
TOWN OF PRESTON, CONNECTICUT

Annual Financial Statements

For the Year Ended June 30, 2024

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, 2024, 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, 2024, 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 49-53 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 January 27, 2025, 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
January 27, 2025

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2024

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, 2024.

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 \$13,949,498 (*net position*). Of this amount, \$4,353,069 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Restricted Net Position of \$371,567 is restricted for various programs such as housing rehab loans, 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 \$5,040,755, a decrease of \$1,948,393 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,513,181 or 12.5 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, health and welfare, culture and recreation, property redevelopment, and general government. Property taxes, state and federal grants, and local revenues such as fees and licenses finance most of these activities.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2024

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, Preston Redevelopment Agency 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 18-48 of this report.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2024

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 \$13,949,498 at the close of the most recent fiscal year.

SUMMARY STATEMENT OF NET POSITION

| | 2024 | 2023 | Variance |
|----------------------------------|----------------------|----------------------|--------------------|
| Current and Other Assets | \$ 8,968,684 | \$ 9,777,242 | \$ (808,558) |
| Capital Assets | <u>15,453,725</u> | <u>14,853,993</u> | <u>599,732</u> |
| Total Assets | <u>24,422,409</u> | <u>24,631,235</u> | <u>(208,826)</u> |
| | | | |
| Deferred Outflows of Resources | <u>639,339</u> | <u>702,917</u> | <u>(63,578)</u> |
| | | | |
| Other Liabilities | 3,074,005 | 2,282,174 | 791,831 |
| Long-Term Liabilities | <u>7,856,986</u> | <u>8,942,328</u> | <u>(1,085,342)</u> |
| Total Liabilities | <u>10,930,991</u> | <u>11,224,502</u> | <u>(293,511)</u> |
| | | | |
| Deferred Inflows of Resources | <u>181,259</u> | <u>226,394</u> | <u>(45,135)</u> |
| | | | |
| Net Position: | | | |
| Net Investment in Capital Assets | 9,224,862 | 8,085,272 | 1,139,590 |
| Restricted | 371,567 | 604,378 | (232,811) |
| Unrestricted | <u>4,353,069</u> | <u>5,193,606</u> | <u>(840,537)</u> |
| Total Net Position | <u>\$ 13,949,498</u> | <u>\$ 13,883,256</u> | <u>\$ 66,242</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 \$1,139,590 during the year.

The Town's restricted net position of \$371,567 decreased by \$232,811 compared to last year's restricted net position of \$604,378. This is mainly due to the timing of grant payments in the Preston Redevelopment Agency Fund.

The Town's unrestricted net position of \$4,353,069 decreased by \$840,537 compared to last year's unrestricted net position of \$5,193,606. This is mainly due to the anticipated use of fund balance in the General Fund, the timing of grant payments in the Preston Redevelopment Agency Fund which created a negative unassigned fund balance, and large purchases made out of the Capital Projects Fund during the year with available resources.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2024

STATEMENT OF CHANGES IN NET POSITION

| | 2024 | 2023 | Variance |
|--|---------------|---------------|--------------|
| REVENUES | | | |
| <i>Program:</i> | | | |
| Charges for services | \$ 611,408 | \$ 570,680 | \$ 40,728 |
| Operating grants and contributions | 10,408,659 | 6,811,878 | 3,596,781 |
| Capital grants and contributions | 354,778 | 319,887 | 34,891 |
| <i>General:</i> | | | |
| Property taxes | 14,110,840 | 13,500,290 | 610,550 |
| Grants and contributions, not restricted to specific programs | 1,327,283 | 1,293,993 | 33,290 |
| Unrestricted investment earnings | 129,014 | 112,025 | 16,989 |
| Other | 140,383 | 90,631 | 49,752 |
| Total Revenues | 27,082,365 | 22,699,384 | 4,382,981 |
| EXPENSES | | | |
| <i>Governmental Activities:</i> | | | |
| General Government | 2,040,201 | 2,132,504 | (92,303) |
| Public Safety | 1,424,153 | 1,308,359 | 115,794 |
| Public Works | 1,131,954 | 960,766 | 171,188 |
| Health and Welfare | 206,342 | 177,139 | 29,203 |
| Culture and Recreation | 592,762 | 565,609 | 27,153 |
| Property Redevelopment | 4,919,016 | 618,347 | 4,300,669 |
| Education | 16,578,283 | 16,622,660 | (44,377) |
| Interest on long-term debt | 123,412 | 145,930 | (22,518) |
| Total Expenses | 27,016,123 | 22,531,314 | 4,484,809 |
| Change in Net Position | 66,242 | 168,070 | \$ (101,828) |
| Beginning Net Position | 13,883,256 | 13,715,186 | |
| Ending Net Position | \$ 13,949,498 | \$ 13,883,256 | |

Governmental activities. Governmental activities increased the Town of Preston, CT's net position by \$66,242.

Fifty-two percent (52%) of the revenues of the Town were derived from property taxes, followed by forty-five percent (45%) from grants and contributions, two percent (2%) from charges for services and 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 \$3,596,781 in the current fiscal year when compared to the previous year mainly due to the increased grant activity in the Preston Redevelopment Agency Fund less the current years actuarially determined State Teachers Retirement and TRB OPEB adjustments which resulted in a decrease to revenues and education expenses on a government-wide basis.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2024

- Revenue from investment income increased \$16,989 in the current fiscal year when compared to the previous year primarily due to the increase in interest rates.
- Property tax revenue increased by \$610,550 due to strong collections. A revaluation of assessed property was conducted in 2022, impacting the fiscal year 2024 budget. The total net grand list increased by \$137,004,659, or 28.84%, as a result the mill rate decreased from 27.88 to 22.87.

Sixty-one percent (61%) of the expenses of the Town relate to education, five percent (5%) relate to public safety, four percent (4%) relate to public works, two percent (2%) relate to Culture and Recreation, eight percent (8%) relate to general government, eighteen percent (18%) relate to Property Redevelopment and two percent (2%) relate to health and welfare, and interest expense.

Major expense factors included:

- There was a budgeted increase in education expenses which was offset by the decrease in the Other Post-Employment Benefits liability resulting in a decrease in education expenses.
- There was an increase in property redevelopment expenses related to the ongoing redevelopment of the old Norwich Hospital site.

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 \$5,040,755, a decrease of \$1,948,393 in comparison with the prior year. Forty-two percent (42%) 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 \$2,513,181. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The unassigned fund balance represents 12.5 percent of total General Fund budgeted expenditures.

The fund balance of the Town of Preston, CT's General Fund decreased by \$696,590 during the current fiscal year. Key factors in this decrease are as follows:

- The Town had anticipated to use \$1,269,090 of fund balance during the fiscal year. The decrease in fund balance was less than this due to expenditures coming in less than anticipated in the education, general government, and public safety lines.
- Revenues coming in greater than anticipated in the tax department, a municipal revenue sharing grant, and investment and other income.

TOWN OF PRESTON, CONNECTICUT
Management's Discussion and Analysis
June 30, 2024

Preston Redevelopment Agency Fund. The fund balance of the Preston Redevelopment Agency Fund decreased by \$631,878 during the current fiscal year. This decrease is primarily attributable to the current year's expenditures for the redevelopment project offset by recognized grant revenues and other income. The fund balance deficit of (\$384,511) is related to the timing of future grant revenues.

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 \$333,076 of qualified expenditures from the fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for the General Fund included the use of fund balance of \$1,200,000. The actual net change in fund balance of the General Fund on a budgetary basis was (\$740,324). Budgetary revenues were \$284,201 greater than expected due primarily to property taxes, intergovernmental revenue, investment income and other income being higher than anticipated. Budgetary expenditures were \$249,254 lower than expected due primarily to expenditures coming in less than expected in the general government, public safety, 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, 2024, amounts to \$15,453,725 (net of accumulated depreciation). This reported value in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

| | 2024 | 2023 |
|------------------------------------|---------------|---------------|
| Land | \$ 889,139 | \$ 889,139 |
| Construction in Progress | 1,484,395 | 1,526,082 |
| Buildings | 7,526,895 | 7,800,972 |
| Improvements | 1,443,016 | 1,417,321 |
| Computer and Computer Equipment | 107,014 | 10,766 |
| Furniture, Fixtures, and Equipment | 222,348 | 117,394 |
| Vehicles | 2,751,397 | 2,155,878 |
| Infrastructure | 1,029,521 | 936,441 |
| | \$ 15,453,725 | \$ 14,853,993 |

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

- Purchase of a Fire Pumper Truck
- Road improvements
- Purchase of two public works trucks
- Purchase of a van for the Board of Education
- Purchase of a public works roller
- Disposal of a public works truck and a wide format copier

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, 2024

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 \$7,856,986.

| | 2024 | 2023 |
|------------------------------|--------------|--------------|
| G.O. Bonds | \$ 4,055,000 | \$ 4,650,000 |
| Unamortized Premium | 101,761 | 118,721 |
| State Loan Payable | 2,000,000 | 2,000,000 |
| Energy Efficiency Loan | 110,219 | - |
| Equipment Financing Note | 72,102 | - |
| Compensated Absences | 31,060 | 4,072 |
| Post Closure Landfill Costs | 1,200 | 1,800 |
| Special Termination Benefits | 15,000 | 30,000 |
| Net Pension Liability | 1,442,270 | 1,556,744 |
| Total OPEB Liability | 28,374 | 580,991 |
| | \$ 7,856,986 | \$ 8,942,328 |

The Town of Preston, CT's total long-term debt and other long-term liabilities decreased \$1,085,342 during the current fiscal year due mainly to the paydown of existing GO Bonds and decrease in the Net Pension Liability and OPEB 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 31-33 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 2025 fiscal year.

