
TOWN OF PRESTON, CONNECTICUT

Annual Financial Statements

For the Year Ended June 30, 2021

TOWN OF PRESTON, CONNECTICUT

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Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Preston, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Preston, CT, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Preston, CT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Preston, CT, as of June 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9, and Pension and OPEB schedules on pages 47-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Preston, CT's basic financial statements. The General Fund Schedules of Revenues and Expenditures 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 General Fund Schedules of Revenues and Expenditures and combining and individual nonmajor fund financial statements and supplemental 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 general and nonmajor fund financial statements and supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2022, on our consideration of the Town of Preston, CT's internal control over financial reporting and on our tests of 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 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 Preston, CT's internal control over financial reporting and compliance.



King, King & Associates, P.C., CPAs
Winsted, CT
June 6, 2022

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2021

As management of the Town of Preston, CT, we offer readers of the Town of Preston, CT's financial statements this narrative overview and analysis of the financial activities of the Town of Preston, CT for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town of Preston, CT exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,788,938 (*net position*). Of this amount, \$5,056,221 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Restricted Net Position of \$926,788 is restricted for various programs such as housing rehab loans, the Preston Riverwalk redevelopment, education grants and scholarships, capital, and other purposes.
- As of the close of the current fiscal year, the Town of Preston, CT's governmental funds reported combined ending fund balances of \$7,060,292, an increase of \$37,117 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,454,582 or 21 percent of total General Fund budget basis expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Preston, CT's basic financial statements. The Town of Preston, CT's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Preston, CT's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Preston, CT's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator whether the financial position of the Town of Preston, CT is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position is changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Preston, CT that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Town has no business-type activities. The governmental activities of the Town of Preston, CT include education, public works, public safety, public and social services, and general administration. Property taxes, state and federal grants, and local revenues such as fees and licenses finance most of these activities.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
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The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Preston, CT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Preston, CT can be divided into one category: governmental funds.

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

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

The Town of Preston, CT, maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and Education Grants Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Preston, CT, adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-46 of this report.

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GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Preston, CT, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,788,938 at the close of the most recent fiscal year.

SUMMARY STATEMENT OF NET POSITION

	2021	2020	Variance
Current and Other Assets	\$ 9,768,462	\$ 9,390,221	\$ 378,241
Capital Assets	15,763,570	16,259,578	(496,008)
Total Assets	<u>25,532,032</u>	<u>25,649,799</u>	<u>(117,767)</u>
 Deferred Outflows of Resources	 <u>500,647</u>	 <u>702,124</u>	 <u>(201,477)</u>
 Other Liabilities	 2,231,511	 1,828,898	 402,613
Long-Term Liabilities	<u>9,701,671</u>	<u>10,435,272</u>	<u>(733,601)</u>
Total Liabilities	<u>11,933,182</u>	<u>12,264,170</u>	<u>(330,988)</u>
 Deferred Inflows of Resources	 <u>310,559</u>	 <u>165,449</u>	 <u>145,110</u>
 Net Position:			
Net Investment in Capital Assets	7,805,929	7,714,977	90,952
Restricted	926,788	914,497	12,291
Unrestricted	<u>5,056,221</u>	<u>5,292,830</u>	<u>(236,609)</u>
Total Net Position	<u>\$ 13,788,938</u>	<u>\$ 13,922,304</u>	<u>\$ (133,366)</u>

The largest portion of the Town's net position reflects its investment in capital assets (land, buildings, machinery and equipment, and infrastructure assets such as roads and bridges) less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to its citizens; consequently, these assets are not available for spending. Net investment in capital assets increased by \$90,952 during the year.

The Town's restricted net position of \$926,788 increased by \$12,291 compared to last years restricted net position of \$914,497.

The Town's unrestricted net position of \$5,056,221 decreased by \$236,609 compared to last years unrestricted net position of \$5,292,830.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
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STATEMENT OF CHANGES IN NET POSITION

	2021	2020	Variance
REVENUES			
<i>Program:</i>			
Charges for services	\$ 292,691	\$ 440,434	\$ (147,743)
Operating grants and contributions	6,342,995	5,436,943	906,052
Capital grants and contributions	118,622	2,085,701	(1,967,079)
<i>General:</i>			
Property taxes	12,137,882	11,759,699	378,183
Grants and contributions, not restricted to specific programs	1,194,056	1,193,994	62
Unrestricted investment earnings	15,016	41,544	(26,528)
Other	32,153	102,495	(70,342)
Total Revenues	20,133,415	21,060,810	(927,395)
EXPENSES			
<i>Governmental Activities:</i>			
General Government	1,851,837	1,793,985	57,852
Public Works	733,277	660,633	72,644
Public Safety	1,290,549	1,178,650	111,899
Health and Welfare	184,620	188,608	(3,988)
Public and Social Services	496,772	512,386	(15,614)
Property Redevelopment	47,351	728,759	(681,408)
Education	15,461,943	14,147,148	1,314,795
Interest on long-term debt	200,432	225,123	(24,691)
Total Expenses	20,266,781	19,435,292	831,489
Change in Net Position	(133,366)	1,625,518	<u>\$ (1,758,884)</u>
Beginning Net Position, Restated	13,922,304	12,296,786	
Ending Net Position	<u>\$ 13,788,938</u>	<u>\$ 13,922,304</u>	

Governmental activities. Governmental activities decreased the Town of Preston, CT's net position by \$133,366.

Sixty percent (60%) of the revenues of the Town were derived from property taxes, followed by thirty-eight percent (38%) from grants and contributions, one percent (1%) from charges for services and less than one percent (1%) of the Town's revenue in the fiscal year was derived from investment and other income.

Major revenue factors included:

- Revenue from operating grants and contributions increased \$906,052 in the current fiscal year when compared to the previous year mainly due to the actuarially determined adjustments for the State Teachers Retirement and TRB OPEB plan.
- Revenue from capital grants and contributions decreased \$1,967,079 in the current fiscal year when compared to the previous year due to a decrease in activity in the Preston Redevelopment Agency Fund related to the Preston Riverwalk project.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
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- Property tax revenue increased by \$378,183 because the mill rate for the current year was increased to 26.90 from 26.43 in the previous year along with strong tax collections.

Seventy-six percent (76%) of the expenses of the Town relate to education, six percent (6%) relate to public safety, four percent (4%) relate to public works, two percent (2%) relate to public and social services, nine percent (9%) relate to general government, and three percent (3%) relate to health and welfare, property redevelopment, and interest expense.

Major expense factors included:

- The education expenses increased from the prior year mainly due to the actuarially determined adjustments for the State Teachers Retirement and TRB OPEB plans which increased revenues and expenses for the current year.
- Property redevelopment expenses are lower due to a decrease in activity in the Preston Redevelopment Agency Fund related to the Preston Riverwalk project.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The focus of the Town of Preston, CT's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Preston, CT's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Preston, CT's governmental funds reported combined ending fund balances of \$7,060,292, an increase of \$37,117 in comparison with the prior year. Forty-nine percent (49%) of this total amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

General Fund. The General Fund is the chief operating fund of the Town of Preston, CT. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,454,582. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 21 percent of total General Fund budget basis expenditures.

The fund balance of the Town of Preston, CT's General Fund increased by \$316,368 during the current fiscal year. Key factors in this increase are as follows:

- Property taxes, licenses, permits, charges for services, and other income all came in greater than anticipated.
- Expenditures coming in less than budgeted.

Capital Projects Fund. The fund balance of the Capital Projects Fund decreased by \$226,032 during the current fiscal year. This decrease is primarily attributable the current years capital outlay from funds already received less the current years interest income.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
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Educational Grants Fund. The fund balance of the Educational Grants Fund decreased by \$1,855 during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for the General Fund included the use of fund balance of \$690,000. The actual net change in fund balance of the General Fund on a budgetary basis was \$512,401. Budgetary revenues were \$487,793 greater than expected due primarily to property taxes, licenses, permits, and charges for services, and other income being higher than anticipated. Budgetary expenditures were \$726,108 lower than expected due primarily to savings in the general government, public safety, health services, miscellaneous and education categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The Town of Preston, CT's reported value in capital assets for its governmental activities as of June 30, 2021, amounts to \$15,763,570 (net of accumulated depreciation). This reported value in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

	<u>2021</u>	<u>2020</u>
Land	\$ 889,139	\$ 889,139
Construction in Progress	1,498,440	1,602,042
Buildings	8,349,126	8,623,418
Improvements	1,421,343	1,129,044
Computer and Computer Equipment	16,839	23,678
Furniture, Fixtures, and Equipment	222,606	335,091
Vehicles	2,518,984	2,768,054
Infrastructure	847,093	889,112
Total	<u>\$ 15,763,570</u>	<u>\$ 16,259,578</u>

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

- New Playground
- Purchase of fuel tanks
- Road improvements
- PPMS science lab renovation

Additional information on the Town of Preston, CT's capital assets can be found in Note 6 on page 28 of this report.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2021

Long-term debt. At the end of the current fiscal year, the Town of Preston, CT had long-term debt and other liabilities outstanding of \$9,701,671.

	2021	2020
G.O. Bonds	\$ 5,805,000	\$ 6,375,000
Unamortized Premium	152,641	169,601
State Loan Payable	2,000,000	2,000,000
Compensated Absences	72,949	82,196
Special Termination Benefits	-	38,000
Post Closure Landfill Costs	3,000	3,600
Net Pension Liability	1,104,231	1,315,247
Total OPEB Liability	563,850	451,628
Total	\$ 9,701,671	\$ 10,435,272

The Town of Preston, CT's total long-term debt and other liabilities decreased \$733,601 during the current fiscal year due mainly to the paydown of existing GO Bonds and decrease in the Net Pension Liability. Additional information on the Town of Preston, CT's long-term debt and other liabilities can be found in Note 7 on pages 29-30 of this report.

The Town of Preston currently maintains a bond rating of "AA+" from Standard and Poor's.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A summary of key economic factors affecting the Town are as follows:

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the Town will receive.
- Increased threat of losing State funding will continue to be a variable in our local budget.
- The COVID-19 pandemic may impact the fiscal year 2022 through delayed collection of taxes and reductions of program revenues. The Town may also receive increased grant funding due to new Federal economic relief programs.

All of these factors were considered in preparing the Town of Preston, CT's budget for the 2022 fiscal year.

