
TOWN OF PRESTON, CONNECTICUT

Annual Financial Statements

For the Year Ended June 30, 2023

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 Audit of the Financial Statements

Opinions

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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Preston's basic financial statements as listed in the table of contents.

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, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Preston and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Preston's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Preston's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Preston's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

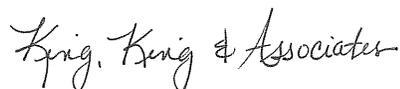
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the pension and OPEB schedules on pages 4-10 and 48-52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Preston's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, and other supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and other 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 11, 2024, on our consideration of the Town of Preston's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Preston's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Preston's internal control over financial reporting and compliance.



King, King & Associates, P.C., CPAs
Winsted, CT
June 11, 2024

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2023

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, 2023.

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 \$13,883,256 (*net position*). Of this amount, \$5,193,606 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Restricted Net Position of \$604,378 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 \$6,989,148, an increase of \$42,153 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,254,792 or 17.3 percent of total General Fund budgeted 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
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June 30, 2023

The government-wide financial statements can be found on pages 11-12 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 ARPA Grant 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 13-17 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 18-47 of this report.

TOWN OF PRESTON, CONNECTICUT
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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 \$13,883,256 at the close of the most recent fiscal year.

SUMMARY STATEMENT OF NET POSITION

	<u>2023</u>	<u>2022</u>	Variance
Current and Other Assets	\$ 9,777,242	\$ 8,703,653	\$ 1,073,589
Capital Assets	<u>14,853,993</u>	<u>15,176,063</u>	<u>(322,070)</u>
Total Assets	<u><u>24,631,235</u></u>	<u><u>23,879,716</u></u>	<u><u>751,519</u></u>
Deferred Outflows of Resources	<u>702,917</u>	<u>634,345</u>	<u>68,572</u>
Other Liabilities	2,282,174	1,298,024	984,150
Long-Term Liabilities	<u>8,942,328</u>	<u>8,857,366</u>	<u>84,962</u>
Total Liabilities	<u><u>11,224,502</u></u>	<u><u>10,155,390</u></u>	<u><u>1,069,112</u></u>
Deferred Inflows of Resources	<u>226,394</u>	<u>643,485</u>	<u>(417,091)</u>
Net Position:			
Net Investment in Capital Assets	8,085,272	7,810,382	274,890
Restricted	604,378	555,618	48,760
Unrestricted	<u>5,193,606</u>	<u>5,349,186</u>	<u>(155,580)</u>
Total Net Position	<u><u>\$ 13,883,256</u></u>	<u><u>\$ 13,715,186</u></u>	<u><u>\$ 168,070</u></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 \$274,890 during the year.

The Town's restricted net position of \$604,378 increased by \$48,760 compared to last year's restricted net position of \$555,618.

The Town's unrestricted net position of \$5,193,606 decreased by \$155,580 compared to last year's unrestricted net position of \$5,349,186.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2023

STATEMENT OF CHANGES IN NET POSITION

	2023	2022	Variance
REVENUES			
<i>Program:</i>			
Charges for services	\$ 570,680	\$ 551,620	\$ 19,060
Operating grants and contributions	6,811,878	5,293,191	1,518,687
Capital grants and contributions	319,887	57,240	262,647
<i>General:</i>			
Property taxes	13,500,290	12,533,090	967,200
Grants and contributions, not restricted to specific programs	1,293,993	1,200,429	93,564
Unrestricted investment earnings	112,025	18,065	93,960
Other	90,631	73,423	17,208
Total Revenues	22,699,384	19,727,058	2,972,326
EXPENSES			
<i>Governmental Activities:</i>			
General Government	2,132,504	1,773,088	359,416
Public Safety	1,308,359	865,335	443,024
Public Works	960,766	1,244,268	(283,502)
Health and Welfare	177,139	216,685	(39,546)
Culture and Recreation	565,609	520,223	45,386
Property Redevelopment	618,347	451,933	166,414
Education	16,622,660	14,555,846	2,066,814
Interest on long-term debt	145,930	173,432	(27,502)
Total Expenses	22,531,314	19,800,810	2,730,504
Change in Net Position	168,070	(73,752)	\$ 241,822
Beginning Net Position	13,715,186	13,788,938	
Ending Net Position	\$ 13,883,256	\$ 13,715,186	

Governmental activities. Governmental activities increased the Town of Preston, CT's net position by \$168,070.

Fifty-nine percent (59%) of the revenues of the Town were derived from property taxes, followed by thirty-seven percent (37%) from grants and contributions, three percent (3%) 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 \$1,518,687 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 along with increased grant activity in the Preston Redevelopment Agency Fund.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2023

- Revenue from investment income increased \$93,960 in the current fiscal year when compared to the previous year primarily due to the increase in interest rates.
- Property tax revenue increased by \$967,200 because the mill rate for the current year was increased to 27.88 from 26.94 in the previous year along with strong tax collections.
- Revenue from capital grants and contributions increased \$262,647 in the current fiscal year when compared to the previous year primarily due to purchases of capital items made utilizing ARPA grant funding.

Seventy-four percent (74%) 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 Culture and Recreation, nine percent (9%) relate to general government, three percent (3%) relate to Property Redevelopment and two percent (2%) relate to health and welfare, 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 along with a budgeted increase in the Board of Education expenditures line item of \$977,438.

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 \$6,989,148, an increase of \$42,153 in comparison with the prior year. Forty-six percent (46%) 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 \$3,254,792. 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 17.3 percent of total General Fund budgeted expenditures.

The fund balance of the Town of Preston, CT's General Fund decreased by \$3,485 during the current fiscal year. Key factors in this decrease are as follows:

- The Town had anticipated to use \$921,471 of fund balance during the fiscal year. This was not necessary due to expenditures coming in less than anticipated in the education, general government, public safety, and public works lines.
- Revenues coming in greater than anticipated in the tax department, a municipal revenue sharing grant, and investment income.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2023

Capital Projects Fund. The fund balance of the Capital Projects Fund decreased by \$18,059 during the current fiscal year. This decrease is primarily attributable to the current year's capital outlay which was offset by investment income.

ARPA Grant Fund. There was no change in the fund balance of the ARPA Grant Fund as the money is held as an asset and unearned revenue until it is used for qualified expenditures. During the year, there were \$361,877 of qualified expenditures from the fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for the General Fund included the use of fund balance of \$900,000. The actual net change in fund balance of the General Fund on a budgetary basis was \$(90,135). Budgetary revenues were \$426,350 greater than expected due primarily to property taxes, intergovernmental revenue, investment income and other income being higher than anticipated. Budgetary expenditures were \$404,986 lower than expected due primarily to expenditures coming in less than expected in the general government, public safety, public works, and education functions.

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, 2023, amounts to \$14,853,993 (net of accumulated depreciation). This reported value in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

	2023	2022
Land	\$ 889,139	\$ 889,139
Construction in Progress	1,526,082	1,498,440
Buildings	7,800,972	8,075,049
Improvements	1,417,321	1,546,119
Computer and Computer Equipment	10,766	10,000
Furniture, Fixtures, and Equipment	117,394	113,320
Vehicles	2,155,878	2,219,768
Infrastructure	936,441	824,228
Total	\$ 14,853,993	\$ 15,176,063

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

- Road improvements
- Freightliner Conventional Cab Plow Truck
- Two trailers for the Public Works
- Chevy Tahoe and equipment for the Fire Department
- Disposal of a plow truck

Additional information on the Town of Preston, CT's capital assets can be found in Note 6 on page 30 of this report.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2023

Long-term debt. At the end of the current fiscal year, the Town of Preston, CT had long-term debt and other long-term liabilities outstanding of \$8,942,328.