The Town has assigned \$1,200,000 of fund balance of the General Fund for spending in the 2025 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, 2024

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash and Cash Equivalents | \$ 6,479,200 |
| Restricted Cash | 280,089 |
| Investments | 28,825 |
| Receivables, Net | 2,173,924 |
| Inventory | 6,646 |
| Capital Assets: | |
| Assets Not Being Depreciated | 2,373,534 |
| Assets Being Depreciated, Net | <u>13,080,191</u> |
| Total Assets | <u>24,422,409</u> |
| Deferred Outflows of Resources | |
| Deferred Outflows - Pension | <u>639,339</u> |
| Liabilities | |
| Accounts Payable and Accrued Items | 1,822,334 |
| Accrued Interest Payable | 61,207 |
| Performance Bonds | 280,089 |
| Unearned Revenue | 910,375 |
| Noncurrent Liabilities: | |
| Due Within One Year | 670,998 |
| Due In More Than One Year | <u>7,185,988</u> |
| Total Liabilities | <u>10,930,991</u> |
| Deferred Inflows of Resources | |
| Deferred Inflows - Pension | <u>181,259</u> |
| Net Position | |
| Net Investment in Capital Assets | 9,224,862 |
| Restricted: | |
| Nonexpendable | 24,435 |
| Expendable | 347,132 |
| Unrestricted | <u>4,353,069</u> |
| Total Net Position | <u>\$ 13,949,498</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, 2024

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position |
|-------------------------------|------------------|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | | |
| General Government | \$ 2,040,201 | \$ 174,675 | \$ 11,135 | \$ 11,080 | \$ (1,843,311) |
| Public Safety | 1,424,153 | 68,196 | 106,560 | 159,000 | (1,090,397) |
| Public Works | 1,131,954 | 98,995 | 200,254 | 126,889 | (705,816) |
| Health and Welfare | 206,342 | - | 4,440 | - | (201,902) |
| Culture and Recreation | 592,762 | 73,483 | 136,199 | 57,809 | (325,271) |
| Property Redevelopment | 4,919,016 | - | 4,596,961 | - | (322,055) |
| Education | 16,578,283 | 196,059 | 5,353,110 | - | (11,029,114) |
| Interest on Long-Term Debt | 123,412 | - | - | - | (123,412) |
| Total Governmental Activities | \$ 27,016,123 | \$ 611,408 | \$ 10,408,659 | \$ 354,778 | (15,641,278) |
| General Revenues: | | | | | |
| | | | | | 14,110,840 |
| | | | | | 1,327,283 |
| | | | | | 129,014 |
| | | | | | 140,383 |
| | | | | | 15,707,520 |
| | | | | | 66,242 |
| | | | | | 13,883,256 |
| | | | | | \$ 13,949,498 |

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

TOWN OF PRESTON, CONNECTICUT

Balance Sheet
Governmental Funds
June 30, 2024

| | General Fund | Preston Redevelopment Agency Fund | ARPA Grant Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|--|-----------------------|-----------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and Cash Equivalents | \$ 4,518,861 | \$ 181,477 | \$ - | \$ 1,778,862 | \$ 6,479,200 |
| Restricted Cash | 280,089 | - | - | - | 280,089 |
| Investments | - | - | - | 28,825 | 28,825 |
| Receivables, Net of Allowance | 373,400 | 1,108,492 | - | 692,032 | 2,173,924 |
| Inventory | - | - | - | 6,646 | 6,646 |
| Due from Other Funds | 826,893 | - | 683,693 | 234,579 | 1,745,165 |
| Total Assets | <u>\$ 5,999,243</u> | <u>\$ 1,289,969</u> | <u>\$ 683,693</u> | <u>\$ 2,740,944</u> | <u>\$ 10,713,849</u> |
| Liabilities | | | | | |
| Accounts Payable and Accrued Items | \$ 715,436 | \$ 1,032,407 | \$ 9,875 | \$ 64,616 | \$ 1,822,334 |
| Unearned Revenue | - | - | 673,818 | 236,557 | 910,375 |
| Performance Bonds | 280,089 | - | - | - | 280,089 |
| Due to Other Funds | 858,192 | 277,708 | - | 609,265 | 1,745,165 |
| Total Liabilities | <u>1,853,717</u> | <u>1,310,115</u> | <u>683,693</u> | <u>910,438</u> | <u>4,757,963</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable Revenues: | | | | | |
| Property Taxes and Interest | 289,031 | - | - | - | 289,031 |
| Receivables | - | 364,365 | - | 261,735 | 626,100 |
| Total Deferred Inflows of Resources | <u>289,031</u> | <u>364,365</u> | <u>-</u> | <u>261,735</u> | <u>915,131</u> |
| Fund Balances | | | | | |
| Nonspendable | - | - | - | 24,435 | 24,435 |
| Restricted | 12,930 | - | - | 334,202 | 347,132 |
| Committed | - | - | - | 1,211,275 | 1,211,275 |
| Assigned | 1,330,384 | - | - | - | 1,330,384 |
| Unassigned | 2,513,181 | (384,511) | - | (1,141) | 2,127,529 |
| Total Fund Balances | <u>3,856,495</u> | <u>(384,511)</u> | <u>-</u> | <u>1,568,771</u> | <u>5,040,755</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 5,999,243</u> | <u>\$ 1,289,969</u> | <u>\$ 683,693</u> | <u>\$ 2,740,944</u> | <u>\$ 10,713,849</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, 2024

| | |
|--|-----------------------------|
| Fund balances reported in governmental funds Balance Sheet | \$ 5,040,755 |
| 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> | 32,139,496 |
| <i>Depreciation</i> | (16,685,771) |
| 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> | 289,031 |
| <i>Other Receivables</i> | 626,100 |
| Certain changes related to pensions are deferred and amortized over time. | |
| <i>Deferred Outflows - Pension</i> | 639,339 |
| <i>Deferred Inflows - Pension</i> | (181,259) |
| 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> | (61,207) |
| <i>Bonds Payable</i> | (4,055,000) |
| <i>Unamortized Bond Premium</i> | (101,761) |
| <i>State Loan Payable</i> | (2,000,000) |
| <i>Special Termination Benefits</i> | (15,000) |
| <i>Equipment Financing Notes</i> | (72,102) |
| <i>Energy Efficiency Loan</i> | (110,219) |
| <i>Post-closure Landfill Costs</i> | (1,200) |
| <i>Compensated Absences</i> | (31,060) |
| <i>OPEB Liability</i> | (28,374) |
| <i>Net Pension Liability</i> | <u>(1,442,270)</u> |
| Net position of governmental activities | <u>\$ 13,949,498</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, 2024

| | General Fund | Capital Projects Fund | Preston Redevelopment Agency Fund | ARPA Grant Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------|--|-----------------------|-----------------------------------|--------------------------------|
| Revenues | | | | | | |
| Property Taxes, Interest, and Lien Fees | \$ 14,133,876 | \$ - | \$ - | \$ - | \$ - | \$ 14,133,876 |
| Intergovernmental Revenues | 6,180,806 | - | 4,232,596 | 333,076 | 1,062,397 | 11,808,875 |
| Licenses, Permits, and Charges for Services | 204,255 | - | - | - | 416,432 | 620,687 |
| Investment Income | 119,485 | - | 542 | - | 8,987 | 129,014 |
| Other Revenue | 106,402 | - | 54,000 | - | 33,376 | 193,778 |
| Total Revenues | <u>20,744,824</u> | <u>-</u> | <u>4,287,138</u> | <u>333,076</u> | <u>1,521,192</u> | <u>26,886,230</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | 2,076,643 | - | 4,919,016 | 16,180 | 13,144 | 7,024,983 |
| Public Safety | 1,126,736 | - | - | 74,819 | 33,274 | 1,234,829 |
| Public Works | 1,014,528 | - | - | - | 73,413 | 1,087,941 |
| Health and Welfare | 197,124 | - | - | - | 2,145 | 199,269 |
| Culture and Recreation | 363,337 | - | - | 9,875 | 166,144 | 539,356 |
| Education | 15,976,361 | - | - | - | 1,098,521 | 17,074,882 |
| Debt Service | 763,663 | - | - | - | - | 763,663 |
| Capital Outlay | 87,468 | - | - | 232,202 | 818,815 | 1,138,485 |
| Total Expenditures | <u>21,605,860</u> | <u>-</u> | <u>4,919,016</u> | <u>333,076</u> | <u>2,205,456</u> | <u>29,063,408</u> |
| Excess/(Deficiency) of Revenues over Expenditures | (861,036) | - | (631,878) | - | (684,264) | (2,177,178) |
| Other Financing Sources/(Uses) | | | | | | |
| Issuance of Equipment Financing Notes | 87,468 | - | - | - | - | 87,468 |
| Proceeds from Loans | 137,242 | - | - | - | - | 137,242 |
| Proceeds from Sales of Capital Assets | 4,075 | - | - | - | - | 4,075 |
| Transfers In | 52,500 | - | - | - | 116,839 | 169,339 |
| Transfers Out | (116,839) | - | - | - | (52,500) | (169,339) |
| Total Other Financing Sources/(Uses) | <u>164,446</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>64,339</u> | <u>228,785</u> |
| Net Change in Fund Balances | (696,590) | - | (631,878) | - | (619,925) | (1,948,393) |
| Fund Balances at Beginning of Year | 4,553,085 | 1,227,406 | - | - | 1,208,657 | 6,989,148 |
| Changes to or Within Financial Reporting Entity | - | (1,227,406) | 247,367 | - | 980,039 | - |
| Fund Balances at Beginning of Year, Adjusted | <u>4,553,085</u> | <u>-</u> | <u>247,367</u> | <u>-</u> | <u>2,188,696</u> | <u>6,989,148</u> |
| Fund Balances at End of Year | <u>\$ 3,856,495</u> | <u>\$ -</u> | <u>\$ (384,511)</u> | <u>\$ -</u> | <u>\$ 1,568,771</u> | <u>\$ 5,040,755</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, 2024

Net Change in Fund Balances - Total Governmental Funds \$ (1,948,393)

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> | 1,560,651 |
| <i>Depreciation expense</i> | (951,588) |
| <i>Disposal of Assets</i> | (9,331) |

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> | (23,036) |
| <i>Loan Receivables</i> | (6,250) |
| <i>Grant Receivables</i> | 364,365 |

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>Proceeds from long-term debt - equipment financing notes</i> | (87,468) |
| <i>Proceeds from long-term debt - energy efficiency loan</i> | (137,242) |
| <i>Principal payments on long-term debt - general obligation bonds</i> | 595,000 |
| <i>Principal payments on long-term debt - equipment financing notes</i> | 15,366 |
| <i>Principal payments on long-term debt - energy efficiency loan</i> | 27,023 |
| <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> | 12,925 |
| <i>Compensated Absences</i> | (26,988) |
| <i>Special Termination Benefits</i> | 15,000 |
| <i>Post-closure Landfill Costs</i> | 600 |
| <i>Net Pension Liability and Related Deferred Outflows/Inflows</i> | 96,031 |
| <i>OPEB Liability</i> | 552,617 |