The Town has assigned \$660,000 of fund balance of the General Fund for spending in the 2022 fiscal year budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Preston, CT's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Finance, Town of Preston, 389 Route 2, Preston, CT 06365.

Basic Financial Statements

TOWN OF PRESTON, CONNECTICUT

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 8,464,353
Restricted Cash	229,292
Investments	28,303
Receivables, Net	1,038,811
Prepays	863
Inventory	6,840
Capital Assets:	
Assets Not Being Depreciated	2,387,579
Assets Being Depreciated, Net	<u>13,375,991</u>
Total Assets	<u>25,532,032</u>
Deferred Outflows of Resources	
Deferred Outflows - Pension	<u>500,647</u>
Liabilities	
Accounts Payable and Accrued Items	711,773
Accrued Interest Payable	99,218
Performance Bonds	229,292
Unearned Revenue	1,191,228
Noncurrent Liabilities:	
Due Within One Year	592,560
Due In More Than One Year	<u>9,109,111</u>
Total Liabilities	<u>11,933,182</u>
Deferred Inflows of Resources	
Deferred Inflows - Pension	<u>310,559</u>
Net Position	
Net Investment in Capital Assets	7,805,929
Restricted:	
Nonexpendable	24,435
Expendable	902,353
Unrestricted	<u>5,056,221</u>
Total Net Position	<u>\$ 13,788,938</u>

The notes to the financial statements are an integral part of this statement

TOWN OF PRESTON, CONNECTICUT

Statement of Activities

For the Year Ended June 30, 2021

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs					Governmental Activities
Governmental Activities:					
General Government	\$ 1,851,837	\$ 263,685	\$ 19,808	\$ -	\$ (1,568,344)
Public Works	733,277	10,346	246,008	-	(476,923)
Public Safety	1,290,549	2,692	139,641	-	(1,148,216)
Health Services	184,620	-	2,500	-	(182,120)
Public and Social Services	496,772	11,215	51,312	99,079	(335,166)
Property Redevelopment	47,351	-	-	19,543	(27,808)
Education	15,461,943	4,753	5,883,726	-	(9,573,464)
Interest on Long-Term Debt	200,432	-	-	-	(200,432)
Total Governmental Activities	<u>20,266,781</u>	<u>292,691</u>	<u>6,342,995</u>	<u>118,622</u>	<u>(13,512,473)</u>
General Revenues:					
					12,137,882
					1,194,056
					15,016
					32,153
					<u>13,379,107</u>
					(133,366)
					<u>13,922,304</u>
					<u>\$ 13,788,938</u>

The notes to the financial statements are an integral part of this statement

TOWN OF PRESTON, CONNECTICUT

Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Capital Projects Fund	Educational Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 5,115,419	\$ 1,800,988	\$ 41,744	\$ 1,506,202	\$ 8,464,353
Restricted Cash	229,292	-	-	-	229,292
Investments	-	-	-	28,303	28,303
Receivables, Net of Allowance	548,418	-	-	490,393	1,038,811
Prepays	-	-	-	863	863
Inventory	-	-	-	6,840	6,840
Due from Other Funds	591,602	-	436,942	162,439	1,190,983
Total Assets	<u>\$ 6,484,731</u>	<u>\$ 1,800,988</u>	<u>\$ 478,686</u>	<u>\$ 2,195,040</u>	<u>\$ 10,959,445</u>
Liabilities					
Accounts Payable and Accrued Items	\$ 597,020	\$ -	\$ -	\$ 114,753	\$ 711,773
Unearned Revenue	687,517	-	478,686	25,025	1,191,228
Performance Bonds	229,292	-	-	-	229,292
Due to Other Funds	599,381	344,177	-	247,425	1,190,983
Total Liabilities	<u>2,113,210</u>	<u>344,177</u>	<u>478,686</u>	<u>387,203</u>	<u>3,323,276</u>
Deferred Inflows of Resources					
Unavailable Revenues:					
Property Taxes and Interest	255,157	-	-	-	255,157
Receivables	-	-	-	320,720	320,720
Total Deferred Inflows of Resources	<u>255,157</u>	<u>-</u>	<u>-</u>	<u>320,720</u>	<u>575,877</u>
Fund Balances					
Nonspendable	-	-	-	24,435	24,435
Restricted	1,782	-	-	900,571	902,353
Committed	-	1,456,811	-	562,111	2,018,922
Assigned	660,000	-	-	-	660,000
Unassigned	3,454,582	-	-	-	3,454,582
Total Fund Balances	<u>4,116,364</u>	<u>1,456,811</u>	<u>-</u>	<u>1,487,117</u>	<u>7,060,292</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,484,731</u>	<u>\$ 1,800,988</u>	<u>\$ 478,686</u>	<u>\$ 2,195,040</u>	<u>\$ 10,959,445</u>

The notes to the financial statements are an integral part of this statement

TOWN OF PRESTON, CONNECTICUT

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2021

Fund balances reported in governmental funds Balance Sheet	\$ 7,060,292
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
<i>Capital Assets</i>	29,827,822
<i>Depreciation</i>	(14,064,252)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	
<i>Property taxes, interest and liens receivable greater than 60 days</i>	255,157
<i>Other Receivables</i>	320,720
Certain changes related to pensions are deferred and amortized over time.	
<i>Deferred Outflows - Pension</i>	500,647
<i>Deferred Inflows - Pension</i>	(310,559)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements.	
<i>Accrued Interest Payable</i>	(99,218)
<i>Bonds Payable</i>	(5,805,000)
<i>Unamortized Bond Premium</i>	(152,641)
<i>State Loan Payable</i>	(2,000,000)
<i>Post-closure Landfill Costs</i>	(3,000)
<i>Compensated Absences</i>	(72,949)
<i>OPEB Liability</i>	(563,850)
<i>Net Pension Liability</i>	<u>(1,104,231)</u>
Net position of governmental activities	<u>\$ 13,788,938</u>

The notes to the financial statements are an integral part of this statement

TOWN OF PRESTON, CONNECTICUT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Projects Fund	Educational Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes, Interest, and Lien Fees	\$ 12,172,591	\$ -	\$ -	\$ -	\$ 12,172,591
Intergovernmental Revenues	5,574,799	-	232,103	326,469	6,133,371
Licenses, Permits, and Charges for Services	371,258	-	-	26,433	397,691
Investment Income	6,267	5,918	-	2,831	15,016
Other Revenue	50,929	-	-	75,464	126,393
Total Revenues	<u>18,175,844</u>	<u>5,918</u>	<u>232,103</u>	<u>431,197</u>	<u>18,845,062</u>
Expenditures					
Current:					
General Government	1,657,790	-	-	61,801	1,719,591
Public Works	617,730	-	-	46,792	664,522
Public Safety	1,072,328	-	-	5,304	1,077,632
Health Services	179,780	-	-	-	179,780
Public and Social Services	427,448	-	-	119,013	546,461
Education	13,096,947	-	233,958	176,444	13,507,349
Debt Service	797,453	-	-	-	797,453
Capital Outlay	5,000	231,950	-	78,207	315,157
Total Expenditures	<u>17,854,476</u>	<u>231,950</u>	<u>233,958</u>	<u>487,561</u>	<u>18,807,945</u>
Excess/(Deficiency) of Revenues over Expenditures	321,368	(226,032)	(1,855)	(56,364)	37,117
Other Financing Sources/(Uses)					
Transfers In	-	-	-	5,000	5,000
Transfers Out	(5,000)	-	-	-	(5,000)
Total Other Financing Sources/(Uses)	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
Net Change in Fund Balances	316,368	(226,032)	(1,855)	(51,364)	37,117
Fund Balances at Beginning of Year, Restated	<u>3,799,996</u>	<u>1,682,843</u>	<u>1,855</u>	<u>1,538,481</u>	<u>7,023,175</u>
Fund Balances at End of Year	<u>\$ 4,116,364</u>	<u>\$ 1,456,811</u>	<u>\$ -</u>	<u>\$ 1,487,117</u>	<u>\$ 7,060,292</u>

The notes to the financial statements are an integral part of this statement

TOWN OF PRESTON, CONNECTICUT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 37,117
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**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

<i>Capital expenditures</i>	487,669
<i>Depreciation expense</i>	(983,677)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.

<i>Property taxes, interest and liens collected accrual basis change</i>	(34,709)
<i>Loan Receivables</i>	(36,841)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

<i>Principal payments on long-term debt - general obligation bonds</i>	570,000
<i>Amortization of bond premiums</i>	16,960

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.

<i>Accrued Interest</i>	10,061
<i>Compensated Absences</i>	9,247
<i>Special Termination Benefits</i>	38,000
<i>Post-closure Landfill Costs</i>	600
<i>Net Pension Liability and Related Deferred Outflows/Inflows</i>	(135,571)
<i>OPEB Liability</i>	(112,222)

Change in net position of governmental activities	<u>\$ (133,366)</u>
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The notes to the financial statements are an integral part of this statement

TOWN OF PRESTON, CONNECTICUT
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
Revenues				
Property Taxes, Interest, and Lien Fees	\$ 11,816,544	\$ 11,816,544	\$ 12,172,591	\$ 356,047
Intergovernmental	4,387,482	4,387,482	4,338,290	(49,192)
Licenses, Permits, and Charges for Services	193,350	193,350	371,258	177,908
Investment Income	20,000	20,000	6,267	(13,733)
Other	34,166	34,166	50,929	16,763
Total Revenues	<u>16,451,542</u>	<u>16,451,542</u>	<u>16,939,335</u>	<u>487,793</u>
Expenditures				
Current:				
General Government	1,558,365	1,569,865	1,537,200	32,665
Land Development and Control	64,789	64,789	58,033	6,756
Public Works	555,014	555,014	553,147	1,867
Public Safety	1,107,738	1,107,738	1,072,812	34,926
Health Services	235,324	235,324	179,780	55,544
Public and Social Services	404,229	404,229	397,896	6,333
Miscellaneous	177,311	177,311	44,088	133,223
Education	12,241,319	12,241,319	11,786,525	454,794
Debt Service	797,453	797,453	797,453	-
Total Expenditures	<u>17,141,542</u>	<u>17,153,042</u>	<u>16,426,934</u>	<u>726,108</u>
Excess of Revenues Over/(Under) Expenditures	(690,000)	(701,500)	512,401	1,213,901
Other Financing Sources (Uses)				
Use of Fund Balance	690,000	701,500	-	(701,500)
Total Other Financing Sources (Uses)	<u>690,000</u>	<u>701,500</u>	<u>-</u>	<u>(701,500)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	512,401	<u>\$ 512,401</u>
Fund Balance, Beginning of Year			<u>3,603,963</u>	
Fund Balance, End of Year			<u>\$ 4,116,364</u>	

The notes to the financial statements are an integral part of this statement

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Preston, Connecticut (the “Town”) have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing the governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

Reporting Entity

The Town of Preston, Connecticut (the “Town”) was incorporated as a town in 1687. The Town operates under a Selectmen/Town Meeting form of government. Under this form of government, the Town Meeting is the legislative body. A Town Meeting is required to make appropriations, levy taxes, and borrow money. The administrative branch is led by an elected three-member Board of Selectmen. The Selectmen oversee most of the activities not assigned specifically to another body. An elected Board of Education oversees the public school system. An elected Board of Finance is the budget making authority and supervises the Town’s financial matters.