	2023	2022
G.O. Bonds	\$ 4,650,000	\$ 5,230,000
Unamortized Premium	118,721	135,681
State Loan Payable	2,000,000	2,000,000
Compensated Absences	4,072	16,573
Post Closure Landfill Costs	1,800	2,400
Special Termination Benefits	30,000	-
Net Pension Liability	1,556,744	908,947
Total OPEB Liability	580,991	563,765
Total	\$ 8,942,328	\$ 8,857,366

The Town of Preston, CT's total long-term debt and other long-term liabilities increased \$84,962 during the current fiscal year due mainly to the paydown of existing GO Bonds and increase in the Net Pension Liability. Additional information on the Town of Preston, CT's long-term debt and other long-term liabilities can be found in Note 7 on pages 31-32 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.

All of these factors were considered in preparing the Town of Preston, CT's budget for the 2024 fiscal year.

The Town has assigned \$1,200,000 of fund balance of the General Fund for spending in the 2024 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, 2023

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 7,752,704
Restricted Cash	255,419
Investments	28,586
Receivables, Net	1,722,494
Prepays	13,067
Inventory	4,972
Capital Assets:	
Assets Not Being Depreciated	2,415,221
Assets Being Depreciated, Net	<u>12,438,772</u>
Total Assets	<u>24,631,235</u>
Deferred Outflows of Resources	
Deferred Outflows - Pension	<u>702,917</u>
Liabilities	
Accounts Payable and Accrued Items	786,773
Accrued Interest Payable	74,132
Performance Bonds	255,419
Unearned Revenue	1,165,850
Noncurrent Liabilities:	
Due Within One Year	627,560
Due In More Than One Year	<u>8,314,768</u>
Total Liabilities	<u>11,224,502</u>
Deferred Inflows of Resources	
Deferred Inflows - Pension	<u>226,394</u>
Net Position	
Net Investment in Capital Assets	8,085,272
Restricted:	
Nonexpendable	24,435
Expendable	579,943
Unrestricted	<u>5,193,606</u>
Total Net Position	<u>\$ 13,883,256</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, 2023

	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	\$ 2,132,504	\$ 199,444	\$ 11,960	\$ -	\$ (1,921,100)
Public Safety	1,308,359	1,243	130,390	82,492	(1,094,234)
Public Works	960,766	101,696	200,094	237,395	(421,581)
Health and Welfare	177,139	-	-	-	(177,139)
Culture and Recreation	565,609	118,829	122,826	-	(323,954)
Property Redevelopment	618,347	-	555,905	-	(62,442)
Education	16,622,660	149,468	5,790,703	-	(10,682,489)
Interest on Long-Term Debt	145,930	-	-	-	(145,930)
Total Governmental Activities	<u>22,531,314</u>	<u>570,680</u>	<u>6,811,878</u>	<u>319,887</u>	<u>(14,828,869)</u>
General Revenues:					
					13,500,290
					1,293,993
					112,025
					90,631
					<u>14,996,939</u>
					Change in Net Position 168,070
					Net Position - Beginning of Year <u>13,715,186</u>
					Net Position - End of Year <u>\$ 13,883,256</u>

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

TOWN OF PRESTON, CONNECTICUT

Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Capital Projects Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 5,437,880	\$ 1,187,993	\$ -	\$ 1,126,831	\$ 7,752,704
Restricted Cash	255,419	-	-	-	255,419
Investments	-	-	-	28,586	28,586
Receivables, Net of Allowance	405,164	63,960	-	1,253,370	1,722,494
Prepays	-	-	-	13,067	13,067
Inventory	-	-	-	4,972	4,972
Due from Other Funds	624,649	-	1,006,894	85,027	1,716,570
Total Assets	<u>\$ 6,723,112</u>	<u>\$ 1,251,953</u>	<u>\$ 1,006,894</u>	<u>\$ 2,511,853</u>	<u>\$ 11,493,812</u>
Liabilities					
Accounts Payable and Accrued Items	\$ 510,620	\$ -	\$ -	\$ 276,153	\$ 786,773
Unearned Revenue	-	-	1,006,894	158,956	1,165,850
Performance Bonds	255,419	-	-	-	255,419
Due to Other Funds	1,091,921	24,547	-	600,102	1,716,570
Total Liabilities	<u>1,857,960</u>	<u>24,547</u>	<u>1,006,894</u>	<u>1,035,211</u>	<u>3,924,612</u>
Deferred Inflows of Resources					
Unavailable Revenues:					
Property Taxes and Interest	312,067	-	-	-	312,067
Receivables	-	-	-	267,985	267,985
Total Deferred Inflows of Resources	<u>312,067</u>	<u>-</u>	<u>-</u>	<u>267,985</u>	<u>580,052</u>
Fund Balances					
Nonspendable	-	-	-	24,435	24,435
Restricted	11,643	-	-	568,300	579,943
Committed	-	1,227,406	-	619,040	1,846,446
Assigned	1,286,650	-	-	-	1,286,650
Unassigned	3,254,792	-	-	(3,118)	3,251,674
Total Fund Balances	<u>4,553,085</u>	<u>1,227,406</u>	<u>-</u>	<u>1,208,657</u>	<u>6,989,148</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,723,112</u>	<u>\$ 1,251,953</u>	<u>\$ 1,006,894</u>	<u>\$ 2,511,853</u>	<u>\$ 11,493,812</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, 2023

Fund balances reported in governmental funds Balance Sheet	\$ 6,989,148
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>	30,629,655
<i>Depreciation</i>	(15,775,662)
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>	312,067
<i>Other Receivables</i>	267,985
Certain changes related to pensions are deferred and amortized over time.	
<i>Deferred Outflows - Pension</i>	702,917
<i>Deferred Inflows - Pension</i>	(226,394)
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>	(74,132)
<i>Bonds Payable</i>	(4,650,000)
<i>Unamortized Bond Premium</i>	(118,721)
<i>State Loan Payable</i>	(2,000,000)
<i>Special Termination Benefits</i>	(30,000)
<i>Post-closure Landfill Costs</i>	(1,800)
<i>Compensated Absences</i>	(4,072)
<i>OPEB Liability</i>	(580,991)
<i>Net Pension Liability</i>	<u>(1,556,744)</u>
Net position of governmental activities	<u>\$ 13,883,256</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, 2023

	General Fund	Capital Projects Fund	ARPA Grant Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes, Interest, and Lien Fees	\$ 13,429,445	\$ -	\$ -	\$ -	\$ 13,429,445
Intergovernmental Revenues	5,940,070	-	361,877	1,636,095	7,938,042
Licenses, Permits, and Charges for Services	268,383	-	-	364,691	633,074
Investment Income	106,119	5,313	-	593	112,025
Other Revenue	48,483	-	-	135,523	184,006
Total Revenues	<u>19,792,500</u>	<u>5,313</u>	<u>361,877</u>	<u>2,136,902</u>	<u>22,296,592</u>
Expenditures					
Current:					
General Government	1,861,434	-	11,600	703,804	2,576,838
Public Safety	1,090,535	-	49,635	24,640	1,164,810
Public Works	895,738	-	-	85,239	980,977
Health and Welfare	172,299	-	-	-	172,299
Culture and Recreation	335,408	-	-	184,096	519,504
Education	14,643,833	-	-	1,116,663	15,760,496
Debt Service	755,501	-	-	-	755,501
Capital Outlay	-	23,372	300,642	-	324,014
Total Expenditures	<u>19,754,748</u>	<u>23,372</u>	<u>361,877</u>	<u>2,114,442</u>	<u>22,254,439</u>
Excess/(Deficiency) of Revenues over Expenditures	37,752	(18,059)	-	22,460	42,153
Other Financing Sources/(Uses)					
Transfers In	-	-	-	41,237	41,237
Transfers Out	(41,237)	-	-	-	(41,237)
Total Other Financing Sources/(Uses)	<u>(41,237)</u>	<u>-</u>	<u>-</u>	<u>41,237</u>	<u>-</u>
Net Change in Fund Balances	(3,485)	(18,059)	-	63,697	42,153
Fund Balances at Beginning of Year	<u>4,556,570</u>	<u>1,245,465</u>	<u>-</u>	<u>1,144,960</u>	<u>6,946,995</u>
Fund Balances at End of Year	<u>\$ 4,553,085</u>	<u>\$ 1,227,406</u>	<u>\$ -</u>	<u>\$ 1,208,657</u>	<u>\$ 6,989,148</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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 42,153
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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>	568,219
<i>Depreciation expense</i>	(890,289)