Change in net position of governmental activities **\$ 66,242**

TOWN OF PRESTON, CONNECTICUT
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2024

| | Budgeted Amounts | | Actual | Variance |
|---|--------------------------|--------------------------|----------------------------|----------------------------|
| | Original | Amended | Budgetary Basis | |
| Revenues | | | | |
| Property Taxes, Interest, and Lien Fees | \$ 14,037,217 | \$ 14,037,217 | \$ 14,133,876 | \$ 96,659 |
| Intergovernmental | 4,393,670 | 4,393,670 | 4,487,043 | 93,373 |
| Licenses, Permits, and Charges for Services | 266,470 | 266,470 | 256,755 | (9,715) |
| Investment Income | 90,000 | 90,000 | 119,485 | 29,485 |
| Other | 38,166 | 38,166 | 112,565 | 74,399 |
| Total Revenues | <u>18,825,523</u> | <u>18,825,523</u> | <u>19,109,724</u> | <u>284,201</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 2,209,607 | 2,136,634 | 2,034,231 | 102,403 |
| Public Safety | 1,136,968 | 1,180,891 | 1,136,736 | 44,155 |
| Public Works | 1,010,844 | 1,018,471 | 1,035,549 | (17,078) |
| Health and Welfare | 186,815 | 198,292 | 197,124 | 1,168 |
| Culture and Recreation | 357,870 | 376,906 | 363,337 | 13,569 |
| Debt Service | 742,642 | 742,642 | 742,642 | - |
| Education | 14,380,777 | 14,380,777 | 14,275,740 | 105,037 |
| Total Expenditures | <u>20,025,523</u> | <u>20,034,613</u> | <u>19,785,359</u> | <u>249,254</u> |
| Excess of Revenues Over/(Under) Expenditures | (1,200,000) | (1,209,090) | (675,635) | 533,455 |
| Other Financing Sources (Uses) | | | | |
| Use of Fund Balance | 1,200,000 | 1,269,090 | - | (1,269,090) |
| Transfers to Other Funds | - | (60,000) | (64,689) | 4,689 |
| Total Other Financing Sources (Uses) | <u>1,200,000</u> | <u>1,209,090</u> | <u>(64,689)</u> | <u>(1,264,401)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>(740,324)</u> | <u>\$ (730,946)</u> |
| Fund Balance, Beginning of Year | | | <u>4,466,435</u> | |
| Fund Balance, End of Year | | | <u>\$ 3,726,111</u> | |

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

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

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

TOWN OF PRESTON, CONNECTICUT

Notes to the Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Their revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. Exceptions to this general rule include: compensated absences, debt service, 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 *Preston Redevelopment Agency Fund* accounts for intergovernmental grants received and expended for the development of the Norwich Hospital Property, renamed 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 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 \$14,000 and uncollectible interest, liens, and fees amounts of \$6,000. 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, 2024, loans receivable totaled \$261,735 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 assets 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 assets 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, deferred housing loans, and grants 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 strives to maintain an Unassigned Fund Balance of 9.5% of its approved annual operating expenditures (including debt). 1) If the Unassigned Fund Balance exceeds 9.5%, then the excess over the 9.5% may be used as determined by majority vote of the Board of Finance members present at an official meeting. The funds can be used to repay debt (if permissible), capital projects, balance the budget, or other one-time uses. 2) If the Unassigned Fund Balance falls below 9.5% per annual audited financial statements, then the Board of Finance shall adopt a plan with the approval of two-thirds vote of its members to restore the Unassigned Fund Balance to 9.5% of the approved annual operating expenditures within the three following fiscal years. Any decisions made by the Board of Finance regarding items one and two, must comply with State Statutes and Town policy.

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, 2024:

| | <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 | \$ 4,466,435 | \$ 19,109,724 | \$ 19,785,359 | \$ (64,689) | \$ 3,726,111 |
| "On-behalf" payments - State | | | | | |
| Teachers' Retirement and OPEB | - | 1,439,991 | 1,439,991 | - | - |
| Education Grants net for Budget | - | 253,772 | 253,772 | - | - |
| Issuance of Equipment Financing | - | - | 137,242 | 137,242 | - |
| Energy Efficiency Loan | - | - | 87,468 | 87,468 | - |
| Adjustment for Encumbrances | 86,650 | (2,088) | (75,472) | (29,650) | 130,384 |
| Reclassifications for GAAP Purposes | <u>-</u> | <u>(56,575)</u> | <u>(22,500)</u> | <u>34,075</u> | <u>-</u> |
| GAAP Basis | <u>\$ 4,553,085</u> | <u>\$ 20,744,824</u> | <u>\$ 21,605,860</u> | <u>\$ 164,446</u> | <u>\$ 3,856,495</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, and more than \$100,000 also requires approval by referendum. During the year ended June 30, 2024, Board of Finance and Town Meeting approved additional appropriations of \$69,090 from General Fund unassigned fund balance.

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, 2024, the following expenditures exceeded appropriations for the General Fund:

| | | |
|---------------------------|-----------|---------------|
| Central Services | \$ | 42,606 |
| Treasurer's Office | | 2,867 |
| Planning and Zoning | | 14,752 |
| Insurance/Risk Management | | 4,138 |
| Animal Control | | 301 |
| Public Works Department | | 4,533 |
| Transfer Station | | 12,545 |
| Youth Services Bureau | | 866 |
| Transfers Out | | 4,689 |
| | <u>\$</u> | <u>87,297</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, 2024.

| | | |
|---------------------------|-----------|-----------------------|
| | | Governmental Funds |
| Cash and Cash Equivalents | \$ | 6,479,200 |
| Restricted Cash | | 280,089 |
| | <u>\$</u> | <u>6,759,289</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 | \$ 6,759,289 |
| Less: Cash Equivalents (STIF) | (1,717,681) |
| Add: Investments (CDs) | <u>28,825</u> |
| | <u>\$ 5,070,433</u> |

At year-end, the Town's carrying amount of deposits subject to custodial credit risk was \$5,070,433 and the bank balance was \$5,892,153. Of the bank balance, Federal Depository Insurance Corporation insured \$1,070,650.

As of June 30, 2024, \$4,821,503 of the Town's bank balance of \$5,892,153 was exposed to custodial credit risk as follows:

| | |
|--|---------------------|
| Uninsured and uncollateralized | \$ 4,289,353 |
| Uninsured and collateral held by pledging bank's Trust department not in the Town's name | <u>532,150</u> |
| Total | <u>\$ 4,821,503</u> |

Cash Equivalents

At June 30, 2024, the Town's cash equivalents (Short-Term Investment Fund "STIF") amounted to \$1,717,681. 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, 2024:

| | |
|-------------------------|-------------------------------|
| | <u>Governmental Funds</u> |
| Certificates of Deposit | <u>\$ 28,825</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, 2024, 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 | \$ 28,825 | \$ 20,933 | \$ 7,892 | \$ - |

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 | Preston Redevelopment Agency Fund | Nonmajor Governmental Funds | Total |
|---------------------------|-----------------|--|-----------------------------------|--------------|
| Receivables: | | | | |
| Property Taxes | \$ 251,666 | \$ - | \$ - | \$ 251,666 |
| Interest, Liens, and Fees | 91,715 | - | - | 91,715 |
| Loans | - | - | 261,735 | 261,735 |
| Intergovernmental | 10,000 | 1,108,492 | 419,095 | 1,537,587 |
| Accounts | 40,019 | - | 11,202 | 51,221 |
| Gross Receivables | 393,400 | 1,108,492 | 692,032 | 2,193,924 |
| Less Allowance for | | | | |
| Uncollectibles: | | | | |
| Property Taxes | (14,000) | - | - | (14,000) |
| Interest, Liens, and Fees | (6,000) | - | - | (6,000) |
| Total Allowance | (20,000) | - | - | (20,000) |
| Net Total Receivables | \$ 373,400 | \$ 1,108,492 | \$ 692,032 | \$ 2,173,924 |

The loans receivable in the Small Cities Fund of \$261,735 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 | \$ 673,818 |
| Nonmajor Governmental Funds: | |
| Advances on Grants | 126,659 |
| Other | 44,763 |
| Fees Collected in Advance | 65,135 |
| Total Unearned Revenue | \$ 910,375 |

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, 2024, the outstanding balances between funds were:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Total</u> |
|-----------------------------|-----------------------------------|---------------------|
| Governmental Funds: | | |
| General Fund | Preston Redevelopment Agency Fund | \$ 277,708 |
| | Nonmajor Governmental Funds | <u>549,185</u> |
| | | <u>826,893</u> |
| ARPA Grant Fund | General Fund | <u>683,693</u> |
| Nonmajor Governmental Funds | General Fund | 174,499 |
| | Nonmajor Governmental Funds | <u>60,080</u> |
| | | <u>234,579</u> |
| | Total Interfund Balances | <u>\$ 1,745,165</u> |

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, 2024, were as follows:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|-------------------|
| Governmental Funds: | | |
| General Fund | Nonmajor Governmental Funds | \$ 52,500 |
| Nonmajor Governmental Funds | General Fund | <u>116,839</u> |
| | Total Transfers | <u>\$ 169,339</u> |

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, 2024:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-------------------|---------------------|----------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 889,139 | \$ - | \$ - | \$ 889,139 |
| Construction in Progress | <u>1,526,082</u> | <u>99,737</u> | <u>(141,424)</u> | <u>1,484,395</u> |
| Total capital assets, not being depreciated | <u>2,415,221</u> | <u>99,737</u> | <u>(141,424)</u> | <u>2,373,534</u> |
| Capital assets, being depreciated | | | | |
| Buildings | 14,696,542 | - | - | 14,696,542 |
| Improvements | 5,165,954 | 169,199 | - | 5,335,153 |
| Computer and Computer Equipment | 198,784 | 124,862 | (10,867) | 312,779 |
| Furniture, Fixtures, and Equipment | 964,406 | 160,289 | - | 1,124,695 |
| Vehicles | 4,869,231 | 939,436 | (39,943) | 5,768,724 |
| Infrastructure | <u>2,319,517</u> | <u>208,552</u> | <u>-</u> | <u>2,528,069</u> |
| Total capital assets, being depreciated | <u>28,214,434</u> | <u>1,602,338</u> | <u>(50,810)</u> | <u>29,765,962</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 6,895,570 | 274,077 | - | 7,169,647 |
| Improvements | 3,748,633 | 143,504 | - | 3,892,137 |
| Computer and Computer Equipment | 188,018 | 28,614 | (10,867) | 205,765 |
| Furniture, Fixtures, and Equipment | 847,012 | 55,335 | - | 902,347 |
| Vehicles | 2,713,353 | 334,586 | (30,612) | 3,017,327 |
| Infrastructure | <u>1,383,076</u> | <u>115,472</u> | <u>-</u> | <u>1,498,548</u> |
| Total accumulated depreciation | <u>15,775,662</u> | <u>951,588</u> | <u>(41,479)</u> | <u>16,685,771</u> |
| Total capital assets, being depreciated, net | <u>12,438,772</u> | <u>650,750</u> | <u>(9,331)</u> | <u>13,080,191</u> |
| <i>Capital assets, net</i> | <u>\$ 14,853,993</u> | <u>\$ 750,487</u> | <u>\$ (150,755)</u> | <u>\$ 15,453,725</u> |

