other payable									
Accrued liabilities									
Interfund payables									
Unearned revenue									
Total liabilities	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> 36	\$ <u> </u> 117,959	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -
Deferred Inflows of Resources:									
Unavailable revenue - sewer connection fees									
Unavailable revenue - grants receivable									
Total deferred inflows of resources	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -
Fund Balances:									
Nonspendable									
Restricted									
Committed									
Assigned									
Unassigned									
Total fund balances	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> 192	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> 192	\$ <u> </u> 36	\$ <u> </u> 117,959	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -

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

EXHIBIT B-1

	Special Revenue Funds					Capital Projects Funds		
	Community Development Block Grant	Reeve Foundation Grant	Senior Services Title IIIB Open Doors Grants	2015 Port Security Grant Program	Senior Services Wal Mart Grant	Fleet Management	Sewer Maintenance & Development	Animal Control Facility
ASSETS								
Cash and cash equivalents	\$	\$	\$	\$	\$	\$ 2,294,814	\$ 513,715	\$
Investments								
Receivables, net			2,706	35,024		23,719	18,656	
Interfund receivables		1,530			500		37,533	212,801
Inventories								
Prepaid items								
Total Assets	\$ <u> </u> -	\$ <u>1,530</u>	\$ <u>2,706</u>	\$ <u>35,024</u>	\$ <u>500</u>	\$ <u>2,318,533</u>	\$ <u>569,904</u>	\$ <u>212,801</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Accounts and other payable	\$	\$	\$	\$	\$	\$ 171,121	\$ 21,629	\$
Accrued liabilities			160	291				
Interfund payables			291	441	35,024		831,957	
Unearned revenue								
Total liabilities	\$ <u> </u> -	\$ <u> </u> -	\$ <u>892</u>	\$ <u>35,024</u>	\$ <u> </u> -	\$ <u>1,003,078</u>	\$ <u>21,629</u>	\$ <u> </u> -
Deferred Inflows of Resources:								
Unavailable revenue - sewer connection fees							1,781	
Unavailable revenue - grants receivable								
Total deferred inflows of resources	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u>1,781</u>	\$ <u> </u> -
Fund Balances:								
Nonspendable								
Restricted		1,530						
Committed			1,814					
Assigned								
Unassigned								
Total fund balances	\$ <u> </u> -	\$ <u>1,530</u>	\$ <u>1,814</u>	\$ <u> </u> -	\$ <u>500</u>	\$ <u>1,315,455</u>	\$ <u>546,494</u>	\$ <u>212,801</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u> </u> -	\$ <u>1,530</u>	\$ <u>2,706</u>	\$ <u>35,024</u>	\$ <u>500</u>	\$ <u>2,318,533</u>	\$ <u>569,904</u>	\$ <u>212,801</u>

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

EXHIBIT B-1

	Capital Projects Funds						Permanent Fund		Total Nonmajor Governmental Funds
	Capital Improvement	Early Childhood Learning Center	Oswegatchie Elementary School Project	Great Neck Elementary School Project	Quaker Hill Elementary School Project	Hammond Memorial Trust			
ASSETS									
Cash and cash equivalents	\$ 1,196,659	\$	\$	\$	\$	\$ 52	\$ 4,275,327		
Investments						178,562	205,130		
Receivables, net							310,825		
Interfund receivables			549,784				1,781,220		
Inventories								3,789	
Prepaid items								300	
Total Assets	\$ 1,196,659	\$ 549,784	\$ -	\$ -	\$ -	\$ 178,614	\$ 6,576,591		
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities:									
Accounts and other payable	\$ 25,562	\$	\$	\$	\$	\$	\$ 270,325		
Accrued liabilities							67,177		
Interfund payables		271,318					41,200	1,463,748	
Unearned revenue								224,742	
Total liabilities	\$ 296,880	\$ -	\$ -	\$ -	\$ -	\$ 41,200	\$ 2,025,992		
Deferred Inflows of Resources:									
Unavailable revenue - sewer connection fees								1,781	
Unavailable revenue - grants receivable								38,076	
Total deferred inflows of resources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,857	
Fund Balances:									
Nonspendable							137,414	141,503	
Restricted								1,039,817	
Committed			549,784					2,467,719	
Assigned		899,779						899,779	
Unassigned								(38,076)	
Total fund balances	\$ 899,779	\$ 549,784	\$ -	\$ -	\$ -	\$ 137,414	\$ 4,510,742		
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,196,659	\$ 549,784	\$ -	\$ -	\$ -	\$ 178,614	\$ 6,576,591		