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>	70,845
<i>Loan Receivables</i>	(36,170)

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>	580,000
<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>	12,611
<i>Compensated Absences</i>	12,501
<i>Special Termination Benefits</i>	(30,000)
<i>Post-closure Landfill Costs</i>	600
<i>Net Pension Liability and Related Deferred Outflows/Inflows</i>	(162,134)
<i>OPEB Liability</i>	<u>(17,226)</u>

Change in net position of governmental activities	<u>\$ 168,070</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, 2023

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
Revenues				
Property Taxes, Interest, and Lien Fees	\$ 13,246,205	\$ 13,246,205	\$ 13,429,445	\$ 183,240
Intergovernmental	4,348,778	4,348,778	4,457,039	108,261
Licenses, Permits, and Charges for Services	246,470	246,470	268,383	21,913
Investment Income	7,500	7,500	106,119	98,619
Other	34,166	34,166	48,483	14,317
Total Revenues	17,883,119	17,883,119	18,309,469	426,350
Expenditures				
Current:				
General Government	1,982,120	1,992,091	1,949,911	42,180
Public Safety	1,154,182	1,154,182	1,100,295	53,887
Public Works	929,259	940,759	925,388	15,371
Health and Welfare	169,007	169,007	172,299	(3,292)
Culture and Recreation	333,556	333,556	335,408	(1,852)
Debt Service	755,500	755,500	755,501	(1)
Education	13,459,495	13,459,495	13,160,802	298,693
Total Expenditures	18,783,119	18,804,590	18,399,604	404,986
Excess of Revenues Over/(Under) Expenditures	(900,000)	(921,471)	(90,135)	831,336
Other Financing Sources (Uses)				
Use of Fund Balance	900,000	921,471	-	(921,471)
Transfers to Other Funds	-	-	-	-
Total Other Financing Sources (Uses)	900,000	921,471	-	(921,471)
Net Change in Fund Balance	\$ -	\$ -	(90,135)	\$ (90,135)
Fund Balance, Beginning of Year			4,556,570	
Fund Balance, End of Year			\$ 4,466,435	

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, equipment financing notes, 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 equipment financing 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 *ARPA Grant Fund* is used to account for and report financial resources related to the federal American Rescue Plan Act grant.

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.

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.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

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.

Certificates of Deposit are reported at amortized cost and are excluded from the fair value disclosures.

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 \$21,000 and uncollectible interest, liens, and fees amounts of \$18,000. 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, 2023, loans receivable totaled \$267,985 under this program.

Leases (as Lessor) – The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts. The Town uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancellable period of the lease. The Town monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

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.

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.

Leases and Subscription-Based Information Technology Arrangements (as Lessee) – The Town recognizes a lease/subscription liability and an intangible right-of-use asset (lease/subscription asset) for a noncancellable lease/subscription in the government-wide financial statements. The Town recognizes lease/subscription liabilities with an initial, individual value of \$20,000 or more. At the commencement of a lease/subscription, the Town initially measures the lease/subscription liability at the present value of payments expected to be made during the lease/subscription term. Subsequently, the lease/subscription liability is reduced by the principal portion of lease/subscription payments made. The lease/subscription asset is initially measured as the initial amount of the lease/subscription liability, adjusted for lease/subscription payments made at or before the lease/subscription commencement date, plus certain initial direct costs. Subsequently, the lease/subscription asset is amortized on a straight-line basis over its useful life.

TOWN OF PRESTON, CONNECTICUT

Notes to the Financial Statements

Key estimates and judgments related to leases/subscriptions include how the Town determines (1) the discount rate it uses to discount the expected lease/subscription payments to present value, (2) lease/subscription term, and (3) lease/subscription payments. The Town uses the interest rate charged by the lessor/subscription vendor as the discount rate. When the interest rate charged by the lessor/subscription vendor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases/subscriptions. The lease/subscription term includes the non-cancellable period of the lease/subscription. Lease/subscription payments included in the measurement of the lease/subscription liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise. The Town monitors changes in circumstances that would require a remeasurement of its lease/subscription and will remeasure the lease/subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/subscription liability. Lease/subscription assets are reported with other capital assets and lease/subscription liabilities are reported with long-term debt and other long-term obligations in the statement of net position.

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.

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.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

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, 2023:

	<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	\$ 4,556,570	\$ 18,309,469	\$ 18,399,604	\$ -	\$ 4,466,435
"On-behalf" payments - State					
Teachers' Retirement and OPEB	-	1,339,635	1,339,635	-	-
Education Grants net for Budget	-	143,396	143,396	-	-
Reclass transfers for GAAP	-	-	(41,237)	(41,237)	-
Adjustment for Encumbrances	-	-	(86,650)	-	86,650
GAAP Basis	<u>\$ 4,556,570</u>	<u>\$ 19,792,500</u>	<u>\$ 19,754,748</u>	<u>\$ (41,237)</u>	<u>\$ 4,553,085</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.

Excess of Expenditures over Appropriations

For the year ended June 30, 2023, the following expenditures exceeded appropriations for the General Fund:

Central Services	\$	5,412
Treasurer's Office		1,668
Legal Services		8,771
Planning and Zoning		12,447
Zoning Board of Appeals		350
Insurance/Risk Management		14,016
Animal Control		3,006
Youth Services Bureau		9,514
Parks and Recreation		5,977
Debt Service		1
	<u>\$</u>	<u>61,162</u>

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, 2023.

		Governmental
		<u>Funds</u>
Cash and Cash Equivalents	\$	7,752,704
Restricted Cash		255,419
	<u>\$</u>	<u>8,008,123</u>

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

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	\$ 8,008,123
Less: Cash Equivalents (STIF)	(3,436,404)
Add: Investments (CDs)	<u>28,586</u>
	<u>\$ 4,600,305</u>

At year-end, the Town's carrying amount of deposits subject to custodial credit risk was \$4,600,305 and the bank balance was \$5,114,301. Of the bank balance, Federal Depository Insurance Corporation insured \$1,027,894.