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

| | |
|------------------------|-------------------|
| General Government | \$ 29,798 |
| Public Safety | 177,398 |
| Public Works | 219,993 |
| Health and Welfare | 7,673 |
| Culture and Recreation | 53,406 |
| Education | <u>463,320</u> |
| Total | <u>\$ 951,588</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, 2024, was as follows:

| Governmental Activities | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Bonds Payable: | | | | | |
| General Obligation Bonds | \$ 4,650,000 | \$ - | \$ 595,000 | \$ 4,055,000 | \$ 595,000 |
| Unamortized Premium | 118,721 | - | 16,960 | 101,761 | 16,960 |
| Total Bonds Payable | <u>4,768,721</u> | <u>-</u> | <u>611,960</u> | <u>4,156,761</u> | <u>611,960</u> |
| State Loan Payable | 2,000,000 | - | - | 2,000,000 | - |
| Compensated Absences | 4,072 | 26,988 | - | 31,060 | - |
| Post-Closure Landfill Costs | 1,800 | - | 600 | 1,200 | 600 |
| Energy Efficiency Loan | - | 137,242 | 27,023 | 110,219 | 27,444 |
| Equipment Financing Notes | - | 87,468 | 15,366 | 72,102 | 15,994 |
| Termination Benefits | 30,000 | - | 15,000 | 15,000 | 15,000 |
| Net Pension Liability | 1,556,744 | - | 114,474 | 1,442,270 | - |
| OPEB Liability | 580,991 | - | 552,617 | 28,374 | - |
| | <u>\$ 8,942,328</u> | <u>\$ 251,698</u> | <u>\$ 1,337,040</u> | <u>\$ 7,856,986</u> | <u>\$ 670,998</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, 2024, consisted of the following:

| <u>Purpose</u> | <u>Year of Issue</u> | <u>Original Amount</u> | <u>Interest Rates</u> | <u>Final Maturity</u> | <u>Principal Outstanding June 30, 2024</u> |
|-------------------|--------------------------|----------------------------|---------------------------|---------------------------|--|
| Capital Projects | 2018 | \$ 3,560,000 | 3-5% | 7/15/2028 | \$ 1,980,000 |
| Preston Riverwalk | 2018 | 1,700,000 | 2.35-4.2% | 7/15/2033 | 1,180,000 |
| Capital Projects | 2018 | 1,475,000 | 2-5% | 7/15/2032 | 895,000 |
| | | | | | <u>\$ 4,055,000</u> |

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> |
|----------------|---------------------|-------------------|---------------------|
| 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 | 620,000 | 47,252 | 667,252 |
| 2030-2034 | 995,000 | 87,618 | 1,082,618 |
| Total | <u>\$ 4,055,000</u> | <u>\$ 517,803</u> | <u>\$ 4,572,803</u> |

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Bonds Authorized and Unissued

At June 30, 2024, there were no authorized and unissued bonds.

State Loan Payable

On May 1, 2013, the Town entered into an Assistance Agreement with the State of Connecticut in connection with the redevelopment of Preston Riverwalk. Such agreement provides Preston with a loan of \$2,000,000. The funds were received during the year ended June 30, 2014, and the principal and interest was to be payable beginning five years from the date of the receipt of the funds in monthly installments for twenty years. Annual interest on the loan was 1.5%.

During the fiscal year ended June 30, 2017, the Assistance Agreement was amended (1st Amendment) to change the payment terms of the loan. This 1st Amendment stipulates the loan shall not bear interest until the later of May 1, 2021, or the fifth anniversary of the conveyance of the Property to the Mohegan Tribal Gaming Authority, known as "MTGA." The annual interest on the loan remained at 1.5%.

During the fiscal year ended June 30, 2023, the Assistance Agreement was once again amended (2nd Amendment) to change the payment terms of the loan. This 2nd Amendment 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 Loan then outstanding shall begin to bear interest at a rate of 1% per annum commencing on the deferral date. The principal amount of this Loan 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.

Equipment Financing Notes

The Town has an equipment financing note for the acquisition of an excavator.

| Equipment | Year of Issue | Original Amount | Interest Rate | Final Maturity | Principal Outstanding June 30, 2024 |
|-----------|---------------|-----------------|---------------|----------------|-------------------------------------|
| Excavator | 2023 | \$ 87,468 | 4.00% | 3/17/2028 | \$ 72,102 |

The annual debt service requirements of the Town's equipment financing note are as follows:

| Year(s) | Principal | Interest | Total |
|---------|------------------|------------------|------------------|
| 2025 | \$ 15,994 | \$ 5,027 | \$ 21,021 |
| 2026 | 17,278 | 3,743 | 21,021 |
| 2027 | 18,666 | 2,355 | 21,021 |
| 2028 | 20,164 | 857 | 21,021 |
| Total | <u>\$ 72,102</u> | <u>\$ 11,982</u> | <u>\$ 84,084</u> |

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Energy Efficiency Loan

The Town has two energy efficiency loan agreements totaling \$110,219 as of June 30, 2024. The Town is making monthly payments on the loans through fiscal year 2029.

The annual debt service requirements of the Town's energy efficiency loans are as follows:

| <u>Year(s)</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------|-------------------|-----------------|-------------------|
| 2025 | \$ 27,448 | \$ - | \$ 27,448 |
| 2026 | 27,448 | - | 27,448 |
| 2027 | 27,448 | - | 27,448 |
| 2028 | 26,208 | - | 26,208 |
| 2029 | 1,667 | - | 1,667 |
| Total | <u>\$ 110,219</u> | <u>\$ -</u> | <u>\$ 110,219</u> |

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, 2024, is \$15,000. 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: | |
| 2025 | <u>\$ 15,000</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, 2024 are as follows:

| | General Fund | Preston Redevelopment Agency 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 | - | - | 1,627 | 1,627 |
| Preservation of Records | 12,930 | - | - | 12,930 |
| Small Cities Loans | - | - | 122,267 | 122,267 |
| Education | - | - | 33,225 | 33,225 |
| Property Redevelopment | - | - | - | - |
| Capital Purposes | - | - | 177,083 | 177,083 |
| Total Restricted | <u>12,930</u> | <u>-</u> | <u>334,202</u> | <u>347,132</u> |
| Committed to: | | | | |
| Cemeteries | - | - | 21,959 | 21,959 |
| Public Safety | - | - | 226,598 | 226,598 |
| Health and Welfare | - | - | 17,172 | 17,172 |
| Culture and Recreation | - | - | 79,247 | 79,247 |
| Education | - | - | 211,470 | 211,470 |
| Capital Purposes | - | - | 654,829 | 654,829 |
| Total Committed | <u>-</u> | <u>-</u> | <u>1,211,275</u> | <u>1,211,275</u> |
| Assigned: | | | | |
| Subsequent Year's Budget | 1,200,000 | - | - | 1,200,000 |
| Encumbrances: | | | | |
| Education | 130,384 | - | - | 130,384 |
| Total Assigned | <u>1,330,384</u> | <u>-</u> | <u>-</u> | <u>1,330,384</u> |
| Unassigned | <u>2,513,181</u> | <u>(384,511)</u> | <u>(1,141)</u> | <u>2,127,529</u> |
| Total Fund Balances | <u>\$ 3,856,495</u> | <u>\$ (384,511)</u> | <u>\$ 1,568,771</u> | <u>\$ 5,040,755</u> |

Deficit Fund Balances

The following funds had unassigned fund balance deficits as of June 30, 2024:

| | |
|---------------------------------------|---------------------|
| Preston Redevelopment Agency Fund | \$ (384,511) |
| Educational Fund Various Scholarships | <u>(1,141)</u> |
| | <u>\$ (385,652)</u> |

The deficit fund balances will be replenished through future grant revenues and transfers from the General Fund.

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, who began employment prior to July 1, 1996, 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.

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.

Pre-Retirement Death Benefit: The Plan also offers a lump-sum return of contributions with interest or if vested and married, the surviving spouse will receive a lifetime benefit.

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. There is also an annual administrative fee per active and retired member.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2024 the Town reports a total liability of \$1,442,270 for government-wide financials for its proportionate share of the net pension liability. The net pension liability was measured at June 30, 2023, 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, 2023, the Town’s proportion was 0.32%, which is a 0.03% decrease from the prior valuation.

For the year ended June 30, 2024, the Town recognized pension expense of \$89,474. As of June 30, 2024, 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 | \$ 178,829 | \$ - |
| Difference between projected and actual earnings | 120,852 | - |
| Difference between expected and actual experience | 92,353 | (15,881) |
| Change in assumptions | 131,284 | - |
| Change in proportional share | 116,021 | (165,378) |
| | \$ 639,339 | \$ (181,259) |

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

Year ended June 30:

| | |
|------|------------|
| 2025 | \$ 77,304 |
| 2026 | 67,602 |
| 2027 | 123,687 |
| 2028 | 6,195 |
| 2029 | 4,463 |
| | \$ 279,251 |

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|-------------------|
| Inflation | 2.50 Percent |
| Salary increases, including inflation | 3.00-9.50 Percent |
| Long-term investment rate of return, net of pension investment expense | 7.00 Percent |

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Future Cost-of-Living Annually compounded increases are applied to disabled and nondisabled retirement benefits and vary based upon member age and date of retirement. For members that retired prior to January 1, 2002, increases of 3.25% are assumed for those who have reached age 65 and (effective January 1, 2002) increases of 2.50% are assumed for those who have not yet reached age 65. For members that retire after December 31, 2001, increases of 2.55% are assumed, regardless of age. For members retiring between July 1, 2025 and June 30, 2026, the COLA assumption is 2.5%. The COLA assumption is reduced to 2.3% for members retiring between July 1, 2026 and June 30, 2027; 2.1% for members retiring between July 1, 2027 and June 30, 2028; and 2.0% for members retiring after July 1, 2028.

Mortality rates were based on the PUB-2010 Mortality Tables set-forward one year (except Active Employees) are projected generationally with scale MP-2021.

The actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2022.

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:

| Asset Class | Target Allocation | Long-Term Target Expected Real Rate of Return |
|------------------------------------|-------------------|---|
| Global Equity | 37.00% | 6.80% |
| 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% | 6.10% |
| Real Estate | 10.00% | 6.30% |
| Infrastructure & Natural Resources | 7.00% | 7.70% |
| | 100.00% | |

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.