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

EXHIBIT B-2

Special Revenue Funds									
	Special Education Grants	School Cafeteria	Drug Enforcement Grant	Youth Services	Water	Contributed Gifts	Senior Citizens	Youth Services DMHAS Grant	Small Harbor Improvement Grant
Revenues:									
Intergovernmental	\$ 1,146,369	\$ 353,251	\$ 10,081	\$ 142,238	\$ 73,385	\$	\$ 57,194	\$ 4,153	\$
Fines, penalties and charges for services		560,180							
Investment earnings		80							
Other	5,400			55,120		40,010	23,232		
Total revenues	1,151,769	913,511	10,081	197,358	73,385	40,010	80,426	4,153	-
Expenditures:									
Current:									
General government			12,220					15,488	
Public safety					46,547				
Public works								14,465	
Recreation									
Social services				180,852			67,160		3,968
Education	1,151,762	947,461							
Capital outlay									
Total expenditures	1,151,762	947,461	12,220	180,852	46,547	29,953	67,160	3,968	-
Excess (Deficiency) of Revenues over Expenditures	7	(33,950)	(2,139)	16,506	26,838	10,057	13,266	185	-
Other Financing Sources (Uses):									
Transfers in						2,300			
Transfers out					(2,300)				
Total other financing sources (uses)	-	-	-	(2,300)	-	2,300	-	-	-
Net Change in Fund Balances	7	(33,950)	(2,139)	14,206	26,838	12,357	13,266	185	
Fund Balances at Beginning of Year	5,424	98,324	23,382	35,811	575,642	45,964	35,220	-	
Fund Balances at End of Year	\$ 5,431	\$ 64,374	\$ 21,243	\$ 50,017	\$ 602,480	\$ 58,321	\$ 48,486	\$ 185	

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TOWN OF WATERFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT B-2

	Special Revenue Funds							
	State of CT Mini Grant	Police Seatbelt Check Grant	Nuclear Safety Emergency Preparedness	Comprehensive DUI Enforcement Program Grant	Historic Properties	Jordan Mill Pond Fishway Grant	Harbor Management	Youth Services Enhancement Grant
Revenues:								
Intergovernmental	\$ 5,000	\$ 5,904	\$ 13,500	\$ 3,633	\$ 5,000	\$ 10,201	\$ 5,797	\$ 975
Fines, penalties and charges for services								
Investment earnings								
Other								
Total revenues	5,000	5,904	13,500	3,633	5,000	-	10,201	5,797
Expenditures:								
Current:								
General government					348		22,684	
Public safety		5,904	38,076	3,633				
Public works								
Recreation								
Social services		4,870						5,797
Education								975
Capital outlay								
Total expenditures	4,870	5,904	38,076	3,633	348	-	22,684	5,797
Excess (Deficiency) of Revenues over Expenditures	130	-	(24,576)	-	4,652	-	(12,483)	-
Other Financing Sources (Uses):								
Transfers in								
Transfers out								
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net Change in Fund Balances	130		(24,576)		4,652		(12,483)	
Fund Balances at Beginning of Year	-	-	(13,500)	-	849	777	38,593	-
Fund Balances at End of Year	\$ 130	\$ -	\$ (38,076)	\$ -	\$ 5,501	\$ 777	\$ 26,110	\$ -

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TOWN OF WATERFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT B-2

Special Revenue Funds										
	NL County Cold Case Grant	C-Pace Grant	Small Cities Grant II	Nutmeg Network Grant	Mago Point Park STEAP Grant	CT State Library Targeted Grant	Neglected Cemetery Grant	Distracted Driving Enforcement Grant	Community Development Block Grant	
Revenues:										
Intergovernmental	\$	\$	\$	\$	\$ 117,959	\$ 4,000	\$	\$ 2,203	\$	58,083
Fines, penalties and charges for services										
Investment earnings										
Other										
Total revenues										
Expenditures:										
Current:										
General government			2,322		1,161	67,868	3,999	1,011		58,083
Public safety	2									2,203
Public works										
Recreation										
Social services										
Education										
Capital outlay										
Total expenditures		2	2,322		1,161	67,868	3,999	1,011		58,083
Excess (Deficiency) of Revenues over Expenditures		(2)	(2,322)		(1,161)	50,091	1	(1,011)		-
Other Financing Sources (Uses):										
Transfers in										
Transfers out										
Total other financing sources (uses)										
Net Change in Fund Balances		(2)	(2,322)		(1,162)	50,090		(1,011)		
Fund Balances at Beginning of Year		2	2,322	192	1,162	(50,090)		1,011		
Fund Balances at End of Year	\$	-	\$ -	\$ 192	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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TOWN OF WATERFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT B-2