Accounting principles generally accepted in the United States of America require that the reporting entity include: 1) the primary government; 2) organizations for which the primary government is financially accountable; and 3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The Town does not report any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

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

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Their revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. Exceptions to this general rule include: compensated absences, debt service, capital leases, other post-employment benefit obligations, and claims and judgments that are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest, expenditure reimbursement type grants, certain intergovernmental revenues, charges, and transfers associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town or specifically identified.

Governmental Funds are those through which most governmental functions typically are financed. The following are the Town's major governmental funds:

- The *General Fund* is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another manner. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services, and earnings on investments.
- The *Capital Projects Fund* is used to account for proceeds of bond anticipation notes and general obligation bonds used for authorized bonded projects such as acquisition and construction of capital facilities, except for those related to the redevelopment of the Preston Riverwalk.
- The *Education Grants Fund* is used to account for State, Federal and private grants to be used for educational purposes.

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 period. Actual results could differ from those estimates.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

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

The Short-Term Investment Fund (“STIF”) is a money market investment pool managed by the Cash Management Division of the State Treasurer’s Office created by Section 3-27 of the Connecticut General Statutes (“CGS”). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a “2a7-like” pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is overseen by the Office of the State Treasurer. The pool is rated AAAM by Standard & Poor’s. This is the highest rating for money market funds and investment pools. The pooled investment funds’ risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool. The fair value of the position in the pool is the same as the value of the pool shares.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust, in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund. Trust funds are able to invest in a wider range of investments. Investments are stated at fair value, based on quoted market prices. Certificates of Deposit are reported at cost and excluded from the fair value disclosures.

Fair Value of Financial Instruments - In accordance with GASB Statement No. 72, the Town is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the assets or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Taxes Receivable- All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Town has established an allowance for uncollectible tax amounts of \$20,000 and uncollectible interest, liens, and fees amounts of \$24,000. Property taxes are assessed as of October 1 and billed the following July. Real property bills are payable in two installments, July 1 and January 1. Motor vehicle and personal property taxes are payable in one installment on July 1, with the motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

Loans Receivable- The Town administers a federally funded residential rehabilitation loan program for low to moderate income families. The loans do not accrue interest and repayment of the loans is deferred. The loans become due and payable upon sale or transfer of the property, the owner's demise, or when the subject property is no longer the applicant's principal place of residence. The loans may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2021, loans receivable totaled \$320,720 under this program.

Due From/To Other Funds - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables and payables. They arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 for all assets except bridges, which is \$50,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Land Improvements	20
Vehicles	7-20
Computers and Computer Equipment	5
Furniture, Fixtures, and Equipment	5
Infrastructure	20

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

Inventory – Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used in accordance with the consumption method.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Unearned Revenues - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period they are incurred.

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, and debt payments, are reported as debt service expenditures.

Compensated absences - Town 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 periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial 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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports unavailable revenue from property taxes and related interest, and deferred housing loans in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The Town also reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide financial statements for differences between expected and actual experience, changes in assumptions, and net difference between projected and actual earnings on plan investments. The deferred outflow or inflow related to differences between expected and actual experience and changes in assumptions will be amortized over the average remaining service life of all plan members. The deferred outflow or inflow related to the net difference between projected and actual earnings on plan investments will be amortized over a five-year period.

Fund equity and net position – Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. In the government-wide statement of net position, net position is classified in the following categories:

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

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

When both restricted and unrestricted resources are available for certain expenses, the Town expends restricted resources first and uses unrestricted resources when the restricted funds are depleted.

In the fund financial statements, fund balances of governmental funds are classified in the following five separate categories:

Nonspendable Fund Balance – Indicates amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.

Restricted Fund Balance – Indicates amounts that are restricted to specific purposes. The spending constraints placed on the use of fund balance amounts are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Indicates amounts that can be used only for specific purposes pursuant to constraints imposed by formal budgetary action of the Board of Finance and Town Meeting in accordance with provisions of the Connecticut General Statutes.

Assigned Fund Balance – Indicates amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the approval of a resolution by the Board of Finance or by a properly approved purchase order (encumbrance).

Unassigned Fund Balance – Represents the remaining fund balance after amounts are set aside for all other classifications. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

The Town does not have a formal policy over the use of fund balance. When both restricted and unrestricted (committed, assigned, unassigned) amounts of fund balance are available for use for expenditures incurred, it is assumed that the Town will use restricted fund balance first if the expenditure meets the restricted purpose, followed by committed, assigned and unassigned amounts.

The Town has not formally enacted legislation or Board policies requiring it to maintain a minimum fund balance.

Encumbrances – In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

Budgetary Information and Accounting

A formal, legally approved, annual budget is adopted for the General Fund only.

This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

1. The Town does not budget for as revenue or expenditures amounts for the State Teachers' pension and OPEB contributed by the State of Connecticut on the Town's behalf.
2. Certain grants are net with expenditures on the budgetary basis.
3. Encumbrances are reported as expenditures for the budgetary basis of accounting.

A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2021:

	<u>Fund Balance</u> <u>Beginning</u>	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Other Financing</u> <u>Sources (Uses)</u>	<u>Fund Balance</u> <u>Ending</u>
Budgetary Basis	\$ 3,603,963	\$ 16,939,335	\$ 16,426,934	\$ -	\$ 4,116,364
"On-behalf" payments - State					
Teachers' Retirement and OPEB	-	1,057,866	1,057,866	-	-
Education Grants net for Budget	-	140,025	140,025	-	-
Other Grants	-	38,618	38,618	-	-
Adjustment for Encumbrances	196,033	-	196,033	-	-
Reclassifications for GAAP Purposes	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
GAAP Basis	<u>\$ 3,799,996</u>	<u>\$ 18,175,844</u>	<u>\$ 17,854,476</u>	<u>\$ (5,000)</u>	<u>\$ 4,116,364</u>

Budget Calendar

The Boards of Selectmen and Education submit requests for appropriations to the Board of Finance. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations of the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations which they desire the Board of Finance to consider. The Board of Finance then considers the estimates, and any other matters brought to their attention, at a public meeting held subsequent to the public hearing, and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting, a referendum is held and, if passed, the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Budget Control

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by Connecticut State Statutes, appropriated as one department.

The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriations. A Town Meeting must be called to make appropriations over \$20,000 or additional changes to previously adjusted appropriations.

Legal authorizations for expenditures of the Capital Projects Fund are provided by Town ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute or in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an “out of state bank” as defined by the Statutes, which is not a “qualified public depository”. The following is a summary of cash and cash equivalents at June 30, 2021.

	Governmental Funds
Cash and Cash Equivalents	\$ 8,464,353
Restricted Cash	229,292
	\$ 8,693,645

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank’s risk-based capital ratio. The following is a reconciliation of the Town’s deposits subject to custodial credit risk:

Cash, Cash Equivalents, and Restricted Cash	\$ 8,693,645
Less: Cash Equivalents (STIF)	(2,737,672)
Add: Investments (CDs)	28,303
	\$ 5,984,276

At year-end, the Town’s carrying amount of deposits subject to custodial credit risk was \$5,984,276 and the bank balance was \$6,072,978. Of the bank balance, Federal Depository Insurance Corporation insured \$1,444,163.

As of June 30, 2021, \$4,628,815 of the Town’s bank balance of \$5,984,276 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 4,065,934
Uninsured and collateral held by pledging bank's Trust department not in the Town's name	562,882
Total	\$ 4,628,815

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Cash Equivalents

At June 30, 2021, the Town's cash equivalents (Short-Term Investment Fund "STIF") amounted to \$2,737,672. STIF is rated AAAM by Standard and Poor's and has an average maturity of under 60 days.

Investments

The following is a summary of investments at June 30, 2021:

	Governmental Funds
Certificates of Deposit	\$ 28,303

Custodial Credit Risk - This is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town does not have a policy for custodial credit risk.

Credit Risk – The Town does not have an investment policy that limits investment choices further than the Connecticut General Statutes. Generally, credit risk is defined as the risk that an issuer of a debt type investment will not fulfill its obligation to the holder. This is measured by assignment of a rating by a nationally recognized rating organization.

Concentrations of Credit Risk – The Town places no limit on the amount of investment in any one issuer.

Interest Rate Risk - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2021, the Town had the following investments subject to interest rate risk:

	Total	Investment Maturities (In Years)		
		Less Than 1	1 - 5	6 - 10
Certificates of Deposit	\$ 28,303	\$ 20,687	\$ 7,616	\$ -

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

NOTE 4 – RECEIVABLES

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

	General Fund	Nonmajor and Other Funds	Total
Receivables:			
Property Taxes	\$ 254,032	\$ -	\$ 254,032
Interest, Liens, and Fees	98,602	-	98,602
Loans	-	320,720	320,720
Intergovernmental	-	124,673	124,673
Accounts	<u>239,784</u>	<u>45,000</u>	<u>284,784</u>
Gross Receivables	<u>592,418</u>	<u>490,393</u>	<u>1,082,811</u>
Less Allowance for Uncollectibles:			
Property Taxes	(20,000)	-	(20,000)
Interest, Liens, and Fees	<u>(24,000)</u>	<u>-</u>	<u>(24,000)</u>
Total Allowance	<u>(44,000)</u>	<u>-</u>	<u>(44,000)</u>
Net Total Receivables	<u>\$ 548,418</u>	<u>\$ 490,393</u>	<u>\$ 1,038,811</u>

The loans receivable in the Small Cities Fund of \$320,720 are long-term receivables and are not expected to be collected within one year.