As of June 30, 2023, \$4,086,407 of the Town's bank balance of \$4,600,305 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,627,766
Uninsured and collateral held by pledging bank's Trust department not in the Town's name	<u>458,641</u>
Total	<u>\$ 4,086,407</u>

Cash Equivalents

At June 30, 2023, the Town's cash equivalents (Short-Term Investment Fund "STIF") amounted to \$3,436,404. 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, 2023:

	<u>Governmental Funds</u>
Certificates of Deposit	<u>\$ 28,586</u>

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.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

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, 2023, 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	\$ 28,586	\$ 28,586	\$ -	\$ -

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	Capital Projects Fund	Nonmajor and Other Funds	Total
Receivables:				
Property Taxes	\$ 281,312	\$ -	\$ -	\$ 281,312
Interest, Liens, and Fees	121,466	-	-	121,466
Loans	-	-	267,985	267,985
Intergovernmental	-	63,960	972,928	1,036,888
Accounts	41,386	-	12,457	53,843
Gross Receivables	444,164	63,960	1,253,370	1,761,494
Less Allowance for				
Uncollectibles:				
Property Taxes	(21,000)	-	-	(21,000)
Interest, Liens, and Fees	(18,000)	-	-	(18,000)
Total Allowance	(39,000)	-	-	(39,000)
Net Total Receivables	\$ 405,164	\$ 63,960	\$ 1,253,370	\$ 1,722,494

The loans receivable in the Small Cities Fund of \$267,985 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
ARPA Grant Fund	
Advances on Grants	\$ 1,006,894
Nonmajor Funds:	
Advances on Grants	91,736
Other	12,830
Fees Collected in Advance	54,390
Total Unearned Revenue	\$ 1,165,850

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, 2023, the outstanding balances between funds were:

Payable Fund	Receivable Fund	Total
General Fund	Nonmajor Governmental Funds	\$ 85,027
Capital Projects Fund	General Fund	24,547
General Fund	ARPA Grant Fund	1,006,894
Nonmajor Governmental Funds	General Fund	600,102
		\$ 1,716,570

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, 2023, were as follows:

Transfers In	Transfers Out	Total
Nonmajor Governmental Funds	General Fund	\$ 41,237
		\$ 41,237

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, 2023:

	Beginning Balance	Increases	Decreases	Ending Balances
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 889,139	\$ -	\$ -	\$ 889,139
Construction in Progress	1,498,440	27,642	-	1,526,082
Total capital assets, not being depreciated	<u>2,387,579</u>	<u>27,642</u>	<u>-</u>	<u>2,415,221</u>
Capital assets, being depreciated				
Buildings	14,696,542	-	-	14,696,542
Improvements	5,165,954	-	-	5,165,954
Computer and Computer Equipment	192,714	6,070	-	198,784
Furniture, Fixtures, and Equipment	913,872	50,534	-	964,406
Vehicles	4,700,447	263,284	(94,500)	4,869,231
Infrastructure	2,098,828	220,689	-	2,319,517
Total capital assets, being depreciated	<u>27,768,357</u>	<u>540,577</u>	<u>(94,500)</u>	<u>28,214,434</u>
Less accumulated depreciation for:				
Buildings	6,621,493	274,077	-	6,895,570
Improvements	3,619,835	128,798	-	3,748,633
Computer and Computer Equipment	182,714	5,304	-	188,018
Furniture, Fixtures, and Equipment	800,552	46,460	-	847,012
Vehicles	2,480,679	327,174	(94,500)	2,713,353
Infrastructure	1,274,600	108,476	-	1,383,076
Total accumulated depreciation	<u>14,979,873</u>	<u>890,289</u>	<u>(94,500)</u>	<u>15,775,662</u>
Total capital assets, being depreciated, net	<u>12,788,484</u>	<u>(349,712)</u>	<u>-</u>	<u>12,438,772</u>
<i>Capital assets, net</i>	<u>\$ 15,176,063</u>	<u>\$ (322,070)</u>	<u>\$ -</u>	<u>\$ 14,853,993</u>

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

General Government	\$ 17,865
Public Safety	161,465
Public Works	210,068
Health and Welfare	5,440
Culture and Recreation	48,630
Education	446,821
Total	<u>\$ 890,289</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, 2023, was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 5,230,000	\$ -	\$ 580,000	\$ 4,650,000	\$ 595,000
Unamortized Premium	135,681	-	16,960	118,721	16,960
Total Bonds Payable	5,365,681	-	596,960	4,768,721	611,960
State Loan Payable	2,000,000	-	-	2,000,000	-
Compensated Absences	16,573	-	12,501	4,072	-
Post Closure Landfill Costs	2,400	-	600	1,800	600
Termination Benefits	-	45,000	15,000	30,000	15,000
Net Pension Liability	908,947	647,797	-	1,556,744	-
OPEB Liability	563,765	17,226	-	580,991	-
Total	<u>\$ 8,857,366</u>	<u>\$ 710,023</u>	<u>\$ 625,061</u>	<u>\$ 8,942,328</u>	<u>\$ 627,560</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, 2023 consisted of the following:

Purpose	Year of Issue	Original Amount	Interest Rates	Final Maturity	Principal Outstanding June 30, 2023
Capital Projects	2018	\$ 3,560,000	3-5%	7/15/2028	\$ 2,375,000
Preston Riverwalk	2018	1,700,000	2.35-4.2%	7/15/2033	1,280,000
Capital Projects	2018	1,475,000	2-5%	7/15/2032	995,000
					<u>\$ 4,650,000</u>

***Refunding Bonds**

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>
2024	\$ 595,000	\$ 147,642	\$ 742,642
2025	595,000	124,342	719,342
2026	615,000	105,527	720,527
2027	615,000	86,237	701,237
2028	615,000	66,827	681,827
2029-2033	1,495,000	132,350	1,627,350
2034-2038	120,000	2,520	122,520
Total	<u>\$ 4,650,000</u>	<u>\$ 665,445</u>	<u>\$ 5,315,445</u>

Interest paid and expensed on general obligation bonds for the year ended June 30, 2023, totaled \$145,929.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Bonds Authorized and Unissued

At June 30, 2023, 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 an 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 was 1.5%. During the fiscal year ended June 30, 2023, the Assistance Agreement was amended to change the payment terms of the loan. The amended agreement stipulates the loan shall not bear interest until the later of May 1, 2026, or the fifth anniversary of the conveyance of the Property to the Mohegan Tribal Gaming Authority, known as "MTGA." The principal amount of this Note then outstanding shall begin to bear interest at a rate of 1% per annum commencing on the deferral date. The principal amount of this Note is subject to forgiveness in accordance, if the developer of the project invests in a minimum of \$200,000,000 on the project site prior to the deferral date, then the DECD commissioner will forgive the full amount of the Loan on behalf of the State. The other option is for every 100 permanent, full-time employment positions created on the Project site and before the deferral date, with at least 12 consecutive months at any time during the job calculation period, the loan can be forgiven the lesser of the outstanding principal balance or \$1,000,000.

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. The liability for special termination benefits for Board of Education employees as of June 30, 2023, is \$30,000. This amount consists of payments due to retired individuals for retirement incentives that have been amortized over the following years:

	<u>Amount</u>
Year ending June 30:	
2024	\$ 15,000
2025	15,000
	<u>\$ 30,000</u>

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, 2023 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	-	-	1,535	1,535
Preservation of Records	11,643	-	-	11,643
Culture and Recreation	-	-	117,903	117,903
Education	-	-	31,592	31,592
Property Redevelopment	-	-	247,367	247,367
Capital Purposes	-	-	169,903	169,903
Total Restricted	<u>11,643</u>	<u>-</u>	<u>568,300</u>	<u>579,943</u>
Committed to:				
Cemeteries	-	-	21,878	21,878
Public Safety	-	-	229,633	229,633
Culture and Recreation	-	-	87,605	87,605
Education	-	-	215,523	215,523
Capital Purposes	-	1,227,406	64,401	1,291,807
Total Committed	<u>-</u>	<u>1,227,406</u>	<u>619,040</u>	<u>1,846,446</u>
Assigned:				
Subsequent Year's Budget	1,200,000	-	-	1,200,000
Encumbrances:				
General Government	57,000	-	-	57,000
Public Works	29,650	-	-	29,650
Total Assigned	<u>1,286,650</u>	<u>-</u>	<u>-</u>	<u>1,286,650</u>
Unassigned	<u>3,254,792</u>	<u>-</u>	<u>(3,118)</u>	<u>3,251,674</u>
Total Fund Balances	<u>\$ 4,553,085</u>	<u>\$ 1,227,406</u>	<u>\$ 1,208,657</u>	<u>\$ 6,989,148</u>

Deficit Fund Balances

The following funds had unassigned fund balance deficits as of June 30, 2023:

Nonmajor Governmental Funds	
Dog Fund	\$ (2,512)
Educational Fund Various Scholarships	<u>(606)</u>
	<u>\$ (3,118)</u>

The Town plans to fund the deficit through transfers from the General Fund, along with charges and fees for services.