	Special Revenue Funds				Capital Projects Funds		
	Reeve Foundation Grant	Senior Services Title IIIB Open Doors Grants	2015 Port Security Grant Program	Senior Services Wal Mart Grant	Fleet Management	Sewer Maintenance & Development	Animal Control Facility
Revenues:							
Intergovernmental	\$	\$	12,598	\$	\$	\$	\$
Fines, penalties and charges for services			35,024			84,215	40,418
Investment earnings						26,637	6,308
Other		2,651				24,829	
Total revenues		15,249	35,024		135,681	46,726	
Expenditures:							
Current:							
General government				35,024			
Public safety							
Public works							
Recreation							
Social services			13,435				
Education							
Capital outlay					1,908,168	34,635	
Total expenditures		13,435	35,024		1,908,168	34,635	
Excess (Deficiency) of Revenues over Expenditures		1,814			(1,772,487)	12,091	
Other Financing Sources (Uses):							
Transfers in					1,250,000		
Transfers out							
Total other financing sources (uses)					1,250,000		
Net Change in Fund Balances		1,814			(522,487)	12,091	
Fund Balances at Beginning of Year	1,530			500	1,837,942	534,403	212,801
Fund Balances at End of Year	\$ 1,530	\$ 1,814	\$ -	\$ 500	\$ 1,315,455	\$ 546,494	\$ 212,801

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TOWN OF WATERFORD, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT B-2

	Capital Projects Funds						Permanent Fund		Total Nonmajor Governmental Funds
	Capital Improvement	Early Childhood Learning Center	Oswegatchie Elementary School Project	Great Neck Elementary School Project	Quaker Hill Elementary School Project	Hammond Memorial Trust	Interfund Eliminations		
Revenues:									
Intergovernmental	\$	\$	\$	\$	\$	\$	\$	\$	1,777,555
Fines, penalties and charges for services									967,831
Investment earnings			1	1			12,934		45,961
Other									157,217
Total revenues		-	-	1	1	-	12,934	-	2,948,564
Expenditures:									
Current:									
General government							15,000		172,476
Public safety									112,550
Public works									46,547
Recreation									14,465
Social services									277,057
Education									2,099,223
Capital outlay	794,998	-	-	4	-		15,000	-	2,737,805
Total expenditures	794,998	-	-	4	-		15,000	-	5,460,123
Excess (Deficiency) of Revenues over Expenditures	(794,998)	-	1	(3)	-	(2,066)	-		(2,511,559)
Other Financing Sources (Uses):									
Transfers in	2,564,175		290,748	378,830	23,445		(1,252,303)		3,257,195
Transfers out	(1,489,470)						1,252,303		(239,470)
Total other financing sources (uses)	1,074,705	-	290,748	378,830	23,445	-	-		3,017,725
Net Change in Fund Balances	279,707		290,749	378,827	23,445	(2,066)			506,166
Fund Balances at Beginning of Year	620,072	549,784	(290,749)	(378,827)	(23,445)	139,480	-		4,004,576
Fund Balances at End of Year	\$ 899,779	\$ 549,784	\$ -	\$ -	\$ -	\$ 137,414	\$ -	\$	4,510,742

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

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
School Activity Fund				
Assets:				
Cash and cash equivalents	\$ 161,253	\$ 398,401	\$ 351,859	\$ 207,795
Investments	<u>24,241</u>	<u>177</u>	<u>-</u>	<u>24,418</u>
Total Assets	<u>185,494</u>	<u>398,578</u>	<u>351,859</u>	<u>232,213</u>
Liabilities:				
Deposits held for others	\$ 185,494	\$ 398,578	\$ 351,859	\$ 232,213
Student Scholarship Fund				
Assets:				
Cash and cash equivalents	\$ 77,235	\$ 63,577	\$ 70,714	\$ 70,098
Investments	<u>251,445</u>	<u>902</u>	<u>50</u>	<u>252,297</u>
Total Assets	<u>328,680</u>	<u>64,479</u>	<u>70,764</u>	<u>322,395</u>
Liabilities:				
Deposits held for others	\$ 328,680	\$ 64,479	\$ 70,764	\$ 322,395
Performance Bonds				
Assets:				
Cash and cash equivalents	\$ 428,019	\$ 88,856	\$ 85,048	\$ 431,827
Liabilities:				
Deposits held for others	\$ 428,019	\$ 88,856	\$ 85,048	\$ 431,827
Total Agency Funds				
Assets:				
Cash and cash equivalents	\$ 666,507	\$ 550,834	\$ 507,621	\$ 709,720
Investments	<u>275,686</u>	<u>1,079</u>	<u>50</u>	<u>276,715</u>
Total Assets	<u>942,193</u>	<u>551,913</u>	<u>507,671</u>	<u>986,435</u>
Liabilities:				
Deposits held for others	\$ 942,193	\$ 551,913	\$ 507,671	\$ 986,435