Governmental funds report unavailable revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	Governmental Funds
General Fund:	
Advances on Grants	\$ 687,517
Educational Grants Fund	
Advances on Grants	478,686
Nonmajor Funds:	
Advances on Grants	1,960
Fees Collected in Advance	<u>23,065</u>
Total Unearned Revenue	<u>\$ 1,191,228</u>

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2021, the outstanding balances between funds were:

Payable Fund	Receivable Fund	Total
General Fund	Nonmajor Governmental Funds	\$ 162,439
General Fund	Education Grants Fund	436,942
Capital Projects Fund	General Fund	344,177
Nonmajor Governmental Funds	General Fund	247,425
		\$ 1,190,983

Fund transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and 2) to account for unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers during the year ended June 30, 2021 were as follows:

Transfers In	Transfers Out	Total
Nonmajor Governmental Funds	General Fund	\$ 5,000

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

NOTE 6 – CAPITAL ASSETS

The following is a summary of the change in capital assets as of June 30, 2021:

	Restated Beginning Balance	Increases	Decreases	Ending Balances
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 889,139	\$ -	\$ -	\$ 889,139
Construction in Progress	<u>1,602,042</u>	<u>78,207</u>	<u>(181,809)</u>	<u>1,498,440</u>
Total capital assets, not being depreciated	<u>2,491,181</u>	<u>78,207</u>	<u>(181,809)</u>	<u>2,387,579</u>
Capital assets, being depreciated				
Buildings	14,696,542	-	-	14,696,542
Improvements	4,474,026	496,438	(52,585)	4,917,879
Computer and Computer Equipment	202,014	-	-	202,014
Furniture, Fixtures, and Equipment	913,872	-	-	913,872
Vehicles	4,656,569	43,878	-	4,700,447
Infrastructure	<u>1,958,534</u>	<u>50,955</u>	<u>-</u>	<u>2,009,489</u>
Total capital assets, being depreciated	<u>26,901,557</u>	<u>591,271</u>	<u>(52,585)</u>	<u>27,440,243</u>
Less accumulated depreciation for:				
Buildings	6,073,124	274,292	-	6,347,416
Improvements	3,344,982	204,139	(52,585)	3,496,536
Computer and Computer Equipment	178,336	6,839	-	185,175
Furniture, Fixtures, and Equipment	578,781	112,485	-	691,266
Vehicles	1,888,515	292,948	-	2,181,463
Infrastructure	<u>1,069,422</u>	<u>92,974</u>	<u>-</u>	<u>1,162,396</u>
Total accumulated depreciation	<u>13,133,160</u>	<u>983,677</u>	<u>(52,585)</u>	<u>14,064,252</u>
Total capital assets, being depreciated, net	<u>13,768,397</u>	<u>(392,406)</u>	<u>-</u>	<u>13,375,991</u>
<i>Capital assets, net</i>	<u>\$ 16,259,578</u>	<u>\$ (314,199)</u>	<u>\$ (181,809)</u>	<u>\$ 15,763,570</u>

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

General Government	\$ 23,978
Public Safety	212,917
Public Works	171,593
Health Services	5,440
Public and Social Services	49,280
Education	<u>520,469</u>
Total	<u>\$ 983,677</u>

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

NOTE 7 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2021 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 6,375,000	\$ -	\$ 570,000	\$ 5,805,000	\$ 575,000
Unamortized Premium	169,601	-	16,960	152,641	16,960
Total Bonds Payable	6,544,601	-	586,960	5,957,641	591,960
State Loan Payable	2,000,000	-	-	2,000,000	-
Compensated Absences	82,196	52,412	61,659	72,949	-
Termination Benefits	38,000	-	38,000	-	-
Post Closure Landfill Costs	3,600	-	600	3,000	600
Net Pension Liability	1,315,247	-	211,016	1,104,231	N/A
Net OPEB Liability	451,628	112,222	-	563,850	N/A
Total	<u>\$ 10,435,272</u>	<u>\$ 164,634</u>	<u>\$ 898,235</u>	<u>\$ 9,701,671</u>	<u>\$ 592,560</u>

Long-term obligations are typically liquidated by the General Fund.

General Obligation Bonds

The Town issues general obligation bonds to provide financing for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. General obligation bonds outstanding as of June 30, 2021 consisted of the following:

Purpose	Year of Issue	Maturity Date	Interest Rate	Original Amount	Balance June 30, 2021
Capital Projects	2018	7/15/2028	3 - 5%	\$ 3,560,000	\$ 3,165,000
Preston Riverwalk	2018	7/15/2033	2.35 - 4.20%	1,700,000	1,455,000
Capital Projects*	2018	7/15/2032	2 - 5%	1,475,000	1,185,000
				<u>\$ 6,735,000</u>	<u>\$ 5,805,000</u>

*Refunding Bonds

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

The annual debt service requirements of the Town's general obligation bonds are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 575,000	\$ 202,867	\$ 777,867
2023	580,000	175,500	755,500
2024	595,000	147,642	742,642
2025	595,000	124,342	719,342
2026	615,000	105,527	720,527
2027-2031	2,290,000	259,060	2,549,060
2032-2036	555,000	28,874	583,874
Total	<u>\$ 5,805,000</u>	<u>\$ 1,043,812</u>	<u>\$ 6,848,812</u>

Interest paid and expensed on general obligation bonds for the year ended June 30, 2021 totaled \$200,432.

Bonds Authorized and Unissued

At June 30, 2021, there were no authorized and unissued bonds.

State Loan Payable

On May 1, 2013, the Town entered into an Assistance Agreement with the State of Connecticut in connection with the redevelopment of Preston Riverwalk. Such agreement provides Preston with a loan of \$2,000,000. The funds were received during the year ended June 30, 2014, and the principal and interest was to be payable beginning five years from the date of the receipt of the funds in monthly installments for twenty years. Annual interest on the loan is 1.5%. During the fiscal year ended June 30, 2019, the Assistance Agreement was amended to change the payment terms of the loan. The amended agreement stipulates interest will accrue beginning May 1, 2024, and shall compound annually. Commencing on June 1, 2024 (or later if and to the extent necessary to confirm to a change occurring by operation of the terms of the PDDA as described in Note 12), the principal and interest is payable in 180 equal monthly installments.

Post Closure Landfill Costs

The Town has closed a landfill with no further capacity or estimated useful life. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for 30 years after closure. These costs will be paid through the General Fund each year. Total estimated costs based on the current actual costs are included in long-term obligations. The actual costs may vary based on actual events, inflation, changes in technology, and applicable laws and regulations. No costs were incurred in this fiscal year.

Special Termination Benefits

Periodically, the Board of Education offers retirement incentive packages to teachers that meet specified requirements. A teacher that meets the criterion must apply to the Superintendent for consideration. There were no special termination benefits payable outstanding at June 30, 2021.

Compensated Absences

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. The value of all compensated absences has been reflected in the government-wide financial statements.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

NOTE 8 - FUND BALANCE COMPONENTS

The components of fund balance for the governmental funds at June 30, 2021 are as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Permanent Funds	\$ -	\$ -	\$ 24,435	\$ 24,435
Total Nonspendable	<u>-</u>	<u>-</u>	<u>24,435</u>	<u>24,435</u>
Restricted for:				
Cemeteries	-	-	1,351	1,351
Preservation of Records	1,782	-	-	1,782
Public and Social Services	-	-	66,796	66,796
Education	-	-	38,282	38,282
Capital Purposes	-	-	794,142	794,142
Total Restricted	<u>1,782</u>	<u>-</u>	<u>900,571</u>	<u>902,353</u>
Committed to:				
Cemeteries	-	-	20,843	20,843
Public Safety	-	-	182,056	182,056
Public and Social Services	-	-	83,480	83,480
Education	-	-	90,371	90,371
Debt Service	-	-	135,516	135,516
Capital Purposes	-	1,456,811	49,845	1,506,656
Total Committed	<u>-</u>	<u>1,456,811</u>	<u>562,111</u>	<u>2,018,922</u>
Assigned:				
Subsequent Year's Budget	660,000	-	-	660,000
Unassigned	<u>3,454,582</u>	<u>-</u>	<u>-</u>	<u>3,454,582</u>
Total Fund Balances	<u>\$ 4,116,364</u>	<u>\$ 1,456,811</u>	<u>\$ 1,487,117</u>	<u>\$ 7,060,292</u>

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

NOTE 9 – RETIREMENT BENEFITS

Connecticut Municipal Employees' Retirement System

Plan Description: All Town employees not covered by the teacher retirement system participate in the Municipal Employees' Retirement System (MERS). This is a cost-sharing multiple-employer public employee retirement system (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide pension benefits for the employees of participating local government authorities. 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 service, or 15 years of active aggregate service, or 25 years of aggregate service. In addition, compulsory retirement is at age 65 for police and fire members.

Normal Retirement: For members not covered by social security, retirement benefits are calculated as 2% of average final compensation, times years of service. For members covered by social security, retirement benefits are calculated as 1.5% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service. Maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually.

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

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

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

Contributions - Member: Contributions for members not covered by social security are 6% of compensation; for members covered by social security, 3.25% of compensation up to the social security taxable wage base plus 6%, if any, in excess of such base.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Contributions – 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/Inflows of Resources Related to Pensions: At June 30, 2021 the Town reports a total liability of \$1,104,231 for government-wide financials for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participants, actuarially determined. At June 30, 2020, the Town’s proportion was 0.28%.

For the year ended June 30, 2021, the Town recognized pension expense of \$235,911. As of June 30, 2021, the Town reported deferred inflows and outflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Town contributions subsequent to the measurement date	\$ 99,678	\$ -
Difference between projected and actual earnings	115,879	-
Difference between expected and actual experience	73,158	141,170
Change in assumptions	181,811	-
Change in proportional share	30,121	169,389
Total	\$ 500,647	\$ 310,559

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 outflows of resources related to pension will be recognized in the pension expense as follows:

Year ended June 30:		
2022	\$	72,489
2023		88,289
2024		(54,338)
2025		(16,030)
	\$	90,410

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

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

Inflation	2.50 Percent
Salary increases, including inflation	3.50-10.00 Percent
Long-term investment rate of return, net of pension investment expense, including inflation.	7.00 Percent

Mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees for the period after retirement and for dependent beneficiaries. The RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB is used by Police and Fire for the period after retirement and for dependent beneficiaries. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table projected to 2020 by Scale BB is used.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2017.