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 noncontinuous 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 noncontinuous service. Benefits are calculated on the basis of average final compensation and service to 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, 2023 the Town reports a total liability of \$1,556,744 for government-wide financials for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2022, 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, 2022, the Town’s proportion was 0.35%.

For the year ended June 30, 2023, the Town recognized pension expense of \$340,616. As of June 30, 2023, 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	\$ 172,155	\$ -
Difference between projected and actual earnings	229,132	-
Difference between expected and actual experience	116,976	65,712
Change in assumptions	-	-
Change in proportional share	184,654	160,682
Total	\$ 702,917	\$ 226,394

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:		
2024	\$	32,004
2025		73,159
2026		67,655
2027		131,550
		\$ 304,368

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022.

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, 2022, 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, 2022 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>
Global Equity	37.00%	6.90%
Public Credit	2.00%	2.90%
Core Fixed Income	13.00%	0.40%
Liquidity Fund	1.00%	-0.40%
Risk Mitigation	5.00%	0.10%
Private Equity	15.00%	11.20%
Private Credit	10.00%	6.20%
Real Estate	10.00%	6.30%
Infra. & Natural Resources	<u>7.00%</u>	7.70%
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, 2023	\$ 2,131,743	\$ 1,556,744	\$ 1,070,003

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.

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). In addition, amounts derived from the accumulation of the 6% contributions made prior to July 1, 1989, and voluntary contributions are payable.

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.

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

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. In addition, disability benefits under this Plan (without regard for cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% 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.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Employer (School Districts): School District employers are not required to make contributions to the plan. The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount, that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

Employees: 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, 2023 the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$291,747. Covered payroll for the Town for the year ended June 30, 2023 was approximately \$4,214,980.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2023 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>16,754,161</u>
Total	\$	<u>16,754,161</u>

The net pension liability was measured as of June 30, 2022, 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, 2023, the Town had no proportionate share of the net pension liability.

For the year ended June 30, 2023, the Town recognized benefits expense and contribution revenue of \$1,320,952 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$1,619,308 for pension expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2022, 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
Notes to the Financial Statements

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%	5.40%
Developed Market Intl. Stock Fund	11.00%	6.40%
Emerging Market Intl. Stock Fund	9.00%	8.60%
Core Fixed Income Fund	13.00%	0.80%
Emerging Market Debt Fund	5.00%	3.80%
High Yield Bond Fund	3.00%	3.40%
Real Estate Fund	19.00%	5.20%
Private Equity	10.00%	9.40%
Private Credit	5.00%	6.50%
Alternative Investments	3.00%	3.10%
Liquidity Fund	2.00%	-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, 2023, 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 \$580,991 was measured as of June 30, 2023 and was determined using the Alternative Measurement Method (AMM).

Actuarial Assumptions and Other Inputs: The total OPEB liability as of June 30, 2023 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2022
Measurement Date	June 30, 2023
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 6/30/22	\$ 563,765
Changes for the year:	
Service Cost	11,964
Interest	22,166
Changes of Benefit Terms	-
Difference between expected and actual experience	(16,904)
Changes in Assumptions	-
Benefit Payments	-
Net Changes	17,226
Balance at 6/30/23	\$ 580,991

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	\$ 671,674	\$ 580,991	\$ 507,521

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	\$ 484,533	\$ 580,991	\$ 703,021

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

For the year ended June 30, 2023, the Town recognized OPEB expense of \$17,226. As of June 30, 2023, 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 \$220 per month for a retired member plus an additional \$220 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. A subsidy amount of \$440 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 \$440 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 \$18,683.

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, 2022 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	3.54%
Prior Measurement Date	2.16%

The projected fiduciary net position is projected to be depleted in 2027.

Single equivalent interest rate

Measurement Date	3.53%, net of OPEB plan investment expense, including price inflation
Prior Measurement Date	2.17%, net of OPEB plan investment expense, Including price inflation

Healthcare cost trend rates:

Medicare	Known increases until calendar year 2024, then general trend decreasing to an ultimate rate of 4.50% by 2031.
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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%	-0.98%	1.12%
Price inflation		2.50%	
Expected rate of return (Rounded nearest 0.25%)		1.50%	

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Discount Rate - The discount rate used to measure the total OPEB liability was 3.53%. 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, 2022. In addition to the actuarial methods and assumptions of the June 30, 2022 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 2027 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	\$ 1,261,061	\$ 1,467,280	\$ 1,746,585

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 (2.53%)	Current Discount Rate (3.53%)	1% Increase (4.53%)
Net OPEB liability	\$ 1,771,764	\$ 1,467,280	\$ 1,227,139

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2023 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>1,467,280</u>
Total	<u>\$ 1,467,280</u>

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2022. At June 30, 2023, the Town had no proportionate share of the net OPEB liability.

For the year ended June 30, 2023, the Town recognized OPEB expense and revenue of \$18,683 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$88,444 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

In March 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.

At an April 2017 Town Referendum, the voters approved a Property Disposition and Development Agreement (“PDDA”) between the Town and the Mohegan Tribal Gaming Authority (“MTGA”). The PDDA provides that MTGA purchase and develop approximately 388 acres of the Preston Riverwalk property after the property is remediated to a level acceptable to the State. The remediation was funded by a \$10 million grant from the State. The term of the PDDA is 10 years from the date the property is transferred to MTGA.

Under the PDDA, MTGA must provide the Town with two letters of credit totaling \$11 million. Upon meeting development milestones detailed in the PDDA, such as assessed valuation and permanent job creation, the letters of credit will be reduced. The Town will be allowed to draw from the letters of credit if those milestones are not reached.

Related to prior efforts by the Town to transfer and develop Preston Riverwalk, the Town has an agreement with a legal firm stipulating that the firm will not seek payment of certain legal costs incurred by the Town 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.

On October 13, 2022, an amendment to the Property Disposition and Development Agreement was entered. The 2021 State assistance agreement, state bond funding of nine million dollars, and Amendment No. 1 was approved at the Town meeting as required by the General Statute on October 6, 2022. State assistance is broken up into two sources of funds: a DECD Municipal Brownfield Grant of seven million (\$7m) dollars and Brownfield Development Loan of two million (\$2m) dollars.

Based upon the status of the remediation and abatement of the property, the Town (through the Preston Redevelopment Agency) is targeting to convey/close the 388 acres to the Mohegan Tribe by year-end 2024.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

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. 99 – *Omnibus 2022* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for the Town's reporting period beginning July 1, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the Town's reporting period beginning July 1, 2023.

GASB Statement No. 100 – *Accounting Changes and Error Corrections* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2023.

GASB Statement No. 101 – *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2024.