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:

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|----------------|-----------------------------|----------------|
| | 6.0% | 7.0% | 8.0% |
| Net Pension Liability as of June 30, 2024 | \$ 2,001,557 | \$ 1,442,270 | \$ 971,054 |

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 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 with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding normal retirement age. Effective January 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement preceded normal retirement date.

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 benefits regardless of length of service. Five years of credited service is required to be eligible for non-service-related disability. 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% nor more than 50%. 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.

Pre-Retirement Death Benefit: The Plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

Contributions: Per Connecticut General Studies 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 State Teachers Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Employer (School Districts): School District employers are not required to make contributions to the plan, and contributions are required only from employees and the State. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, 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, 2024, the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$313,702. The covered payroll for the Town for the year ended June 30, 2024, was approximately \$4,481,452.

Administrative Expenses: Administrative expenses of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2024 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>15,311,157</u> |
| Total | | <u>\$ 15,311,157</u> |

The net pension liability was measured as of June 30, 2023, 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, 2024, the Town had no proportionate share of the net pension liability.

For the year ended June 30, 2024, the Town recognized benefits expense and contribution revenue of \$1,420,659 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$1,465,959 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, 2023, 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 |
| Investment rate of return | 6.90 Percent net of pension plan investment expense, including inflation. |

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

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.

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 plan 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class as provided by the State of Connecticut's 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> |
|--------------------------------------|--------------------------|---|
| Global Equity | 37.00% | 6.80% |
| 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% | 6.10% |
| Real Estate | 10.00% | 6.20% |
| Infrastructure and Natural Resources | 7.00% | 7.70% |

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 plan 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension 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, 2024, the following employees were covered by the benefit terms:

| | |
|-----------------------------|----|
| Retirees receiving benefits | 3 |
| Active plan members | 47 |
| | 50 |
| | 50 |

Total OPEB Liability: The Town’s total OPEB liability of \$28,374 was measured as of June 30, 2024, and was determined using the Alternative Measurement Method (AMM).

Actuarial Assumptions and Other Inputs: The total OPEB liability as of June 30, 2024, was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-------------------------|-----------------------------------|
| Valuation Date | July 1, 2023 |
| Measurement Date | June 30, 2024 |
| Actuarial Cost Method | Entry Age Normal |
| Discount Rate | 3.85% |
| Future Retiree Coverage | 75% are assumed to elect coverage |

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.

Changes of assumptions during the year included a change in the average assumed retirement age from 61 to 65. The employer future premium contributions changed from remain at the current dollar level over time to remain a level percentage of total cost over time.

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

Changes in the Total OPEB Liability:

| | Total OPEB Liability |
|---|-------------------------|
| Balance at 6/30/23 | \$ 580,991 |
| Changes for the year: | |
| Service Cost | 11,964 |
| Interest | 22,829 |
| Effect of Economic/Demographic Gains or Losses | (587,410) |
| Difference between expected and actual experience | - |
| Changes in Assumptions | - |
| Benefit Payments | - |
| Net Changes | (552,617) |
| Balance at 6/30/24 | \$ 28,374 |

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 | \$ 30,601 | \$ 28,374 | \$ 26,405 |

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 | \$ 25,126 | \$ 28,374 | \$ 32,086 |

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

For the year ended June 30, 2024, the Town recognized OPEB expense of \$(552,617). As of June 30, 2024, 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 multi-employer 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 TRS. If they elect to remain in the Plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage. If a member participating in Medicare Parts A & B so elects, they may enroll in one of the TRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

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 \$8,514.

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.

Administrative Expenses -. Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r if the Connecticut General Statutes.

Actuarial Assumptions - The total OPEB liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

TOWN OF PRESTON, CONNECTICUT
Notes to the Financial Statements

| | |
|-------------------------------------|---|
| Inflation | 2.50% |
| Real Wage Growth | 0.50% |
| Wage Inflation | 3.00% |
| 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 | 3.65% |
| Prior Measurement Date | 3.54% |

The projected fiduciary net position is projected to be depleted in 2028.

Single equivalent interest rate

| | |
|------------------------|---|
| Measurement Date | 3.64%, net of OPEB plan investment expense, including price inflation |
| Prior Measurement Date | 3.53%, 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 4.5% by 2031. |
|----------|--|

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 the evaluation of 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% | 0.77% | 1.09% |
| Price inflation | | 2.50% | |
| Expected rate of return (Rounded nearest 0.25%) | | 3.25% | |

TOWN OF PRESTON, CONNECTICUT
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Discount Rate - The discount rate used to measure the total OPEB liability was 3.64%. 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, 2023.

In addition to the actuarial methods and assumptions of the June 30, 2023, 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 2028 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% |
| Net OPEB Liability | \$ 1,219,410 | \$ 1,434,445 | \$ 1,726,593 |

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 (2.64%) | Current Discount Rate (3.64%) | 1% Increase (4.64%) |
|--------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability | \$ 1,739,188 | \$ 1,434,445 | \$ 1,194,271 |

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2024 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>1,434,445</u> |
| Total | \$ | <u>1,434,445</u> |

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. At June 30, 2024, the Town had no proportionate share of the net OPEB liability.

For the year ended June 30, 2024, the Town recognized OPEB expense and revenue of \$19,332 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$(168,987) 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 (\$7,000,000) dollars and Brownfield Development Loan of two million (\$2,000,000) 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 mid-2025.

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. 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.

GASB Statement No. 102 – *Certain Risk Disclosures* – The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for the Town’s reporting period beginning July 1, 2024.

GASB Statement No. 103 – *Financial Reporting Model Improvements* – The objective of this Statement is to provide key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for the Town’s reporting period beginning July 1, 2025.

GASB Statement No. 104 – *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for the Town’s reporting period beginning July 1, 2025.

NOTE 14 – ACCOUNTING CHANGES AND ERROR CORRECTIONS

Changes to or Within the Financial Reporting Entity

The Preston Redevelopment Agency Fund previously did not meet the criteria to be reported as a major governmental fund. However, effective July 1, 2023, the fund met the criteria to be reported as a major governmental fund for the fiscal year ended June 30, 2024. The Capital Projects Fund previously met the criteria to be reported as a major governmental fund. However, effective July 1, 2023, the fund no longer met the criteria to be reported as a major governmental fund for the fiscal year ended June 30, 2024. The effect of the changes to or within the financial reporting entity beginning fund balances are described in the chart below:

| | Capital Projects Fund | Preston Redevelopment Agency Fund | Nonmajor Governmental Funds |
|---|--------------------------------------|--|--|
| Fund Balance as Reported June 30, 2023 | \$ 1,227,406 | \$ - | \$ 1,208,657 |
| Change from nonmajor governmental fund to major governmental fund | - | 247,367 | (247,367) |
| Change from major governmental fund to nonmajor governmental fund | (1,227,406) | - | 1,227,406 |
| Fund Balance as Adjusted July 1, 2023 | <u>\$ -</u> | <u>\$ 247,367</u> | <u>\$ 2,188,696</u> |

**Required
Supplementary
Information**

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| Town's Percentage of Collective Net Pension Liability | 0.316% | 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>\$ 1,442,270</u> | <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>\$ 954,082</u> | <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 | 151.17% | 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 | 69.54% | 68.71% | 82.59% | 71.18% | 72.69% | 73.60% | 91.68% | 88.29% | 92.72% | 90.48% |

See accountant's report.

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------|----------------|----------------|---------------|----------------|----------------|----------------|---------------|---------------|---------------|
| Town's Contractually Required Contribution | \$ 178,829 | \$ 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>178,829</u> | <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> | <u>\$ -</u> |
| Town's Covered Payroll | 954,082 | 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 | 18.74% | 17.65% | 15.95% | 13.84% | 12.17% | 13.73% | 11.74% | 11.38% | 11.38% | 11.38% |

Notes to Schedule

| | |
|---------------------------------------|--|
| Actuarial valuation date | June 30, 2023 |
| Actuarial cost method | Entry age |
| Amortization method | Level dollar, closed |
| Asset Valuation Method | Market Value on the measurement date |
| Single Equivalent Amortization Period | Blended 24.3 to 24.4 years depending on Tier |
| Inflation | 2.50% |
| Salary Increases | 3.00%-9.50%, 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 Ten Fiscal Years

Schedule of Proportionate Share of Net Pension Liability

| | 2024 | 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% | 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>15,311,157</u> | <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>\$ 15,311,157</u> | <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 | <u>\$ 4,481,452</u> | <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> | <u>\$ 3,423,711</u> | <u>\$ 3,449,751</u> | <u>\$ 3,194,869</u> |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll. | 0.00% | 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>58.39%</u> | <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> |

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 | 27.8 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 Seven Fiscal Years*

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB Liability | | | | | | | |
| Service Cost | \$ 11,964 | \$ 11,964 | \$ 75,700 | \$ 75,700 | \$ 75,700 | \$ 75,700 | \$ 75,700 |
| Interest | 22,829 | 22,166 | 24,623 | 20,234 | 20,938 | 23,507 | 32,800 |
| Effect of Economic/Demographic Gains or Losses | (587,410) | (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 | <u>(552,617)</u> | <u>17,226</u> | <u>(85)</u> | <u>112,222</u> | <u>(74,339)</u> | <u>61,283</u> | <u>(115,616)</u> |
| Total OPEB Liability - Beginning | <u>580,991</u> | <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>\$ 28,374</u> | <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 | N/A |
| Total OPEB Liability as a Percentage of Covered-employee Payroll | N/A | 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, 2024 |
| 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 Seven Fiscal Years*

Schedule of Proportionate Share of Net OPEB Liability

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Town's percentage of the net OPEB liability | 0.00% | 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 | 1,434,445 | 1,467,280 | 1,389,579 | 2,401,910 | 2,294,793 | 2,268,068 | 3,082,317 |
| Total | \$ 1,434,445 | \$ 1,467,280 | \$ 1,389,579 | \$ 2,401,910 | \$ 2,294,793 | \$ 2,268,068 | \$ 3,082,317 |
| Town's covered-employee payroll | \$ 4,481,452 | \$ 4,214,980 | \$ 4,152,193 | \$ 3,829,560 | \$ 3,650,567 | \$ 3,617,214 | \$ 3,484,818 |
| Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll. | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 11.92% | 9.46% | 6.11% | 2.50% | 2.08% | 1.49% | 1.79% |