The long-term expected rate of return on pension investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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 asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	20.00%	5.30%
Developed Market International	11.00%	5.10%
Emerging Market International	9.00%	7.40%
Core Fixed Income	16.00%	1.60%
Inflation Linked Bond	5.00%	1.30%
Emerging Market Bond	5.00%	2.90%
High Yield Bonds	6.00%	3.40%
Real Estate	10.00%	4.70%
Private Equity	10.00%	7.30%
Alternative Investments	7.00%	3.20%
Liquidity Fund	<u>1.00%</u>	0.90%
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension'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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

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 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.0%	7.0%	8.0%
Net Pension Liability as of June 30, 2021	\$ 1,545,083	\$ 1,104,231	\$ 732,497

Connecticut State Teacher’s Retirement System

Plan Description: Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers’ Retirement System (the “System”). The System is a cost sharing multiple-employer defined benefit pension plan administered by the Connecticut State Teachers’ Retirement Board (CTRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefited terms to the CTRB Board. The CTRB issues a publicly available financial report that can be obtained at www.ct.gov, or by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

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 the employees are calculated as 2% of the average annual salary times years of credited service (maximum benefit is 75% of average annual salary during the 3 highest years of 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 regardless of length of service. Five years of credited service is required for non-service-related disability or eligibility. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the plan, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

Contributions: Per Connecticut General Studies 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.

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.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Employees: Participants are required to contribute 7% of their annual salary to the System as required by the CGS Section 10-183b(7). For the year ended June 30, 2021 the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$268,069. Covered payroll for the Town for the year ended June 30, 2021 was approximately \$3,829,560.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2021 the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		<u>16,103,984</u>
Total	\$	<u>16,103,984</u>

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

For the year ended June 30, 2021, the Town recognized benefits expense and contribution revenue of \$1,032,938 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$2,306,819 for pension expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions: The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2019. The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.50 Percent
Salary increases, including inflation	3.00-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation.	6.90 Percent

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

TOWN OF PRESTON, CONNECTICUT
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Future cost-of-living increases for members who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Fund	20.00%	5.60%
Developed Market Intl. Stock Fund	11.00%	6.00%
Emerging Market Intl. Stock Fund	9.00%	7.90%
Core Fixed Income Fund	16.00%	2.10%
Inflation Linked Bond Fund	5.00%	1.10%
Emerging Market Debt Fund	5.00%	2.70%
High Yield Bond Fund	6.00%	4.00%
Real Estate Fund	10.00%	4.50%
Private Equity	10.00%	7.30%
Alternative Investments	7.00%	2.90%
Liquidity Fund	1.00%	0.40%

Discount Rate: The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension 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.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Other Post-Employment Benefits

Plan Description: The Preston Public Schools OPEB is a single-employer defined benefit healthcare plan (the “Plan”) administered by the Town. Benefits provisions are established in accordance with the various collective bargaining agreements. The plan does not issue a publicly available financial report and is not included in the financial statements of another entity. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

Benefits Provided: The OPEB Plan provides for various medical, dental, and pharmaceutical plans depending on whether retirement is prior to age 65 or after age 65.

Cost Sharing: All retirees pay 100% of the premiums less the amount paid to the Town by the Teachers’ Retirement Board.

Eligibility: Teachers and Administrators (Certified) – A Teacher or administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse.

Employees Covered by Benefit Terms: At June 30, 2021, the following employees were covered by the benefit terms:

Retirees receiving benefits	10
Active plan members	36
	46
	46

Total OPEB Liability: The Town’s total OPEB liability of \$563,850 was measured as of June 30, 2021 and was determined using the Alternative Measurement Method (AMM).

Actuarial Assumptions and Other Inputs: The total OPEB liability as of June 30, 2021 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.85%
Future Retiree Coverage	75% are assumed to elect coverage at retirement.

The discount rate was based on the Bond Buyer 20 (GO 20 Index) as of the measurement date, which represents municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years.

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 6/30/20	\$ 451,628
Changes for the year:	
Service Cost	75,700
Interest	20,234
Changes of Benefit Terms	-
Difference between expected and actual experience	19,885
Changes in Assumptions	-
Benefit Payments	(3,596)
Net Changes	112,223
Balance at 6/30/21	\$ 563,850

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.85%) or 1-percentage-point higher (4.85%) than the current discount rate:

	1% Decrease 2.85%	Current Discount Rate 3.85%	1% Increase 4.85%
Total OPEB Liability	\$ 653,195	\$ 563,850	\$ 491,316

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 477,444	\$ 563,850	\$ 671,894

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$112,223. As of June 30, 2021, the Town reported no deferred outflows and inflows of resources related to OPEB due to using the Alternative Measurement Method.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Connecticut Teachers' Retirement System - OPEB

Plan Description - Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System—a cost sharing multiemployer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

Benefit Provisions - The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue healthcare 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, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 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. 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. Any member that 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.

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 amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

School district employers are not required to make contributions to the Plan. The State of Connecticut's estimated allocated contribution to the Plan on behalf of the Town was \$24,928.

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

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

Inflation	2.50%
Real Wage Growth	0.50%
Wage Inflation	3.00%

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Salary increases	3.00-6.50%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
<u>Municipal bond index rate:</u>	
Measurement Date	2.21%
Prior Measurement Date	3.50%

The projected fiduciary net position is projected to be depleted in 2021.

Single equivalent interest rate

Measurement Date	2.21%, net of OPEB plan investment expense, including price inflation
Prior Measurement Date	3.50%, net of OPEB plan investment expense, Including price inflation

Healthcare cost trend rates:

Medicare	5.125% for 2020 decreasing to an ultimate Rate of 4.50% by 2023
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Mortality rates were based on the PubT-2010 Health Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

Long-Term Rate of Return - The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluation 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 of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing 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 target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Expected 10-Year Geometric Real Rate of Return	Standard Deviation
U.S. Treasuries (Cash Equivalents)	100.0%	-0.42%	1.78%
Price inflation		2.50%	
Expected rate of return (Rounded nearest 0.25%)		2.00%	

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Discount Rate - The discount rate used to measure the total OPEB liability was 2.21%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Annual State contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.

Based on those assumptions, the plan's fiduciary net position was projected to be depleted in 2021 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates - The following presents the total OPEB liability, calculated using current cost trend rates, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than current healthcare cost trend rates:

	1% Lower Trend Rates	Current Trend Rates	1% Higher Trend Rates
Initial Healthcare Cost Trend Rate	4.125%	5.125%	6.125%
Ultimate Healthcare Cost Trend Rate	3.50%	4.50%	5.50%
Total OPEB Liability	\$ 1,963,415	\$ 2,401,910	\$ 3,011,152

Sensitivity of the Net OPEB Liability to Changes in Discount Rates - The following presents the net OPEB liability, calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability	\$ 2,934,136	\$ 2,401,910	\$ 1,989,970

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2021 the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Town were as follows:

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>2,401,910</u>
Total	<u>\$ 2,401,910</u>

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

For the year ended June 30, 2021, the Town recognized OPEB expense and revenue of \$24,928 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$110,950 for OPEB expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

NOTE 10 – RISK MANAGEMENT

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, natural disaster and public official liabilities. The Town generally obtains commercial insurance for these risks. Coverage has not been significantly reduced and settled claims have not exceeded commercial coverage in any of the last three fiscal years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. Seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expense should CIRMA be unable to do so.

NOTE 11 – LITIGATION AND CONTINGENCIES

The Town is not a defendant in any lawsuits that, in the opinion of Town Management, in consultation with the Town Attorney, will have an adverse, material effect on the Town's financial position.

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 the terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

Section 10-283(a)(3)(A) of the Connecticut General Statutes states that if the Town abandons, sells, leases, demolishes or otherwise redirects the use of a school building project authorized on or after July 1, 1996, paid partially with State funding, to other than a public school, it will owe a portion of the State funding back to the State. For projects with a cost over \$2,000,000, the contingency will be amortized over 20 years. For smaller projects, the contingency will be amortized over 10 years.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

NOTE 12 – PRESTON RIVERWALK

On March 12, 2009, the Town purchased the 393-acre former Norwich Hospital site including the buildings, structures, improvements, and fixtures (currently referred to as Preston Riverwalk) from the State of Connecticut for \$1. The Town assumed responsibility for the environmental conditions at the property and completion of the pollution remediation. Since the purchase, the Town has been improving Preston Riverwalk through its remediation plan with the intent of improving the property to promote economic development, generate tax revenues, and create jobs.

During the year ended June 30, 2016, the Town entered into a memorandum of understanding with the Mohegan Tribal Gaming Authority (“MTGA”) to purchase and develop the Preston Riverwalk property subject to a detailed Property Disposition and Development Agreement (“PDDA”). The PDDA, as amended, was approved at an April 2017 Town Referendum. The Town expects to hold an \$11,000,000 letter of credit from MTGA and receive a grant of \$10,000,000 from the State of Connecticut to complete the Preston Riverwalk pollution remediation. In addition, approximately 388 acres will be conveyed by the Town to the MTGA. The term of the PDDA is 10 years from the date the property is transferred to MTGA.

Upon meeting development milestones detailed in the PDDA, such as assessed valuation and permanent job creation, the letter of credit will be reduced. The Town will draw from the letter of credit as per the terms of the PDDA if milestones are not reached.

Related to the Preston Riverwalk, the Town has an agreement with a legal firm stipulating that the firm will not seek payment of certain legal costs payable until and if, the Town sells the Preston Riverwalk acreage. During the year ended June 30, 2019, such agreement was revised to require repayment of the \$912,000 of legal costs outstanding at a rate of 10% of the real property taxes received from the improvements anticipated in the PDDA until the \$912,000 is paid in full. This revised agreement is contingent upon the conveyance of the property to MTGA. If the property conveyance does not occur, the original agreement will remain in effect in which the legal costs will become due at \$5,700 per acre of the first 160 acres sold. In addition, the legal costs will be paid per the agreement solely from the proceeds of the sale of such acreage and not from the general revenues of the Town.

Given the nature of the Town’s agreement with the MTGA, the outcome and potential revenue to the Town, if any, is not currently determinable.