**Required
Supplementary
Information**

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Percentage of Collective Net Pension Liability	0.346%	0.384%	0.281%	0.356%	0.387%	0.334%	0.334%	0.354%	0.354%
Town's Portion of Net Pension Liability	<u>\$ 1,556,744</u>	<u>\$ 908,947</u>	<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>\$ 975,351</u>	<u>\$ 1,039,927</u>	<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	159.61%	87.40%	153.34%	143.57%	162.11%	59.14%	77.60%	59.60%	42.19%
Plan Fiduciary Net Position as a % of Total Pension Liability	68.71%	82.59%	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 Nine Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's Contractually Required Contribution	\$ 172,155	\$ 165,827	\$ 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>172,155</u>	<u>165,827</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	975,351	1,039,927	720,127	916,094	912,147	933,583	844,723	812,306	813,546
Town's Contributions as a Percentage of Covered Payroll	17.65%	15.95%	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, 2022
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Asset Valuation Method	5-year smoothed market
Single Equivalent Amortization Period	20 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 Nine Fiscal Years*

Schedule of Proportionate Share of Net Pension Liability

	2023	2022	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%	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>16,754,161</u>	<u>12,754,492</u>	<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>\$ 16,754,161</u>	<u>\$ 12,754,492</u>	<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	\$ 4,214,980	\$ 4,152,193	\$ 3,829,560	\$ 3,650,567	\$ 3,617,214	\$ 3,484,818	\$ 3,423,711	\$ 3,449,751	\$ 3,194,869
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	<u>54.06%</u>	<u>60.77%</u>	<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.
Remaininb amortization period	27.5 years
Asset valuation method	4-year smoothed market
Inflation	2.50%
Salary increases	3.00% - 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 Six Fiscal Years*

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost	\$ 11,964	\$ 75,700	\$ 75,700	\$ 75,700	\$ 75,700	\$ 75,700
Interest	22,166	24,623	20,234	20,938	23,507	32,800
Effect of Economic/Demographic Gains or Losses	(16,904)	(100,408)	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	17,226	(85)	112,222	(74,339)	61,283	(115,616)
Total OPEB Liability - Beginning	<u>563,765</u>	<u>563,850</u>	<u>451,628</u>	<u>525,967</u>	<u>464,684</u>	<u>580,300</u>
Total OPEB Liability - Ending	<u>\$ 580,991</u>	<u>\$ 563,765</u>	<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	N/A	N/A
Total OPEB Liability as a Percentage of Covered-employee Payroll	N/A	N/A	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, 2023
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 Six Fiscal Years*

Schedule of Proportionate Share of Net OPEB Liability

	<u>2023</u>	<u>2022</u>	<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%	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>1,467,280</u>	<u>1,389,579</u>	<u>2,401,910</u>	<u>2,294,793</u>	<u>2,268,068</u>	<u>3,082,317</u>
Total	<u>\$ 1,467,280</u>	<u>\$ 1,389,579</u>	<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>\$ 4,214,980</u>	<u>\$ 4,152,193</u>	<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>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>9.46%</u>	<u>6.11%</u>	<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 an open 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, 2023

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
Property Taxes				
Current	\$ 13,046,205	\$ 13,046,205	\$ 13,192,814	\$ 146,609
Back Taxes	125,000	125,000	122,369	(2,631)
Interest and Lien Fees	75,000	75,000	114,262	39,262
Total Property Taxes	13,246,205	13,246,205	13,429,445	183,240
Intergovernmental				
Education Cost Sharing (ECS)	2,952,496	2,952,496	2,953,665	1,169
Mashantucket Pequot	1,165,290	1,165,290	1,165,290	-
PILOT for State Property	14,436	14,436	14,436	-
Town Aid Road Grant	199,206	199,206	200,094	888
Youth Service Bureau Grants	14,000	14,000	27,079	13,079
Judicial Branch	2,000	2,000	3,255	1,255
Veterans Tax Relief	1,000	1,000	1,003	3
Municipal Revenue Sharing	-	-	91,690	91,690
Totally Disabled	350	350	527	177
Total Intergovernmental	4,348,778	4,348,778	4,457,039	108,261
Licenses, Permits, and Charges for Services				
Town Clerk	80,000	80,000	92,874	12,874
Poquetanuck - FF/EMT Salaries	70,000	70,000	70,000	-
Construction Permit Fees	60,000	60,000	66,287	6,287
State Zoning Fees Conservation	-	-	3,540	3,540
Building Education Fees	-	-	2,664	2,664
Transfer Station Fees	20,000	20,000	10,620	(9,380)
MERS Fees	7,500	7,500	7,046	(454)
Bingo	1,250	1,250	1,672	422
Zoning Fees	2,000	2,000	6,342	4,342
License and Permit Fees	3,720	3,720	5,100	1,380
Farmland Preservation Fees	500	500	544	44
Historic Document Fees	1,500	1,500	1,528	28
Other Fees	-	-	166	166
Total Licenses, Permits, and Charges for Services	246,470	246,470	268,383	21,913
Investment Income	7,500	7,500	106,119	98,619
Other Revenues				
Telephone/Cable Access	10,000	10,000	10,629	629
Tower Rent	19,166	19,166	19,326	160
Elderly Housing - In Lieu of Tax	5,000	5,000	7,163	2,163
Miscellaneous Fees/Landfill-Scrap	-	-	5,837	5,837
Other Revenues	-	-	5,528	5,528
Total Other Revenues	34,166	34,166	48,483	14,317
Other Financing Sources				
Use of Fund Balance	900,000	921,471	-	(921,471)
Transfers from Other Funds	-	-	-	-
Total Other Financing Sources	900,000	921,471	-	(921,471)
Total Revenues and Other Financing Sources	\$ 18,783,119	\$ 18,804,590	\$ 18,309,469	\$ (495,121)

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, 2023

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
General Government				
Board of Selectman	\$ 159,051	\$ 159,051	\$ 154,523	\$ 4,528
Central Services	227,457	227,457	232,869	(5,412)
Board of Finance	24,525	33,547	31,015	2,532
Assessor	110,248	110,248	100,744	9,504
Treasurer's Office	121,959	121,959	123,627	(1,668)
Legal Services	26,000	26,000	34,771	(8,771)
Employee Benefits	736,456	736,456	692,546	43,910
Town Clerk/Tax Collector	156,078	156,078	149,538	6,540
Registrars of Voters	44,172	44,172	34,264	9,908
Planning and Zoning	118,302	118,302	130,749	(12,447)
Zoning Board of Appeals	600	600	950	(350)
Insurance/Risk Management	128,310	128,310	142,326	(14,016)
Inlands/Wetlands	10,665	10,665	10,425	240
Conservation and Agricultural Commission	4,372	5,321	3,035	2,286
Ethics Commission	650	650	-	650
Preston Redevelopment Agency	113,275	113,275	108,529	4,746
Total General Government	1,982,120	1,992,091	1,949,911	42,180
Public Safety				
Resident Trooper	285,300	285,300	281,816	3,484
Fire and EMS	765,640	765,640	740,494	25,146
Building Department	77,784	77,784	49,521	28,263
Animal Control	25,458	25,458	28,464	(3,006)
Total Public Safety	1,154,182	1,154,182	1,100,295	53,887
Public Works				
Public Works Department	786,267	797,767	794,675	3,092
Transfer Station	142,992	142,992	130,713	12,279
Total Public Works	929,259	940,759	925,388	15,371
Health and Welfare				
Public Health Administration	62,304	62,304	59,904	2,400
Youth Services Bureau	28,400	28,400	37,914	(9,514)
Senior Affairs	78,303	78,303	74,481	3,822
Total Health and Welfare	169,007	169,007	172,299	(3,292)

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, 2023

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
Culture and Recreation				
Library	\$ 206,667	\$ 206,667	\$ 202,542	\$ 4,125
Parks and Recreation	126,889	126,889	132,866	(5,977)
Total Culture and Recreation	333,556	333,556	335,408	(1,852)
Debt Service	755,500	755,500	755,501	(1)
Education	13,459,495	13,459,495	13,160,802	298,693
Total Expenditures	\$ 18,783,119	\$ 18,804,590	\$ 18,399,604	\$ 404,986