*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, 2024

| | Budgeted Amounts | | Actual | Variance |
|--|----------------------|----------------------|----------------------|---------------------|
| | Original | Amended | Budgetary Basis | |
| Property Taxes | | | | |
| Current | \$ 13,857,217 | \$ 13,857,217 | \$ 13,856,293 | \$ (924) |
| Back Taxes | 100,000 | 100,000 | 166,550 | 66,550 |
| Interest and Lien Fees | 80,000 | 80,000 | 111,033 | 31,033 |
| Total Property Taxes | 14,037,217 | 14,037,217 | 14,133,876 | 96,659 |
| Intergovernmental | | | | |
| Education Cost Sharing (ECS) | 2,952,496 | 2,952,496 | 2,950,150 | (2,346) |
| Mashantucket Pequot | 1,165,290 | 1,165,290 | 1,165,290 | - |
| PILOT for State Property | 14,940 | 14,940 | 16,060 | 1,120 |
| Town Aid Road Grant | 200,094 | 200,094 | 200,243 | 149 |
| Youth Service Bureau Grants | 14,000 | 14,000 | 21,229 | 7,229 |
| Judicial Branch | 2,000 | 2,000 | 1,960 | (40) |
| Veterans Tax Relief | 1,000 | 1,000 | 526 | (474) |
| Other Grants | - | - | 21 | 21 |
| Municipal Revenue Sharing | - | - | 121,049 | 121,049 |
| Totally Disabled | 350 | 350 | 515 | 165 |
| Emergency Management Performance | 10,000 | 10,000 | 10,000 | - |
| LOCIP | 33,500 | 33,500 | - | (33,500) |
| Total Intergovernmental | 4,393,670 | 4,393,670 | 4,487,043 | 93,373 |
| Licenses, Permits, and Charges for Services | | | | |
| Town Clerk | 95,000 | 95,000 | 86,622 | (8,378) |
| EMS Services | 70,000 | 70,000 | 70,000 | - |
| Construction Permit Fees | 60,000 | 60,000 | 51,654 | (8,346) |
| State Zoning Fees Conservation | - | - | 8,068 | 8,068 |
| Building Education Fees | 5,000 | 5,000 | 2,636 | (2,364) |
| Transfer Station Fees | 20,000 | 20,000 | 17,361 | (2,639) |
| MERS Fees | 7,500 | 7,500 | 5,900 | (1,600) |
| Bingo | 1,250 | 1,250 | 1,132 | (118) |
| Zoning Fees | 2,000 | 2,000 | 7,560 | 5,560 |
| License and Permit Fees | 3,720 | 3,720 | 3,560 | (160) |
| Farmland Preservation Fees | 500 | 500 | 624 | 124 |
| Historic Document Fees | 1,500 | 1,500 | 1,638 | 138 |
| Total Licenses, Permits, and Charges for Services | 266,470 | 266,470 | 256,755 | (9,715) |
| Investment Income | 90,000 | 90,000 | 119,485 | 29,485 |
| Other Revenues | | | | |
| Telephone/Cable Access | 10,000 | 10,000 | 15,154 | 5,154 |
| Tower Rent | 19,166 | 19,166 | 21,083 | 1,917 |
| Elderly Housing - In Lieu of Tax | 6,000 | 6,000 | 6,719 | 719 |
| Sale of Property and Equipment | - | - | 4,075 | 4,075 |
| Miscellaneous Fees/Landfill-Scrap | 3,000 | 3,000 | 8,221 | 5,221 |
| Other Revenues | - | - | 55,225 | 55,225 |
| Encumbrance Credits | - | - | 2,088 | 2,088 |
| Total Other Revenues | 38,166 | 38,166 | 112,565 | 74,399 |
| Other Financing Sources | | | | |
| Use of Fund Balance | 1,200,000 | 1,269,090 | - | (1,269,090) |
| Transfers from Other Funds | - | - | - | - |
| Total Other Financing Sources | 1,200,000 | 1,269,090 | - | (1,269,090) |
| Total Revenues and Other Financing Sources | \$ 20,025,523 | \$ 20,094,613 | \$ 19,109,724 | \$ (984,889) |

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, 2024

| | Budgeted Amounts | | Actual | Variance |
|--|----------------------|----------------------|----------------------|-------------------|
| | Original | Amended | Budgetary Basis | |
| General Government | | | | |
| Board of Selectman | \$ 163,338 | \$ 172,044 | \$ 169,540 | \$ 2,504 |
| Central Services | 334,794 | 335,486 | 378,092 | (42,606) |
| Board of Finance | 28,830 | 28,830 | 28,008 | 822 |
| Assessor | 84,464 | 85,846 | 66,126 | 19,720 |
| Treasurer's Office | 134,049 | 134,592 | 137,459 | (2,867) |
| Employee Benefits | 876,091 | 783,621 | 660,553 | 123,068 |
| Town Clerk/Tax Collector | 164,366 | 169,185 | 166,474 | 2,711 |
| Registrars of Voters | 45,366 | 47,339 | 35,409 | 11,930 |
| Planning and Zoning | 98,811 | 100,193 | 114,945 | (14,752) |
| Zoning Board of Appeals | 1,474 | 1,474 | 669 | 805 |
| Insurance/Risk Management | 139,222 | 139,222 | 143,360 | (4,138) |
| Inlands/Wetlands | 11,635 | 11,635 | 10,551 | 1,084 |
| Conservation and Agricultural Commission | 5,217 | 5,217 | 3,063 | 2,154 |
| Ethics Commission | 662 | 662 | - | 662 |
| Preston Redevelopment Agency | 121,288 | 121,288 | 119,982 | 1,306 |
| Total General Government | 2,209,607 | 2,136,634 | 2,034,231 | 102,403 |
| Public Safety | | | | |
| Resident Trooper | 271,842 | 271,842 | 268,629 | 3,213 |
| Fire and EMS | 771,192 | 813,732 | 793,491 | 20,241 |
| Building Department | 64,738 | 66,121 | 45,119 | 21,002 |
| Animal Control | 29,196 | 29,196 | 29,497 | (301) |
| Total Public Safety | 1,136,968 | 1,180,891 | 1,136,736 | 44,155 |
| Public Works | | | | |
| Public Works Department | 849,168 | 853,737 | 858,270 | (4,533) |
| Transfer Station | 161,676 | 164,734 | 177,279 | (12,545) |
| Total Public Works | 1,010,844 | 1,018,471 | 1,035,549 | (17,078) |
| Health and Welfare | | | | |
| Public Health Administration | 75,966 | 75,966 | 75,076 | 890 |
| Youth Services Bureau | 28,659 | 28,659 | 29,525 | (866) |
| Senior Affairs | 82,190 | 93,667 | 92,523 | 1,144 |
| Total Health and Welfare | 186,815 | 198,292 | 197,124 | 1,168 |
| Culture and Recreation | | | | |
| Library | \$ 224,369 | \$ 224,369 | \$ 215,693 | \$ 8,676 |
| Parks and Recreation | 133,501 | 152,537 | 147,644 | 4,893 |
| Total Culture and Recreation | 357,870 | 376,906 | 363,337 | 13,569 |
| Debt Service | 742,642 | 742,642 | 742,642 | - |
| Education | 14,380,777 | 14,380,777 | 14,275,740 | 105,037 |
| Other Financing Uses - Transfer Out | - | 60,000 | 64,689 | (4,689) |
| Total Expenditures and Other Financing Uses | \$ 20,025,523 | \$ 20,094,613 | \$ 19,850,048 | \$ 244,565 |

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2024

SPECIAL REVENUE FUNDS

| | Educational Grants Fund | School Lunch Fund | Dog Fund | Winter Energy Plan | Small Cities Fund | Town Grant Fund | Tipping Fees Fund |
|---|----------------------------|-------------------------|------------------|--------------------------|-------------------------|-----------------------|-------------------------|
| Assets | | | | | | | |
| Cash and Cash Equivalents | \$ 149,316 | \$ 192,196 | \$ 29,863 | \$ - | \$ 124,614 | \$ - | \$ - |
| Investments | - | - | - | - | - | - | - |
| Receivables, Net | 282,045 | 25,055 | - | - | 261,735 | 71,320 | 11,202 |
| Inventory | - | 6,646 | - | - | - | - | - |
| Due from Other Funds | - | - | - | 7,395 | - | 13,363 | - |
| Total Assets | <u>\$ 431,361</u> | <u>\$ 223,897</u> | <u>\$ 29,863</u> | <u>\$ 7,395</u> | <u>\$ 386,349</u> | <u>\$ 84,683</u> | <u>\$ 11,202</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts Payable and Accrued Items | \$ 39,997 | \$ 4,214 | \$ 630 | \$ - | \$ - | \$ - | \$ 5,566 |
| Unearned Revenue | 41,976 | - | - | - | - | 84,683 | - |
| Due to Other Funds | 349,388 | 8,213 | 28,260 | - | 2,347 | - | 5,636 |
| Total Liabilities | <u>431,361</u> | <u>12,427</u> | <u>28,890</u> | <u>-</u> | <u>2,347</u> | <u>84,683</u> | <u>11,202</u> |
| Deferred Inflows of Resources: | | | | | | | |
| Unavailable Revenue - Receivables | - | - | - | - | 261,735 | - | - |
| Fund Balances: | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | 122,267 | - | - |
| Committed | - | 211,470 | 973 | 7,395 | - | - | - |
| Unassigned | - | - | - | - | - | - | - |
| Total Fund Balances | <u>-</u> | <u>211,470</u> | <u>973</u> | <u>7,395</u> | <u>122,267</u> | <u>-</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 431,361</u> | <u>\$ 223,897</u> | <u>\$ 29,863</u> | <u>\$ 7,395</u> | <u>\$ 386,349</u> | <u>\$ 84,683</u> | <u>\$ 11,202</u> |

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2024

SPECIAL REVENUE FUNDS

| | Parks and Recreation | Food Bank Fund | Various Cemetery | EMS Capital Improvement Fund | Youth Services | Student Activity Funds | Education Scholarships |
|---|----------------------------|----------------------|---------------------|------------------------------------|-------------------|------------------------------|---------------------------|
| Assets | | | | | | | |
| Cash and Cash Equivalents | \$ 172,811 | \$ 10,520 | \$ 21,879 | \$ 280,542 | \$ 1,732 | \$ 16,508 | \$ 16,737 |
| Investments | 20,933 | - | - | - | - | - | - |
| Receivables, Net | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - |
| Due from Other Funds | - | - | 80 | - | - | - | - |
| Total Assets | <u>\$ 193,744</u> | <u>\$ 10,520</u> | <u>\$ 21,959</u> | <u>\$ 280,542</u> | <u>\$ 1,732</u> | <u>\$ 16,508</u> | <u>\$ 16,737</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts Payable and Accrued Items | \$ 9,157 | \$ 411 | \$ - | \$ 3,106 | \$ - | \$ 20 | \$ - |
| Unearned Revenue | 65,135 | - | - | - | - | - | - |
| Due to Other Funds | 41,937 | 332 | - | 51,811 | - | - | - |
| Total Liabilities | <u>116,229</u> | <u>743</u> | <u>-</u> | <u>54,917</u> | <u>-</u> | <u>20</u> | <u>-</u> |
| Deferred Inflows of Resources: | | | | | | | |
| Unavailable Revenue - Receivables | - | - | - | - | - | - | - |
| Fund Balances: | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | 16,488 | 16,737 |
| Committed | 77,515 | 9,777 | 21,959 | 225,625 | 1,732 | - | - |
| Unassigned | - | - | - | - | - | - | - |
| Total Fund Balances | <u>77,515</u> | <u>9,777</u> | <u>21,959</u> | <u>225,625</u> | <u>1,732</u> | <u>16,488</u> | <u>16,737</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 193,744</u> | <u>\$ 10,520</u> | <u>\$ 21,959</u> | <u>\$ 280,542</u> | <u>\$ 1,732</u> | <u>\$ 16,508</u> | <u>\$ 16,737</u> |