NOTE 13 – UPCOMING PRONOUNCEMENTS

GASB Pronouncements Issued, But Not Yet Effective

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

GASB Statement No. 87 – *Leases* - This statement improves the accounting and financial reporting for leases by governments. This statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2021.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

GASB Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period* - The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost before the end of a construction period will not be included in the historical cost of the capital asset. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2021.

GASB Statement No. 91 – *Conduit Debt Obligations* – The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2022.

GASB Statement No. 92 – *Omnibus 2020* – The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and the requirements of this statement are effective for the Town's reporting period beginning July 1, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates* – Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements in paragraphs 13 and 14 of this statement are effective for the Town's reporting period beginning July 1, 2021.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2022.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2021.

NOTE 14 – ADOPTION OF NEW ACCOUNTING STANDARD AND RESTATEMENTS

The Town previously reported the activities of the Student Activity Fund as fiduciary activities. As a result of the implementation of GASB No. 84, *Fiduciary Activities*, as of July 1, 2020, the Town made the following reporting change: the Student Activities Fund is now reported as a special revenue fund. Beginning capital assets were restated after the Town updated the fixed asset listing. The government-wide net position and nonmajor governmental funds fund balance were restated as a result of the implementation. The results of the changes to the fund balance and net position are as follows:

	<u>Governmental Activities</u>	<u>Nonmajor Governmental Funds</u>	<u>Custodial Funds</u>
Net position/fund balance as reported at June 30, 2020	\$ 13,508,008	\$ 1,521,205	\$ 17,276
Restate beginning capital assets	397,020	-	-
Restate Beginning Net Position as a result of GASB No. 84	<u>17,276</u>	<u>17,276</u>	<u>(17,276)</u>
Net position/fund balance as restated at July 1, 2020	<u>\$ 13,922,304</u>	<u>\$ 1,538,481</u>	<u>\$ -</u>

**Required
Supplementary
Information**

TOWN OF PRESTON, CONNECTICUT
Connecticut Municipal Employees' Retirement System
Proportionate Share of the Net Pension Liability
Last Seven Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Town's Percentage of Collective Net Pension Liability	0.281%	0.356%	0.387%	0.334%	0.334%	0.354%	0.354%
Town's Portion of Net Pension Liability	<u>\$ 1,104,231</u>	<u>\$ 1,315,247</u>	<u>\$ 1,478,727</u>	<u>\$ 552,088</u>	<u>\$ 655,547</u>	<u>\$ 484,141</u>	<u>\$ 343,222</u>
Town's Covered Payroll	<u>\$ 720,127</u>	<u>\$ 916,094</u>	<u>\$ 912,147</u>	<u>\$ 933,583</u>	<u>\$ 844,723</u>	<u>\$ 812,306</u>	<u>\$ 813,546</u>
Town's Portion of Net Pension Liability as a % of Covered Payroll	153.34%	143.57%	162.11%	59.14%	77.60%	59.60%	42.19%
Plan Fiduciary Net Position as a % of Total Pension Liability	71.18%	72.69%	73.60%	91.68%	88.29%	92.72%	90.48%

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

See accountant's report.

TOWN OF PRESTON, CONNECTICUT
Connecticut Municipal Employees' Retirement System
Schedule of Contributions
Last Seven Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015
Town's Contractually Required Contribution	\$ 99,678	\$ 111,515	\$ 125,238	\$ 109,603	\$ 96,129	\$ 92,440	\$ 92,582
Town's Contributions in Relation to the Contractually Required Contribution	<u>99,678</u>	<u>111,515</u>	<u>125,238</u>	<u>109,603</u>	<u>96,129</u>	<u>92,440</u>	<u>92,582</u>
Town's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	720,127	916,094	912,147	933,583	844,723	812,306	813,546
Town's Contributions as a Percentage of Covered Payroll	13.84%	12.17%	13.73%	11.74%	11.38%	11.38%	11.38%

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

Notes to Schedule

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Asset Valuation Method	5-year smoothed market
Single Equivalent Amortization Period	21 years
Inflation	2.50%
Salary Increases	3.50%-10.00%, including inflation
Investment rate of return	7.00%, net of investment related expense

See accountant's report.

TOWN OF PRESTON, CONNECTICUT
State Teacher's Retirement System
Proportionate Share of Net Pension Liability
Last Seven Fiscal Years*

Schedule of Proportionate Share of Net Pension Liability

	2021	2020	2019	2018	2017	2016	2015
Town's percentage of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension liability associated with the Town	<u>16,103,984</u>	<u>14,714,403</u>	<u>11,345,708</u>	<u>11,975,336</u>	<u>12,634,071</u>	<u>8,934,216</u>	<u>8,257,892</u>
Total	<u>\$ 16,103,984</u>	<u>\$ 14,714,403</u>	<u>\$ 11,345,708</u>	<u>\$ 11,975,336</u>	<u>\$ 12,634,071</u>	<u>\$ 8,934,216</u>	<u>\$ 8,257,892</u>
Town's covered payroll	<u>\$ 3,829,560</u>	<u>\$ 3,650,567</u>	<u>\$ 3,617,214</u>	<u>\$ 3,484,818</u>	<u>\$ 3,423,711</u>	<u>\$ 3,449,751</u>	<u>\$ 3,194,869</u>
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll.	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>49.24%</u>	<u>52.00%</u>	<u>57.69%</u>	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

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

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percent of pay closed, grading to a level dollar amortization method for the June 30, 2024 valuation.
Single equivalent amortization period	30 years
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increases	3.25% - 6.50% average, including inflation
Investment rate of return	6.90% net of investment related expense

See accountant's report.

TOWN OF PRESTON, CONNECTICUT
Other Post Employment Benefits (OPEB) Plan
Schedule of Changes in Total OPEB Liability
Last Four Fiscal Years*

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 75,700	\$ 75,700	\$ 75,700	\$ 75,700
Interest	20,234	20,938	23,507	32,800
Effect of Economic/Demographic Gains or Losses	19,885	(147,366)	-	-
Differences Between Expected and Actual Experience	-	-	(99,983)	(264,828)
Changes in Assumptions	-	(23,611)	62,059	40,712
Benefit Payments, Including Refunds of Member Contributions	(3,597)	-	-	-
Net Change in Total OPEB Liability	112,222	(74,339)	61,283	(115,616)
Total OPEB Liability - Beginning	<u>451,628</u>	<u>525,967</u>	<u>464,684</u>	<u>580,300</u>
Total OPEB Liability - Ending	<u>\$ 563,850</u>	<u>\$ 451,628</u>	<u>\$ 525,967</u>	<u>\$ 464,684</u>
Covered-employee Payroll	N/A	N/A	N/A	N/A
Total OPEB Liability as a Percentage of Covered-employee Payroll	N/A	N/A	N/A	N/A

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

There are no assets being accumulated in a trust that meets the criteria in GASB75 to pay benefits

Notes to Schedule

Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Discount Rate	3.85%
Salary Increases	3.25%

See accountant's report.

TOWN OF PRESTON, CONNECTICUT
 State Teacher's Retirement System
 Proportionate Share of Net OPEB Liability
 Last Four Fiscal Years*

Schedule of Proportionate Share of Net OPEB Liability

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's percentage of the net OPEB liability	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net OPEB liability associated with the Town	<u>2,401,910</u>	<u>2,294,793</u>	<u>2,268,068</u>	<u>3,082,317</u>
Total	<u>\$ 2,401,910</u>	<u>\$ 2,294,793</u>	<u>\$ 2,268,068</u>	<u>\$ 3,082,317</u>
Town's covered-employee payroll	<u>\$ 3,829,560</u>	<u>\$ 3,650,567</u>	<u>\$ 3,617,214</u>	<u>\$ 3,484,818</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll.	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>2.50%</u>	<u>2.08%</u>	<u>1.49%</u>	<u>1.79%</u>

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

Notes to Schedule

Actuarial Cost Method	Entry age
Amortization Method	Level percent of payroll over a closed period
Amortization Period	30 years
Asset Valuation Method	Market value of assets
Investment Rate of Return	3.00%, net of investment related expense including price inflation
Price Inflation	2.50%

See accountant's report.

**Supplemental, Combining and
Individual Nonmajor Fund
Statements and Schedules**

TOWN OF PRESTON, CONNECTICUT
Schedule of Revenues and Other Financing Sources
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
Property Taxes				
Current	\$ 11,706,544	\$ 11,706,544	\$ 11,891,644	\$ 185,100
Back Taxes	60,000	60,000	182,775	122,775
Interest and Lien Fees	50,000	50,000	98,172	48,172
Total Property Taxes	11,816,544	11,816,544	12,172,591	356,047
Intergovernmental				
Education Cost Sharing (ECS)	2,957,058	2,957,058	2,940,504	(16,554)
Mashantucket Pequot	1,165,290	1,165,290	1,165,290	-
PILOT for State Hospital and Property	7,233	7,233	7,233	-
Town Aid Road Grant	199,275	199,275	199,216	(59)
Youth Service Bureau Grants	14,000	14,000	14,000	-
Youth Service Bureau Enhancement Grants	-	-	5,857	5,857
Judicial Branch	-	-	1,109	1,109
Veterans Tax Relief	-	-	1,214	1,214
Other Grants	-	-	3,433	3,433
Totally Disabled	-	-	434	434
LOCIP	44,626	44,626	-	(44,626)
Total Intergovernmental	4,387,482	4,387,482	4,338,290	(49,192)
Licenses, Permits, and Charges for Services				
Town Clerk	50,000	50,000	115,849	65,849
Poquetanuck - FF/EMT Salaries	70,000	70,000	105,000	35,000
Construction Permit Fees	50,000	50,000	106,159	56,159
Transfer Station Fees	10,000	10,000	10,346	346
MERS Fees	6,600	6,600	21,741	15,141
Bingo	1,250	1,250	-	(1,250)
Zoning Fees	2,000	2,000	1,540	(460)
License and Permit Fees	2,000	2,000	6,617	4,617
Farmland Preservation Fees	500	500	596	96
Historic Document Fees	1,000	1,000	3,747	2,747
Miscellaneous Fees	-	-	(337)	(337)
Total Licenses, Permits, and Charges for Services	193,350	193,350	371,258	177,908
Investment Income	20,000	20,000	6,267	(13,733)
Other Revenues				
Telephone/Cable Access	10,000	10,000	11,820	1,820
Sprint Antenna	19,166	19,166	25,555	6,389
Elderly Housing - In Lieu of Tax	5,000	5,000	6,956	1,956
Sale of Property and Equipment	-	-	6,000	6,000
Other	-	-	598	598
Total Other Revenues	34,166	34,166	50,929	16,763
Other Financing Sources - Use of Fund Balance	690,000	701,500	-	(701,500)
Total Revenues and Other Financing Sources	\$ 17,141,542	\$ 17,153,042	\$ 16,939,335	\$ (213,707)

See accountant's report.