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2023

	SPECIAL REVENUE FUNDS							
	Educational Grants Fund	Preston Redevelopment Agency Fund	School Lunch Fund	Dog Fund	Winter Energy Plan	Small Cities Fund	Town Grant Fund	Tipping Fees Fund
Assets								
Cash and Cash Equivalents	\$ 83,011	\$ 126,935	\$ 172,515	\$ 14,867	\$ -	\$ 118,364	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-
Receivables, Net	364,503	555,905	52,520	-	-	267,985	-	7,612
Prepays	-	-	-	-	-	-	-	-
Inventory	-	-	4,972	-	-	-	-	-
Due from Other Funds	-	-	-	-	8,279	-	8,959	-
Total Assets	<u>\$ 447,514</u>	<u>\$ 682,840</u>	<u>\$ 230,007</u>	<u>\$ 14,867</u>	<u>\$ 8,279</u>	<u>\$ 386,349</u>	<u>\$ 8,959</u>	<u>\$ 7,612</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances								
Liabilities:								
Accounts Payable and Accrued Items	\$ -	\$ 245,454	\$ 10,818	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned Revenue	68,104	1,960	-	-	-	-	8,959	-
Due to Other Funds	379,410	188,059	3,666	17,379	2,499	461	-	7,612
Total Liabilities	<u>447,514</u>	<u>435,473</u>	<u>14,484</u>	<u>17,379</u>	<u>2,499</u>	<u>461</u>	<u>8,959</u>	<u>7,612</u>
Deferred Inflows of Resources:								
Receivables	-	-	-	-	-	267,985	-	-
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	247,367	-	-	-	117,903	-	-
Committed	-	-	215,523	-	5,780	-	-	-
Unassigned	-	-	-	(2,512)	-	-	-	-
Total Fund Balances	<u>-</u>	<u>247,367</u>	<u>215,523</u>	<u>(2,512)</u>	<u>5,780</u>	<u>117,903</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 447,514</u>	<u>\$ 682,840</u>	<u>\$ 230,007</u>	<u>\$ 14,867</u>	<u>\$ 8,279</u>	<u>\$ 386,349</u>	<u>\$ 8,959</u>	<u>\$ 7,612</u>

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2023

	SPECIAL REVENUE FUNDS							
	Parks and Recreation	Food Bank Fund	Various Cemetery	EMS Capital Improvement Fund	Youth Services	Student Activity Funds	Education Scholarships	Preschool Fund
Assets								
Cash and Cash Equivalents	\$ 91,629	\$ 10,245	\$ 21,878	\$ 214,633	\$ 1,732	\$ 14,365	\$ 17,227	\$ -
Investments	20,786	-	-	-	-	-	-	-
Receivables, Net	-	-	-	-	-	-	-	-
Prepays	13,067	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	15,000	-	-	-	-
Total Assets	<u>\$ 125,482</u>	<u>\$ 10,245</u>	<u>\$ 21,878</u>	<u>\$ 229,633</u>	<u>\$ 1,732</u>	<u>\$ 14,365</u>	<u>\$ 17,227</u>	<u>\$ -</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances								
Liabilities:								
Accounts Payable and Accrued Items	\$ -	\$ 411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned Revenue	54,390	-	-	-	-	-	-	-
Due to Other Funds	90	743	-	-	-	-	-	-
Total Liabilities	<u>54,480</u>	<u>1,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:								
Receivables	-	-	-	-	-	-	-	-
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	14,365	17,227	-
Committed	71,002	9,091	21,878	229,633	1,732	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	<u>71,002</u>	<u>9,091</u>	<u>21,878</u>	<u>229,633</u>	<u>1,732</u>	<u>14,365</u>	<u>17,227</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 125,482</u>	<u>\$ 10,245</u>	<u>\$ 21,878</u>	<u>\$ 229,633</u>	<u>\$ 1,732</u>	<u>\$ 14,365</u>	<u>\$ 17,227</u>	<u>\$ -</u>

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2023

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS			PERMANENT FUNDS		Total
	Beverage Container Fund	Opioid Settlement Fund	Plan of Conservation & Development Fund	Capital and Nonrecurring Fund	Revaluation Fund	Brewster Cemetery	Educational Fund Various Scholarships	
Assets								
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 221,866	\$ -	\$ -	\$ 17,564	\$ 1,126,831
Investments	-	-	-	-	-	7,800	-	28,586
Receivables, Net	4,845	-	-	-	-	-	-	1,253,370
Prepays	-	-	-	-	-	-	-	13,067
Inventory	-	-	-	-	-	-	-	4,972
Due from Other Funds	7,985	12,713	1,477	144	30,470	-	-	85,027
Total Assets	<u>\$ 12,830</u>	<u>\$ 12,713</u>	<u>\$ 1,477</u>	<u>\$ 222,010</u>	<u>\$ 30,470</u>	<u>\$ 7,800</u>	<u>\$ 17,564</u>	<u>\$ 2,511,853</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances								
Liabilities:								
Accounts Payable and Accrued Items	\$ -	\$ -	\$ -	\$ -	\$ 19,470	\$ -	\$ -	\$ 276,153
Unearned Revenue	12,830	12,713	-	-	-	-	-	158,956
Due to Other Funds	-	-	-	183	-	-	-	600,102
Total Liabilities	<u>12,830</u>	<u>12,713</u>	<u>-</u>	<u>183</u>	<u>19,470</u>	<u>-</u>	<u>-</u>	<u>1,035,211</u>
Deferred Inflows of Resources:								
Receivables	-	-	-	-	-	-	-	267,985
Fund Balances:								
Nonspendable	-	-	-	-	-	6,265	18,170	24,435
Restricted	-	-	-	169,903	-	1,535	-	568,300
Committed	-	-	1,477	51,924	11,000	-	-	619,040
Unassigned	-	-	-	-	-	-	(606)	(3,118)
Total Fund Balances	<u>-</u>	<u>-</u>	<u>1,477</u>	<u>221,827</u>	<u>11,000</u>	<u>7,800</u>	<u>17,564</u>	<u>1,208,657</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,830</u>	<u>\$ 12,713</u>	<u>\$ 1,477</u>	<u>\$ 222,010</u>	<u>\$ 30,470</u>	<u>\$ 7,800</u>	<u>\$ 17,564</u>	<u>\$ 2,511,853</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, 2023

	SPECIAL REVENUE FUNDS							
	Educational Grants Fund	Preston Redevelopment Agency Fund	School Lunch Fund	Dog Fund	Winter Energy Plan	Small Cities Fund	Town Grant Fund	Tipping Fees Fund
Revenues								
Intergovernmental Revenues	\$ 702,305	\$ 555,905	\$ 283,558	\$ -	\$ -	\$ -	\$ 63,403	\$ -
Licenses, Permits and Charges for Services	-	-	23,677	1,243	-	-	-	85,239
Investment Income	-	389	-	-	-	-	-	-
Other Revenue	-	67,500	-	-	-	34,281	-	-
Total Revenues	<u>702,305</u>	<u>623,794</u>	<u>307,235</u>	<u>1,243</u>	<u>-</u>	<u>34,281</u>	<u>63,403</u>	<u>85,239</u>
Expenditures								
Current:								
General Government	-	618,347	-	-	-	-	45,656	-
Public Safety	-	-	-	10,212	-	-	14,428	-
Public Works	-	-	-	-	-	-	-	85,239
Culture and Recreation	-	-	-	-	432	1,374	3,319	-
Education	702,305	-	279,734	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>702,305</u>	<u>618,347</u>	<u>279,734</u>	<u>10,212</u>	<u>432</u>	<u>1,374</u>	<u>63,403</u>	<u>85,239</u>
Excess/(Deficiency) of Revenues Over Expenditures	-	5,447	27,501	(8,969)	(432)	32,907	-	-
Other Financing Sources/(Uses)								
Transfers In	-	-	-	9,760	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	5,447	27,501	791	(432)	32,907	-	-
Fund Balances at Beginning of Year	-	241,920	188,022	(3,303)	6,212	84,996	-	-
Fund Balances at End of Year	<u>\$ -</u>	<u>\$ 247,367</u>	<u>\$ 215,523</u>	<u>\$ (2,512)</u>	<u>\$ 5,780</u>	<u>\$ 117,903</u>	<u>\$ -</u>	<u>\$ -</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, 2023