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2024

| | SPECIAL REVENUE FUNDS | | | CAPITAL PROJECT FUNDS | | | |
|---|-----------------------|-------------------------|------------------------|---|-------------------------------|------------------|-----------------------|
| | Preschool Fund | Beverage Container Fund | Opioid Settlement Fund | Plan of Conservation & Development Fund | Capital and Nonrecurring Fund | Revaluation Fund | Capital Projects Fund |
| Assets | | | | | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - | \$ 235,087 | \$ - | \$ 510,028 |
| Investments | - | - | - | - | - | - | - |
| Receivables, Net | - | - | - | - | - | - | - |
| Inventory | - | - | - | - | - | - | - |
| Due from Other Funds | - | 17,990 | 27,038 | 563 | 60,000 | 11,000 | 60,000 |
| Total Assets | <u>\$ -</u> | <u>\$ 17,990</u> | <u>\$ 27,038</u> | <u>\$ 563</u> | <u>\$ 295,087</u> | <u>\$ 11,000</u> | <u>\$ 570,028</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts Payable and Accrued Items | \$ - | \$ 265 | \$ - | \$ - | \$ - | \$ - | \$ 1,250 |
| Unearned Revenue | - | 17,725 | 27,038 | - | - | - | - |
| Due to Other Funds | - | - | - | - | 60,080 | - | 20,586 |
| Total Liabilities | <u>-</u> | <u>17,990</u> | <u>27,038</u> | <u>-</u> | <u>60,080</u> | <u>-</u> | <u>21,836</u> |
| Deferred Inflows of Resources: | | | | | | | |
| Unavailable Revenue - Receivables | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances: | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | 177,083 | - | - |
| Committed | - | - | - | 563 | 57,924 | 11,000 | 548,192 |
| Unassigned | - | - | - | - | - | - | - |
| Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>563</u> | <u>235,007</u> | <u>11,000</u> | <u>548,192</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ -</u> | <u>\$ 17,990</u> | <u>\$ 27,038</u> | <u>\$ 563</u> | <u>\$ 295,087</u> | <u>\$ 11,000</u> | <u>\$ 570,028</u> |

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2024

| | CAPITAL PROJECT FUNDS | | | PERMANENT FUNDS | | Total |
|---|---|--------------------|--|----------------------|---|---------------------|
| | LOTICIP and CIF Grant Poquetanuck Fund | Technology Fund | Transfer Station Improvements Phase I and II Fund | Brewster Cemetery | Educational Fund Various Scholarships | |
| Assets | | | | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ - | \$ - | \$ 17,029 | \$ 1,778,862 |
| Investments | - | - | - | 7,892 | - | 28,825 |
| Receivables, Net | 40,675 | - | - | - | - | 692,032 |
| Inventory | - | - | - | - | - | 6,646 |
| Due from Other Funds | - | 7,500 | 29,650 | - | - | 234,579 |
| Total Assets | \$ 40,675 | \$ 7,500 | \$ 29,650 | \$ 7,892 | \$ 17,029 | \$ 2,740,944 |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable and Accrued Items | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 64,616 |
| Unearned Revenue | - | - | - | - | - | 236,557 |
| Due to Other Funds | 40,675 | - | - | - | - | 609,265 |
| Total Liabilities | 40,675 | - | - | - | - | 910,438 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable Revenue - Receivables | - | - | - | - | - | 261,735 |
| Fund Balances: | | | | | | |
| Nonspendable | - | - | - | 6,265 | 18,170 | 24,435 |
| Restricted | - | - | - | 1,627 | - | 334,202 |
| Committed | - | 7,500 | 29,650 | - | - | 1,211,275 |
| Unassigned | - | - | - | - | (1,141) | (1,141) |
| Total Fund Balances | - | 7,500 | 29,650 | 7,892 | 17,029 | 1,568,771 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 40,675 | \$ 7,500 | \$ 29,650 | \$ 7,892 | \$ 17,029 | \$ 2,740,944 |

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, 2024

| | SPECIAL REVENUE FUNDS | | | | | | |
|--|------------------------------|--|-------------------------|----------------|--------------------------|-------------------------|-----------------------|
| | Educational Grants Fund | Preston Redevelopment Agency Fund | School Lunch Fund | Dog Fund | Winter Energy Plan | Small Cities Fund | Town Grant Fund |
| Revenues | | | | | | | |
| Intergovernmental Revenues | \$ 682,549 | \$ - | \$ 169,667 | \$ - | \$ - | \$ - | \$ 84,009 |
| Licenses, Permits and Charges for Services | - | - | 55,512 | 2,206 | - | - | - |
| Investment Income | - | - | - | - | - | - | - |
| Other Revenue | - | - | - | - | 2,500 | 6,250 | - |
| Total Revenues | <u>682,549</u> | <u>-</u> | <u>225,179</u> | <u>2,206</u> | <u>2,500</u> | <u>6,250</u> | <u>84,009</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General Government | - | - | - | - | - | - | 982 |
| Public Safety | - | - | - | 11,511 | - | - | 4,241 |
| Public Works | - | - | - | - | - | - | - |
| Health and Welfare | - | - | - | - | 885 | - | - |
| Culture and Recreation | - | - | - | - | - | 1,886 | - |
| Education | 682,549 | - | 229,232 | - | - | - | - |
| Capital Outlay | - | - | - | - | - | - | 78,786 |
| Total Expenditures | <u>682,549</u> | <u>-</u> | <u>229,232</u> | <u>11,511</u> | <u>885</u> | <u>1,886</u> | <u>84,009</u> |
| Excess/(Deficiency) of Revenues Over Expenditures | - | - | (4,053) | (9,305) | 1,615 | 4,364 | - |
| Other Financing Sources/(Uses) | | | | | | | |
| Transfers In | - | - | - | 12,790 | - | - | - |
| Transfers Out | - | - | - | - | - | - | - |
| Total Other Financing Sources/(Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,790</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | - | - | (4,053) | 3,485 | 1,615 | 4,364 | - |
| Fund Balances at Beginning of Year | - | 247,367 | 215,523 | (2,512) | 5,780 | 117,903 | - |
| Changes to or Within Financial Reporting Entity | - | (247,367) | - | - | - | - | - |
| Fund Balances at Beginning of Year, Adjusted | <u>-</u> | <u>-</u> | <u>215,523</u> | <u>(2,512)</u> | <u>5,780</u> | <u>117,903</u> | <u>-</u> |
| Fund Balances at End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 211,470</u> | <u>\$ 973</u> | <u>\$ 7,395</u> | <u>\$ 122,267</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, 2024

| | SPECIAL REVENUE FUNDS | | | | | | |
|--|------------------------------|----------------------------|----------------------|---------------------|------------------------------------|-------------------|------------------------------|
| | Tipping Fees Fund | Parks and Recreation | Food Bank Fund | Various Cemetery | EMS Capital Improvement Fund | Youth Services | Student Activity Funds |
| Revenues | | | | | | | |
| Intergovernmental Revenues | \$ - | \$ 85,497 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses, Permits and Charges for Services | 73,413 | 73,483 | - | - | 65,990 | - | 31,147 |
| Investment Income | - | 158 | 6 | 1 | 24 | - | - |
| Other Revenue | - | 11,633 | 1,940 | 80 | - | - | - |
| Total Revenues | <u>73,413</u> | <u>170,771</u> | <u>1,946</u> | <u>81</u> | <u>66,014</u> | <u>-</u> | <u>31,147</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General Government | - | - | - | - | - | - | - |
| Public Safety | - | - | - | - | 17,522 | - | - |
| Public Works | 73,413 | - | - | - | - | - | - |
| Health and Welfare | - | - | 1,260 | - | - | - | - |
| Culture and Recreation | - | 164,258 | - | - | - | - | - |
| Education | - | - | - | - | - | - | 29,024 |
| Capital Outlay | - | - | - | - | - | - | - |
| Total Expenditures | <u>73,413</u> | <u>164,258</u> | <u>1,260</u> | <u>-</u> | <u>17,522</u> | <u>-</u> | <u>29,024</u> |
| Excess/(Deficiency) of Revenues Over Expenditures | - | 6,513 | 686 | 81 | 48,492 | - | 2,123 |
| Other Financing Sources/(Uses) | | | | | | | |
| Transfers In | - | - | - | - | - | - | - |
| Transfers Out | - | - | - | - | (52,500) | - | - |
| Total Other Financing Sources/(Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(52,500)</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | - | 6,513 | 686 | 81 | (4,008) | - | 2,123 |
| Fund Balances at Beginning of Year | - | 71,002 | 9,091 | 21,878 | 229,633 | 1,732 | 14,365 |
| Changes to or Within Financial Reporting Entity | - | - | - | - | - | - | - |
| Fund Balances at Beginning of Year, Adjusted | <u>-</u> | <u>71,002</u> | <u>9,091</u> | <u>21,878</u> | <u>229,633</u> | <u>1,732</u> | <u>14,365</u> |
| Fund Balances at End of Year | <u>\$ -</u> | <u>\$ 77,515</u> | <u>\$ 9,777</u> | <u>\$ 21,959</u> | <u>\$ 225,625</u> | <u>\$ 1,732</u> | <u>\$ 16,488</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, 2024