TOWN OF PRESTON, CONNECTICUT
Schedule of Expenditures and Other Financing Uses
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
General Government				
Salaries:				
First Selectman	\$ 79,300	\$ 79,300	\$ 79,300	\$ -
Selectmen	14,417	14,417	14,417	-
Town Clerk and Tax Collector	58,768	58,768	58,768	-
Assistant Town Clerk	57,984	57,984	56,471	1,513
Treasurer and Assistants	31,906	31,906	32,453	(547)
Financial Services	25,313	25,313	25,313	-
Administrative Assistant/Clerical	158,890	158,890	163,788	(4,898)
Assessor	40,319	40,319	40,319	-
Zoning Enforcement Officer	10,957	10,957	10,957	-
Building Inspector	38,289	38,289	36,011	2,278
Registrar of Voters	28,320	28,320	23,108	5,212
Elections	14,701	14,701	13,112	1,589
Ethics Commission	650	650	85	565
Mileage, Dues, and School Meetings	12,930	12,930	7,362	5,568
Social Security	122,581	122,581	104,761	17,820
Pension	134,843	134,843	149,804	(14,961)
Town Insurance	108,300	111,200	109,288	1,912
Health Insurance	346,938	346,938	338,140	8,798
Legal Fees and Services	21,454	21,454	20,683	771
Engineering Services	1,000	1,000	-	1,000
Legal Notices	15,000	15,000	15,747	(747)
Town Hall Maintenance	39,205	39,205	37,768	1,437
Maintenance, Town Owned Buildings	13,450	13,450	14,817	(1,367)
Town Hall Equipment	17,750	17,750	19,065	(1,315)
Town Hall Supplies	13,825	13,825	15,107	(1,282)
Land Records and Statistics	25,675	25,675	27,089	(1,414)
Data Processing	99,425	99,425	92,451	6,974
Board of Finance	26,175	34,775	31,016	3,759
Total General Government	1,558,365	1,569,865	1,537,200	32,665

See accountant's report.

TOWN OF PRESTON, CONNECTICUT
Schedule of Expenditures and Other Financing Uses
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
Land Development and Control				
Planning and Zoning	\$ 8,014	\$ 8,014	\$ 4,310	\$ 3,704
Zoning Board of Appeals	612	612	1,015	(403)
Town and Regional Planning	42,190	42,190	41,963	227
Economic Development	2,330	2,330	1,654	676
Inland Wetlands	9,271	9,271	8,001	1,270
Conservation Commission	1,872	1,872	590	1,282
Eastern CT Conservation District	500	500	500	-
Total Land Development and Control	64,789	64,789	58,033	6,756
Public Works				
Salaries	276,614	276,614	268,669	7,945
Highway Maintenance	37,225	37,225	42,510	(5,285)
Town Aid Road	199,275	199,275	199,216	59
Highway Equipment	6,000	6,000	6,000	-
Town Garage	10,400	10,400	10,875	(475)
Gasoline and Diesel	25,500	25,500	25,877	(377)
Total Public Works	555,014	555,014	553,147	1,867
Public Safety				
Preston City Fire Department	206,025	206,025	198,899	7,126
Fire Chief/EMT Expenses	512,330	512,330	515,343	(3,013)
Police Protection	364,850	364,850	335,785	29,065
Animal Control Officer	24,533	24,533	22,785	1,748
Total Public Safety	1,107,738	1,107,738	1,072,812	34,926
Health Services				
Public Health Services	28,120	28,120	27,651	469
Health Director	31,585	31,585	31,585	-
Transfer Station and Fees, Net	175,619	175,619	120,544	55,075
Total Health Services	235,324	235,324	179,780	55,544

See accountant's report.

TOWN OF PRESTON, CONNECTICUT
Schedule of Expenditures and Other Financing Uses
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
Public and Social Services				
Parks and Recreation	\$ 112,241	\$ 112,241	\$ 109,267	\$ 2,974
Youth Services Bureau	28,000	28,000	30,524	(2,524)
Senior Affairs	73,099	73,099	60,212	12,887
Preston Public Library	187,989	187,989	196,593	(8,604)
T.V.C.C.A.	1,000	1,000	1,000	-
New London Homeless Shelter	1,500	1,500	-	1,500
Sexual Assault Crisis Center	100	100	-	100
Women's Center of SE CT	300	300	300	-
Total Public and Social Services	404,229	404,229	397,896	6,333
Miscellaneous				
Council of Small Towns	750	750	750	-
CT Conference of Municipalities	3,400	3,400	3,362	38
Bates Fountain	60	60	-	60
Capital Improvements	5,000	5,000	5,000	-
Public Street Lighting	8,200	8,200	7,373	827
Former State Hospital State Property Redevelopment	113,275	113,275	27,603	85,672
Historical Restoration	2,000	2,000	-	2,000
LOCIP	44,626	44,626	-	44,626
Total Miscellaneous	177,311	177,311	44,088	133,223
Debt Service				
Preston Riverwalk	142,390	142,390	142,390	-
15 Year Capital Projects	521,550	521,550	521,550	-
General Government 15 Year Capital Projects	133,513	133,513	133,513	-
Total Debt Service	797,453	797,453	797,453	-
Education	12,241,319	12,241,319	11,786,525	454,794
Other Financing Uses	-	-	-	-
Total Expenditures and Other Financing Uses	\$ 17,141,542	\$ 17,153,042	\$ 16,426,934	\$ 726,108

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	SPECIAL REVENUE FUNDS					
	Preston Redevelopment Agency Fund	School Lunch Fund	Dog Fund	Winter Energy Plan	Small Cities Fund	Parks and Recreation
Assets						
Cash and Cash Equivalents	\$ 801,714	\$ 71,595	\$ 15,394	\$ -	\$ 67,937	\$ 66,278
Investments	-	-	-	-	-	20,687
Receivables, Net	-	34,722	-	-	320,720	3,596
Prepays	-	-	-	-	-	863
Inventory	-	6,840	-	-	-	-
Due from Other Funds	-	-	-	8,279	-	-
Total Assets	<u>\$ 801,714</u>	<u>\$ 113,157</u>	<u>\$ 15,394</u>	<u>\$ 8,279</u>	<u>\$ 388,657</u>	<u>\$ 91,424</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts Payable and Accrued Items	\$ 112,424	\$ -	\$ 1,693	\$ -	\$ -	\$ 636
Unearned Revenue	1,960	-	-	-	-	23,065
Due to Other Funds	47,351	22,786	1,278	1,732	1,141	-
Total Liabilities	<u>161,735</u>	<u>22,786</u>	<u>2,971</u>	<u>1,732</u>	<u>1,141</u>	<u>23,701</u>
Deferred Inflows of Resources:						
Receivables	-	-	-	-	320,720	-
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	639,979	-	-	-	66,796	-
Committed	-	90,371	12,423	6,547	-	67,723
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>639,979</u>	<u>90,371</u>	<u>12,423</u>	<u>6,547</u>	<u>66,796</u>	<u>67,723</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 801,714</u>	<u>\$ 113,157</u>	<u>\$ 15,394</u>	<u>\$ 8,279</u>	<u>\$ 388,657</u>	<u>\$ 91,424</u>

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2021

	SPECIAL REVENUE FUNDS					
	Food Bank Fund	Various Cemetery	EMS Capital Improvement Fund	Youth Services	Student Activity Funds	Education Scholarships
Assets						
Cash and Cash Equivalents	\$ 8,179	\$ 20,843	\$ 124,633	\$ 1,481	\$ 19,363	\$ 18,300
Investments	-	-	-	-	-	-
Receivables, Net	-	-	45,000	-	-	-
Prepays	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 8,179</u>	<u>\$ 20,843</u>	<u>\$ 169,633</u>	<u>\$ 1,481</u>	<u>\$ 19,363</u>	<u>\$ 18,300</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts Payable and Accrued Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned Revenue	-	-	-	-	-	-
Due to Other Funds	450	-	-	-	-	-
Total Liabilities	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:						
Receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	19,363	18,300
Committed	7,729	20,843	169,633	1,481	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>7,729</u>	<u>20,843</u>	<u>169,633</u>	<u>1,481</u>	<u>19,363</u>	<u>18,300</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,179</u>	<u>\$ 20,843</u>	<u>\$ 169,633</u>	<u>\$ 1,481</u>	<u>\$ 19,363</u>	<u>\$ 18,300</u>

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2021

	CAPITAL PROJECT FUNDS		PERMANENT FUNDS			Total
	Capital and Nonrecurring Fund	Local Capital Improvement Fund	Brewster Cemetery	Educational Fund Various Scholarships	Debt Service Fund	
Assets						
Cash and Cash Equivalents	\$ 221,883	\$ 49,813	\$ -	\$ 18,789	\$ -	\$ 1,506,202
Investments	-	-	7,616	-	-	28,303
Receivables, Net	-	86,355	-	-	-	490,393
Prepays	-	-	-	-	-	863
Inventory	-	-	-	-	-	6,840
Due from Other Funds	18,644	-	-	-	135,516	162,439
Total Assets	<u>\$ 240,527</u>	<u>\$ 136,168</u>	<u>\$ 7,616</u>	<u>\$ 18,789</u>	<u>\$ 135,516</u>	<u>\$ 2,195,040</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts Payable and Accrued Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,753
Unearned Revenue	-	-	-	-	-	25,025
Due to Other Funds	61,445	111,242	-	-	-	247,425
Total Liabilities	<u>61,445</u>	<u>111,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>387,203</u>
Deferred Inflows of Resources:						
Receivables	-	-	-	-	-	320,720
Fund Balances:						
Nonspendable	-	-	6,265	18,170	-	24,435
Restricted	129,237	24,926	1,351	619	-	900,571
Committed	49,845	-	-	-	135,516	562,111
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>179,082</u>	<u>24,926</u>	<u>7,616</u>	<u>18,789</u>	<u>135,516</u>	<u>1,487,117</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 240,527</u>	<u>\$ 136,168</u>	<u>\$ 7,616</u>	<u>\$ 18,789</u>	<u>\$ 135,516</u>	<u>\$ 2,195,040</u>

