

Comprehensive Annual Financial Report

of the

Town of Coventry, Connecticut

Fiscal Year Ended June 30, 2018

**Department of Finance
Amanda L. Backhaus, CPA
Finance Director**

Independent Auditors' Report

To the Town Council
Town of Coventry, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Coventry, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Coventry, Connecticut's basic financial statements as listed in the table of contents.

Management's *Responsibility* for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Change in Accounting Principle

As discussed in Note 13 to the financial statements, during the fiscal year ended June 30, 2018, the Town of Coventry, Connecticut, adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The net position of the Town of Coventry, Connecticut, has been restated to recognize the net other postemployment benefit liability in accordance with GASB No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 20, 2018

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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

Financial Highlights

- Net position of the Town of Coventry's governmental activities increased by \$1.036 million.
- During the year, the Town had \$52.4 million in revenues for governmental programs. Of this, 59.5% was generated from property tax revenues (Table 2).
- Total cost of all of the Town's programs was \$51.3 million with no new programs added this year. This is a decrease of approximately \$1 million dollars from the prior year.
- The Town's total general obligation bonded debt decreased by \$1.47 million or 11.8% due to scheduled repayments.
- The General Fund reports a GAAP fund balance this year of \$5,783,965 less an assigned balance for encumbrances of \$422,829, a non-spendable balance of \$23,329, and a restricted balance of \$34,048, leaving an unassigned fund balance of \$5,303,759. The Fiscal Management policy of the Town Council sets a target of fund balance at 15%. At the close of the current fiscal year, unassigned fund balance for the General Fund when expressed as a percentage of the final approved budget appropriation is 13.2%.
- The State of Connecticut contributed \$4,762,042 and \$491,092 on behalf of Coventry certified staff to the teachers' retirement fund pension and OPEB, respectively. This amount is reflected in both expenditures and revenues.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the Town and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Town's net position and changes in them. The Town's net position, defined as the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

Government-Wide Financial Statements (Continued)

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, human services, culture and recreation, insurance and sundry, and education. The Town has no business-type activities.

Fund Financial Statements

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

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

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Government-Wide Financial Analysis

The Town's combined net position increased from a year ago. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

**TABLE 1
NET POSITION**

	Governmental Activities	
	2018	2017 (as Restated)
Current assets	\$ 20,336,453	\$ 20,714,841
Capital assets, net of accumulated depreciation	118,752,859	119,053,944
Total assets	<u>139,089,312</u>	<u>139,768,785</u>
Deferred outflows of resources	<u>1,064,765</u>	<u>888,900</u>
Long-term liabilities outstanding	30,440,358	31,443,365
Other liabilities	2,029,206	2,845,142
Total liabilities	<u>32,469,564</u>	<u>34,288,507</u>
Deferred inflows of resources	<u>488,025</u>	<u>208,720</u>
Net Position:		
Net investment in capital assets	101,359,144	99,892,573
Restricted	30,174	30,356
Unrestricted	<u>5,807,170</u>	<u>6,237,529</u>
Total Net Position	<u>\$ 107,196,488</u>	<u>\$ 106,160,458</u>

Overall, net position increased by \$1.036 million or 1.0% over the prior year net position (\$107.2 million compared to \$106.2 million). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from \$6.24 million at June 30, 2017 to \$5.81 million at June 30, 2018. The largest portion of the Town of Coventry's net position (\$101.4 million or 94.6%) reflects its investment in capital assets (e.g., land, buildings, vehicles, furniture and equipment, water systems and infrastructure) less related debt used to acquire those assets that is still outstanding. These capital assets are a fundamental part of our service delivery to our citizens but are not available for future spending since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Government-Wide Financial Analysis (Continued)

Changes in governmental net position can be explained as follows:

- Increase in current net position of \$1,036,030 as outlined in Exhibit II.
- Total assets decreased during the fiscal year by \$679,473, or 0.5%. The main driver behind this decrease was a net decrease in cash and accounts receivable.
- Increase in deferred outflows of resources in the amount of \$176 thousand or 19.8% due to actual versus projected variables relating to the Town's pension plan.
- Decrease in unearned revenue of \$731 thousand due to the spend down of the \$1 million LOTCIP grant for Lake and Cross St. renovations which was received in the prior fiscal year and spent in the current fiscal year.
- Decrease in long-term liabilities of \$1.0 million or 3.2% cause by scheduled debt repayment of \$2.3 million offset by an increase in the net pension liability of \$936 thousand, OPEB liability of \$212 thousand and a new capital lease in the amount of \$549 thousand.