| | SPECIAL REVENUE FUNDS | | | | CAPITAL PROJECT FUNDS | | |
|--|------------------------------|-------------------|-------------------------------|------------------------------|--|-------------------------------------|---------------------|
| | Education Scholarships | Preschool Fund | Beverage Container Fund | Opioid Settlement Fund | Plan of Conservation & Development Fund | Capital and Nonrecurring Fund | Revaluation Fund |
| Revenues | | | | | | | |
| Intergovernmental Revenues | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses, Permits and Charges for Services | - | 109,400 | - | - | - | 5,281 | - |
| Investment Income | 29 | - | - | - | - | - | - |
| Other Revenue | - | - | 4,973 | - | - | 6,000 | - |
| Total Revenues | <u>29</u> | <u>109,400</u> | <u>4,973</u> | <u>-</u> | <u>-</u> | <u>11,281</u> | <u>-</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General Government | - | - | 4,973 | - | 5,914 | - | - |
| Public Safety | - | - | - | - | - | - | - |
| Public Works | - | - | - | - | - | - | - |
| Health and Welfare | - | - | - | - | - | - | - |
| Culture and Recreation | - | - | - | - | - | - | - |
| Education | 519 | 109,400 | - | - | - | - | - |
| Capital Outlay | - | - | - | - | - | 60,000 | - |
| Total Expenditures | <u>519</u> | <u>109,400</u> | <u>4,973</u> | <u>-</u> | <u>5,914</u> | <u>60,000</u> | <u>-</u> |
| Excess/(Deficiency) of Revenues Over Expenditures | (490) | - | - | - | (5,914) | (48,719) | - |
| Other Financing Sources/(Uses) | | | | | | | |
| Transfers In | - | - | - | - | 5,000 | 61,899 | - |
| Transfers Out | - | - | - | - | - | - | - |
| Total Other Financing Sources/(Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,000</u> | <u>61,899</u> | <u>-</u> |
| Net Change in Fund Balances | (490) | - | - | - | (914) | 13,180 | - |
| Fund Balances at Beginning of Year | 17,227 | - | - | - | 1,477 | 221,827 | 11,000 |
| Changes to or Within Financial Reporting Entity | - | - | - | - | - | - | - |
| Fund Balances at Beginning of Year, Adjusted | <u>17,227</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,477</u> | <u>221,827</u> | <u>11,000</u> |
| Fund Balances at End of Year | <u>\$ 16,737</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 563</u> | <u>\$ 235,007</u> | <u>\$ 11,000</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, 2024

| | CAPITAL PROJECT FUNDS | | | | PERMANENT FUNDS | | Total |
|--|------------------------------|---|--------------------|--|------------------------|---|---------------------|
| | Capital Projects Fund | LOTICIP and CIF Grant Poquetanuck Fund | Technology Fund | Transfer Station Improvements Phase I and II Fund | Brewster Cemetery | Educational Fund Various Scholarships | |
| Revenues | | | | | | | |
| Intergovernmental Revenues | \$ - | \$ 40,675 | \$ - | \$ - | \$ - | \$ - | \$ 1,062,397 |
| Licenses, Permits and Charges for Services | - | - | - | - | - | - | 416,432 |
| Investment Income | 8,677 | - | - | - | 92 | - | 8,987 |
| Other Revenue | - | - | - | - | - | - | 33,376 |
| Total Revenues | <u>8,677</u> | <u>40,675</u> | <u>-</u> | <u>-</u> | <u>92</u> | <u>-</u> | <u>1,521,192</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| General Government | 1,275 | - | - | - | - | - | 13,144 |
| Public Safety | - | - | - | - | - | - | 33,274 |
| Public Works | - | - | - | - | - | - | 73,413 |
| Health and Welfare | - | - | - | - | - | - | 2,145 |
| Culture and Recreation | - | - | - | - | - | - | 166,144 |
| Education | 47,262 | - | - | - | - | 535 | 1,098,521 |
| Capital Outlay | 639,354 | 40,675 | - | - | - | - | 818,815 |
| Total Expenditures | <u>687,891</u> | <u>40,675</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>535</u> | <u>2,205,456</u> |
| Excess/(Deficiency) of Revenues Over Expenditures | (679,214) | - | - | - | 92 | (535) | (684,264) |
| Other Financing Sources/(Uses) | | | | | | | |
| Transfers In | - | - | 7,500 | 29,650 | - | - | 116,839 |
| Transfers Out | - | - | - | - | - | - | (52,500) |
| Total Other Financing Sources/(Uses) | <u>-</u> | <u>-</u> | <u>7,500</u> | <u>29,650</u> | <u>-</u> | <u>-</u> | <u>64,339</u> |
| Net Change in Fund Balances | (679,214) | - | 7,500 | 29,650 | 92 | (535) | (619,925) |
| Fund Balances at Beginning of Year | - | - | - | - | 7,800 | 17,564 | 1,208,657 |
| Changes to or Within Financial Reporting Entity | 1,227,406 | - | - | - | - | - | 980,039 |
| Fund Balances at Beginning of Year, Adjusted | <u>1,227,406</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>7,800</u> | <u>17,564</u> | <u>2,188,696</u> |
| Fund Balances at End of Year | <u>\$ 548,192</u> | <u>\$ -</u> | <u>\$ 7,500</u> | <u>\$ 29,650</u> | <u>\$ 7,892</u> | <u>\$ 17,029</u> | <u>\$ 1,568,771</u> |

See accountant's report.

TOWN OF PRESTON, CONNECTICUT
Schedule of Property Taxes Levied, Collected, and Outstanding
For the Year Ended June 30, 2024

| List of 10/1: | Outstanding July 1, 2023 | Current Levy | Lawful Corrections | | Transfers to Suspense | Collectible Taxes | Collections During the Year | | | | Outstanding June 30, 2024 |
|---------------|--------------------------|----------------------|--------------------|-------------------|-----------------------|----------------------|-----------------------------|---------------|---------------|-------------------|---------------------------|
| | | | Additions | Deductions | | | Taxes | Interest | Liens | Total | |
| 2022 | | \$ 14,104,969 | \$ 8,911 | \$ 84,654 | \$ - | \$ 14,029,226 | \$ 13,869,862 | \$ 53,803 | \$ 2,083 | \$ 13,925,748 | \$ 159,364 |
| 2021 | \$ 193,691 | - | 387 | 7,273 | - | 186,805 | 121,420 | 25,638 | 9,513 | 156,571 | 65,385 |
| 2020 | 47,451 | - | 68 | 4,899 | 1,322 | 41,298 | 14,292 | 7,220 | 1,806 | 23,318 | 27,006 |
| 2019 | 13,193 | - | 7,075 | 3,037 | 13,897 | 3,334 | 3,423 | 2,141 | 383 | 5,947 | (89) |
| 2018 | 7,184 | - | 40 | 2,511 | 3,861 | 852 | 852 | 658 | 31 | 1,541 | - |
| 2017 | 4,025 | - | - | 2,473 | 1,591 | (39) | (39) | - | - | (39) | - |
| 2016 | 2,273 | - | 45 | 2,318 | - | - | - | - | - | - | - |
| 2015 | 2,250 | - | 44 | 2,294 | - | - | - | - | - | - | - |
| 2014 | 2,222 | - | - | 2,222 | - | - | - | - | - | - | - |
| 2013 | 2,235 | - | - | 2,235 | - | - | - | - | - | - | - |
| 2012 | 2,290 | - | - | 2,290 | - | - | - | - | - | - | - |
| 2011 | 1,974 | - | - | 1,974 | - | - | - | - | - | - | - |
| 2010 | 1,974 | - | - | 1,974 | - | - | - | - | - | - | - |
| 2009 | 550 | - | - | 550 | - | - | - | - | - | - | - |
| 2008 | - | - | - | - | - | - | - | - | - | - | - |
| | \$ 281,312 | \$ 14,104,969 | \$ 16,570 | \$ 120,704 | \$ 20,671 | \$ 14,261,476 | 14,009,810 | 89,460 | 13,816 | 14,113,086 | \$ 251,666 |

Net Grand List - October 1, 2022

Tax Rate: 22.87 mills

| | | | | |
|----------------------------|----------------------|-------------------|------------------|----------------------|
| Total Suspense Collections | 11,608 | 15,830 | 1,889 | 29,327 |
| Total Collections | \$ 14,021,418 | \$ 105,290 | \$ 15,705 | \$ 14,142,413 |

See accountant's report.

TOWN OF PRESTON, CONNECTICUT

Schedule of Debt Limitation

June 30, 2024

Total Tax Collections, Including Interest and Lien Fees - Prior Fiscal Year \$ 13,431,116

Reimbursement for Revenue Loss on:

Tax Relief for Elderly - Prior Fiscal Year

Base

-

\$ 13,431,116

| | General Purposes | Schools | Sewers | Urban Renewal | Pension Deficit |
|------------------------------------|---------------------|---------------|---------------|------------------|--------------------|
| | (2.25 x base) | (4.50 x base) | (3.75 x base) | (3.25 x base) | (3.00 x base) |
| Debt Limitation: | | | | | |
| Statutory Debt Limits by Function | \$ 30,220,011 | \$ 60,440,022 | \$ 50,366,685 | \$ 43,651,127 | \$ 40,293,348 |
| Indebtedness: | | | | | |
| Bonds Payable | 2,785,000 | 1,270,000 | - | - | - |
| Loan Payable | 2,000,000 | 110,219 | - | - | - |
| Notes Payable | 72,102 | - | - | - | - |
| Total Indebtedness | 4,857,102 | 1,380,219 | - | - | - |
| Debt Limitation in Excess of Debt* | \$ 25,362,909 | \$ 59,059,803 | \$ 50,366,685 | \$ 43,651,127 | \$ 40,293,348 |

*In no event shall total debt exceed seven times annual receipts from base. The maximum amount permitted under this formula would be approximately \$94,017,812.

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, 2024

| | <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 | \$ 169,903 | \$ 1,899 | \$ 5,281 | \$ - | \$ - | \$ - | \$ 177,083 |
| Total Restricted Fund Balance | <u>169,903</u> | <u>1,899</u> | <u>5,281</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>177,083</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 | 28,683 | - | - | - | - | - | 28,683 |
| <i>Board of Education</i> | | | | | | | |
| Vehicles and Equipment | | | | | | | |
| Responder Units | 29 | - | - | - | - | - | 29 |
| Playground | 400 | - | - | - | - | - | 400 |
| Van | - | 60,000 | - | - | - | (60,000) | - |
| Future Projects | 30,430 | - | 6,000 | - | - | - | 36,430 |
| Total Committed Fund Balance | <u>51,924</u> | <u>60,000</u> | <u>6,000</u> | <u>-</u> | <u>-</u> | <u>(60,000)</u> | <u>57,924</u> |
| Total Fund Balance | <u>\$ 221,827</u> | <u>\$ 61,899</u> | <u>\$ 11,281</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (60,000)</u> | <u>\$ 235,007</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.