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	SPECIAL REVENUE FUNDS					
	Preston Redevelopment Agency Fund	School Lunch Fund	Dog Fund	Winter Energy Plan	Small Cities Fund	Parks and Recreation
Revenues						
Intergovernmental Revenues	\$ 19,543	\$ 153,325	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Charges for Services	-	1,505	2,692	-	-	11,215
Investment Income	2,576	-	-	-	-	65
Other Revenue	-	-	-	-	36,841	4,229
Total Revenues	<u>22,119</u>	<u>154,830</u>	<u>2,692</u>	<u>-</u>	<u>36,841</u>	<u>15,509</u>
Expenditures						
Current:						
General Government	47,351	-	-	-	-	-
Public Works	-	-	-	-	-	-
Public Safety	-	-	5,304	-	-	-
Public and Social Services	-	-	-	561	1,141	23,502
Education	-	173,618	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>47,351</u>	<u>173,618</u>	<u>5,304</u>	<u>561</u>	<u>1,141</u>	<u>23,502</u>
Excess/(Deficiency) of Revenues Over Expenditures	(25,232)	(18,788)	(2,612)	(561)	35,700	(7,993)
Other Financing Sources/(Uses)						
Transfers In	-	-	5,000	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(25,232)	(18,788)	2,388	(561)	35,700	(7,993)
Fund Balances at Beginning of Year, Restated	665,211	109,159	10,035	7,108	31,096	75,716
Fund Balances at End of Year	<u>\$ 639,979</u>	<u>\$ 90,371</u>	<u>\$ 12,423</u>	<u>\$ 6,547</u>	<u>\$ 66,796</u>	<u>\$ 67,723</u>

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	SPECIAL REVENUE FUNDS					
	Food Bank Fund	Various Cemetery	EMS Capital Improvement Fund	Youth Services	Student Activity Funds	Education Scholarships
Revenues						
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Charges for Services	-	-	-	-	3,248	-
Investment Income	4	-	-	-	2	94
Other Revenue	3,700	-	30,000	694	-	-
Total Revenues	<u>3,704</u>	<u>-</u>	<u>30,000</u>	<u>694</u>	<u>3,250</u>	<u>94</u>
Expenditures						
Current:						
General Government	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public and Social Services	1,450	-	-	-	-	-
Education	-	-	-	-	1,163	499
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>1,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,163</u>	<u>499</u>
Excess/(Deficiency) of Revenues Over Expenditures	2,254	-	30,000	694	2,087	(405)
Other Financing Sources/(Uses)						
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	2,254	-	30,000	694	2,087	(405)
Fund Balances at Beginning of Year, Restated	5,475	20,843	139,633	787	17,276	18,705
Fund Balances at End of Year	<u>\$ 7,729</u>	<u>\$ 20,843</u>	<u>\$ 169,633</u>	<u>\$ 1,481</u>	<u>\$ 19,363</u>	<u>\$ 18,300</u>

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	CAPITAL PROJECT FUNDS		PERMANENT FUNDS			Total
	Capital and Nonrecurring Fund	Local Capital Improvement Fund	Brewster Cemetery	Educational Fund Various Scholarships	Debt Service Fund	
Revenues						
Intergovernmental Revenues	\$ -	\$ 153,601	\$ -	\$ -	\$ -	\$ 326,469
Licenses, Permits and Charges for Services	7,773	-	-	-	-	26,433
Investment Income	-	-	90	-	-	2,831
Other Revenue	-	-	-	-	-	75,464
Total Revenues	7,773	153,601	90	-	-	431,197
Expenditures						
Current:						
General Government	-	14,450	-	-	-	61,801
Public Works	-	46,792	-	-	-	46,792
Public Safety	-	-	-	-	-	5,304
Public and Social Services	-	92,359	-	-	-	119,013
Education	-	-	-	1,164	-	176,444
Capital Outlay	78,207	-	-	-	-	78,207
Total Expenditures	78,207	153,601	-	1,164	-	487,561
Excess/(Deficiency) of Revenues Over Expenditures	(70,434)	-	90	(1,164)	-	(56,364)
Other Financing Sources/(Uses)						
Transfers In	-	-	-	-	-	5,000
Transfers Out	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	-	-	-	5,000
Net Change in Fund Balances	(70,434)	-	90	(1,164)	-	(51,364)
Fund Balances at Beginning of Year, Restated	249,516	24,926	7,526	19,953	135,516	1,538,481
Fund Balances at End of Year	\$ 179,082	\$ 24,926	\$ 7,616	\$ 18,789	\$ 135,516	\$ 1,487,117

See accountant's report.

TOWN OF PRESTON, CONNECTICUT
Schedule of Property Taxes Levied, Collected, and Outstanding
For the Year Ended June 30, 2021

List of 10/1:	Outstanding July 1, 2020	Current Levy	Lawful Corrections		Collectible Taxes	Collections During the Year				Transfers to Suspense	Outstanding June 30, 2021
			Additions	Deductions		Taxes	Interest	Liens	Total		
2019		\$ 12,055,793	\$ 17,358	\$ 43,265	\$ 12,029,886	\$ 11,894,819	\$ 44,985	\$ 80	\$ 11,939,884	\$ -	\$ 135,067
2018	\$ 168,375	-	2,814	2,356	168,833	109,357	20,843	1,637	131,837	-	59,476
2017	67,716	-	2,082	847	68,951	37,135	14,334	5,195	56,664	-	31,816
2016	27,663	-	-	137	27,526	15,502	7,925	156	23,583	-	12,024
2015	12,842	-	-	-	12,842	7,841	3,579	72	11,492	-	5,001
2014	6,710	-	-	-	6,710	3,294	2,273	24	5,591	-	3,416
2013	2,035	-	-	-	2,035	-	-	-	-	-	2,035
2012	(1,056)	-	-	-	(1,056)	-	-	-	-	-	(1,056)
2011	1,642	-	-	-	1,642	-	-	-	-	-	1,642
2010	1,985	-	-	-	1,985	-	-	-	-	-	1,985
2009	388	-	-	-	388	-	-	-	-	-	388
2008	347	-	-	-	347	-	-	-	-	-	347
2007	(43)	-	-	-	(43)	-	-	-	-	-	(43)
2006	(90)	-	-	-	(90)	-	-	-	-	-	(90)
2005	2,024	-	-	-	2,024	-	-	-	-	-	2,024
	\$ 290,538	\$ 12,055,793	\$ 22,254	\$ 46,605	\$ 12,321,980	12,067,948	93,939	7,164	12,169,051	\$ -	\$ 254,032
Net Grand List - October 1, 2019			Total Suspense Collections			5,762	6,077	-	11,839		
Tax Rate: 26.90 mills			Total Collections			\$ 12,073,710	\$ 100,016	\$ 7,164	\$ 12,180,890		

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Schedule of Debt Limitation

June 30, 2021

Total Tax Collections, Including Interest and Lien Fees - Prior Fiscal Year \$ 11,748,531

Reimbursement for Revenue Loss on:

 Tax Relief for Elderly - Prior Fiscal Year -

Base \$ 11,748,531

	General Purposes <small>(2.25 x base)</small>	Schools <small>(4.50 x base)</small>	Sewers <small>(3.75 x base)</small>	Urban Renewal <small>(3.25 x base)</small>	Pension Deficit <small>(3.00 x base)</small>
Debt Limitation:					
Statutory Debt Limits by Function	<u>\$ 26,434,195</u>	<u>\$ 52,868,390</u>	<u>\$ 44,056,991</u>	<u>\$ 38,182,726</u>	<u>\$ 35,245,593</u>
Indebtedness:					
Bonds Payable	3,835,000	1,970,000	-	-	-
State Loan Payable	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Indebtedness	<u>5,835,000</u>	<u>1,970,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Debt*	<u><u>\$ 20,599,195</u></u>	<u><u>\$ 50,898,390</u></u>	<u><u>\$ 44,056,991</u></u>	<u><u>\$ 38,182,726</u></u>	<u><u>\$ 35,245,593</u></u>

*In no event shall total debt exceed seven times annual receipts from base. The maximum amount permitted under this formula would be approximately \$82,239,717.

See accountant's report.

TOWN OF PRESTON, CONNECTICUT
Schedule of Changes in Fund Balance by Project
Capital and Nonrecurring Fund
For the Year Ended June 30, 2021

	<u>Beginning Balance</u>	<u>Transfers In</u>	<u>Other Revenues</u>	<u>Internal Transfers</u>	<u>Transfers Out</u>	<u>Annual Expenditures</u>	<u>Ending Balance</u>
Restricted Fund Balance							
Open Space	\$ 125,837	\$ -	\$ 3,400	\$ -	\$ -	\$ -	\$ 129,237
Total Restricted Fund Balance	<u>125,837</u>	<u>-</u>	<u>3,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,237</u>
Committed Fund Balance							
<i>General Government</i>							
Vehicles and Equipment							
Fire Protection Clothing	3,168	-	-	-	-	-	3,168
Foreman's Truck	2,171	-	-	-	-	-	2,171
Additional Compactor (1)	(800)	-	-	-	-	-	(800)
Board of Finance Contingency (1)	2,000	-	-	-	-	-	2,000
Other							
Accounting Financial Software	64,050	-	-	-	-	(78,207)	(14,157)
Town Clerk	26,748	-	-	-	-	-	26,748
<i>Board of Education</i>							
Vehicles and Equipment							
Responder Units	29	-	-	-	-	-	29
Playground	400	-	-	-	-	-	400
Future Projects	25,913	-	4,373	-	-	-	30,286
Total Committed Fund Balance	<u>123,679</u>	<u>-</u>	<u>4,373</u>	<u>-</u>	<u>-</u>	<u>(78,207)</u>	<u>49,845</u>
Total Fund Balance	<u>\$ 249,516</u>	<u>\$ -</u>	<u>\$ 7,773</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (78,207)</u>	<u>\$ 179,082</u>

(1) Approved September 4, 2004, town meeting. The Board of Finance may transfer unspent portions to other projects as long as the amended budget for the specific project is not more than 10% over the original balances.

See accountant's report.