	SPECIAL REVENUE FUNDS							
	Parks and Recreation	Food Bank Fund	Various Cemetery	EMS Capital Improvement Fund	Youth Services	Student Activity Funds	Education Scholarships	Preschool Fund
Revenues								
Intergovernmental Revenues	\$ 30,924	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, Permits and Charges for Services	118,829	-	-	-	-	15,438	-	110,353
Investment Income	78	5	-	-	-	-	29	-
Other Revenue	-	1,420	360	30,000	-	-	27	-
Total Revenues	<u>149,831</u>	<u>1,425</u>	<u>360</u>	<u>30,000</u>	<u>-</u>	<u>15,438</u>	<u>56</u>	<u>110,353</u>
Expenditures								
Current:								
General Government	-	-	-	-	25	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Culture and Recreation	177,846	1,125	-	-	-	-	-	-
Education	-	-	-	-	-	16,064	547	117,498
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>177,846</u>	<u>1,125</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>16,064</u>	<u>547</u>	<u>117,498</u>
Excess/(Deficiency) of Revenues Over Expenditures	(28,015)	300	360	30,000	(25)	(626)	(491)	(7,145)
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>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(28,015)	300	360	30,000	(25)	(626)	(491)	(7,145)
Fund Balances at Beginning of Year	99,017	8,791	21,518	199,633	1,757	14,991	17,718	7,145
Fund Balances at End of Year	<u>\$ 71,002</u>	<u>\$ 9,091</u>	<u>\$ 21,878</u>	<u>\$ 229,633</u>	<u>\$ 1,732</u>	<u>\$ 14,365</u>	<u>\$ 17,227</u>	<u>\$ -</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, 2023

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS			PERMANENT FUNDS		Total
	Beverage Container Fund	Opioid Settlement Fund	Plan of Conservation & Development Fund	Capital and Nonrecurring Fund	Revaluation Fund	Brewster Cemetery	Educational Fund Various Scholarships	
Revenues								
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,636,095
Licenses, Permits and Charges for Services	-	-	-	9,912	-	-	-	364,691
Investment Income	-	-	-	-	-	92	-	593
Other Revenue	-	-	-	1,935	-	-	-	135,523
Total Revenues	-	-	-	11,847	-	92	-	2,136,902
Expenditures								
Current:								
General Government	-	-	-	-	39,776	-	-	703,804
Public Safety	-	-	-	-	-	-	-	24,640
Public Works	-	-	-	-	-	-	-	85,239
Culture and Recreation	-	-	-	-	-	-	-	184,096
Education	-	-	-	-	-	-	515	1,116,663
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	39,776	-	515	2,114,442
Excess/(Deficiency) of Revenues Over Expenditures	-	-	-	11,847	(39,776)	92	(515)	22,460
Other Financing Sources/(Uses)								
Transfers In	-	-	1,477	-	30,000	-	-	41,237
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	1,477	-	30,000	-	-	41,237
Net Change in Fund Balances	-	-	1,477	11,847	(9,776)	92	(515)	63,697
Fund Balances at Beginning of Year	-	-	-	209,980	20,776	7,708	18,079	1,144,960
Fund Balances at End of Year	\$ -	\$ -	\$ 1,477	\$ 221,827	\$ 11,000	\$ 7,800	\$ 17,564	\$ 1,208,657

See accountant's report.

TOWN OF PRESTON, CONNECTICUT
Schedule of Property Taxes Levied, Collected, and Outstanding
For the Year Ended June 30, 2023

List of 10/1:	Outstanding July 1, 2022	Current Levy	Lawful Corrections		Transfers to Suspense	Collectible Taxes	Collections During the Year				Outstanding June 30, 2023
			Additions	Deductions			Taxes	Interest	Liens	Total	
2021		\$ 13,395,368	\$ 71,988	\$ 83,332	\$ -	\$ 13,384,024	\$ 13,190,333	\$ 71,815	\$ 4,226	\$ 13,266,374	\$ 193,691
2020	\$ 143,074	-	1,066	4,090	-	140,050	92,599	17,292	1,295	111,186	47,451
2019	28,464	-	1,936	1,902	-	28,498	15,305	4,315	96	19,716	13,193
2018	25,486	-	570	4,024	10,523	11,509	4,325	2,363	52	6,740	7,184
2017	18,808	-	473	155	11,532	7,594	3,569	2,577	54	6,200	4,025
2016	4,209	-	769	117	342	4,519	2,246	2,061	24	4,331	2,273
2015	1,270	-	1,025	45	-	2,250	-	-	-	-	2,250
2014	1,427	-	795	-	-	2,222	-	-	-	-	2,222
2013	2,035	-	200	-	-	2,235	-	-	-	-	2,235
2012	(1,185)	-	3,475	-	-	2,290	-	-	-	-	2,290
2011	1,457	-	517	-	-	1,974	-	-	-	-	1,974
2010	1,800	-	174	-	-	1,974	-	-	-	-	1,974
2009	388	-	162	-	-	550	-	-	-	-	550
2008	(437)	-	437	-	-	-	-	-	-	-	-
2007	(539)	-	562	23	-	-	-	-	-	-	-
	\$ 226,257	\$ 13,395,368	\$ 84,149	\$ 93,688	\$ 22,397	\$ 13,589,689	13,308,377	100,423	5,747	13,414,547	\$ 281,312
Net Grand List - October 1, 2021					Total Suspense Collections	6,462	10,058	49	16,569		
Tax Rate: 27.88 mills					Total Collections	\$ 13,314,839	\$ 110,481	\$ 5,796	\$ 13,431,116		

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Schedule of Debt Limitation

June 30, 2023

Total Tax Collections, Including Interest and Lien Fees - Prior Fiscal Year \$ 12,558,818

Reimbursement for Revenue Loss on:

Tax Relief for Elderly - Prior Fiscal Year -

Base \$ 12,558,818

	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>\$ 28,257,341</u>	<u>\$ 56,514,681</u>	<u>\$ 47,095,568</u>	<u>\$ 40,816,159</u>	<u>\$ 37,676,454</u>
Indebtedness:					
Bonds Payable	3,146,000	1,504,000	-	-	-
State Loan Payable	2,000,000	-	-	-	-
Total Indebtedness	<u>5,146,000</u>	<u>1,504,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt Limitation in Excess of Debt*	<u>\$ 23,111,341</u>	<u>\$ 55,010,681</u>	<u>\$ 47,095,568</u>	<u>\$ 40,816,159</u>	<u>\$ 37,676,454</u>

*In no event shall total debt exceed seven times annual receipts from base. The maximum amount permitted under this formula would be approximately \$87,911,726.

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, 2023

	<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	\$ 159,991	\$ -	\$ 9,912	\$ -	\$ -	\$ -	\$ 169,903
Total Restricted Fund Balance	<u>159,991</u>	<u>-</u>	<u>9,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>169,903</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	(14,157)	-	-	-	-	-	(14,157)
Town Clerk	26,748	-	1,935	-	-	-	28,683
<i>Board of Education</i>							
Vehicles and Equipment							
Responder Units	29	-	-	-	-	-	29
Playground	400	-	-	-	-	-	400
Future Projects	30,430	-	-	-	-	-	30,430
Total Committed Fund Balance	<u>49,989</u>	<u>-</u>	<u>1,935</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,924</u>
Total Fund Balance	<u>\$ 209,980</u>	<u>\$ -</u>	<u>\$ 11,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,827</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.