**TABLE 2
CHANGE IN NET POSITION**

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 4,257,408	\$ 4,169,185
Operating grants and contributions	14,652,397	15,608,464
Capital grants and contributions	2,409,732	1,310,041
General revenues:		
Property taxes	30,867,144	29,960,426
Grants and contributions not restricted to specific purposes	83,578	422,541
Unrestricted investment earnings	129,581	82,884
Other general revenues		80,151
Total revenues	<u>52,399,840</u>	<u>51,633,692</u>
Expenses:		
General government	2,114,592	2,325,920
Public safety	3,941,988	3,891,121
Public works	7,126,262	8,110,969
Human services	981,549	577,274
Culture and recreation	1,176,161	1,126,796
Education	35,584,039	35,409,114
Debt service	439,219	396,525
Total expenses	<u>51,363,810</u>	<u>51,837,719</u>
Increase in Net Position	1,036,030	(204,027)
Net Position July 1	106,160,458	110,941,188
Restatement		<u>(4,576,703)</u>
Net Position June 30	<u>\$ 107,196,488</u>	<u>\$ 106,160,458</u>

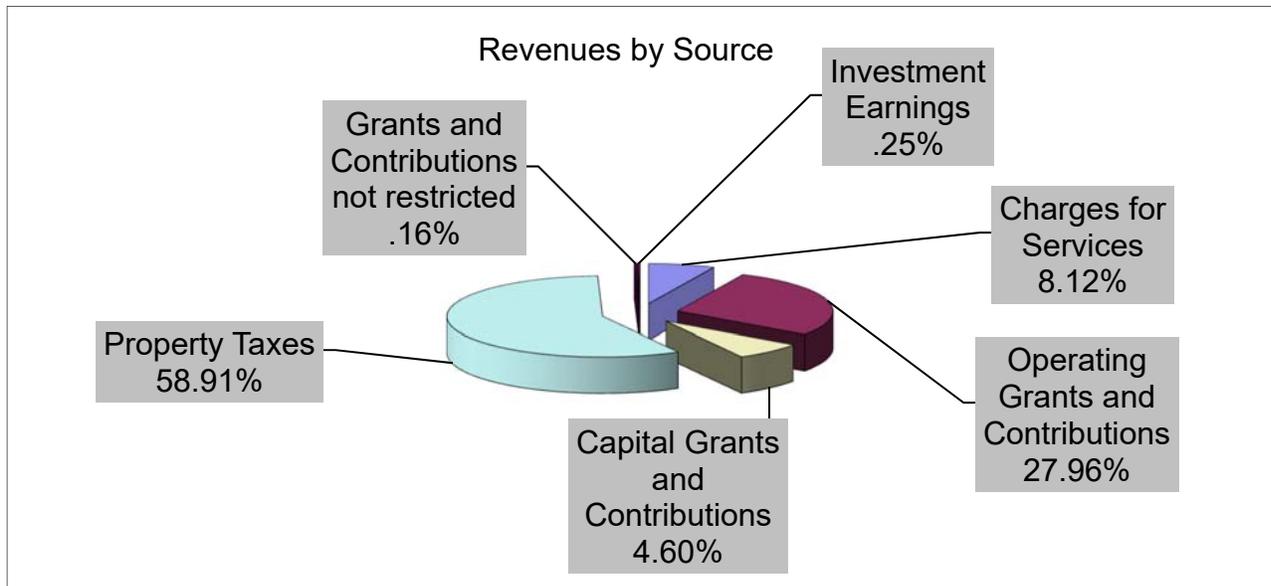
Government-Wide Financial Analysis (Continued)

Revenues

The Town's total revenues were \$51.9 million. Major revenue changes include the following:

- Program revenues: Charges for services remained similar to the prior year, with an increase of \$88 thousand. Operating grants and contributions decreased by \$1.4 million or 9.3% due to decreases in education grant funding. Capital grants and contributions increased by \$1.1 million or 83.9% due to the projects such as the Lake and Cross St LOTCIP construction and Orchard Hills CDBG roof and sidewalk renovations which were substantially completed during the current year.
- General revenues: Property taxes increased over the previous year by 3.03% due to a mil rate increase of 0.6% as well as minor grand list growth. Unrestricted grants and contributions decreased \$339 thousand or 80.2% due to decreases in State funding in grants such as Municipal Revenue Sharing and Property Tax Relief for elderly. Investment earnings totaled \$130 thousand, an increase of \$47 thousand from the prior year.

The following chart shows the breakdown of revenues by source:



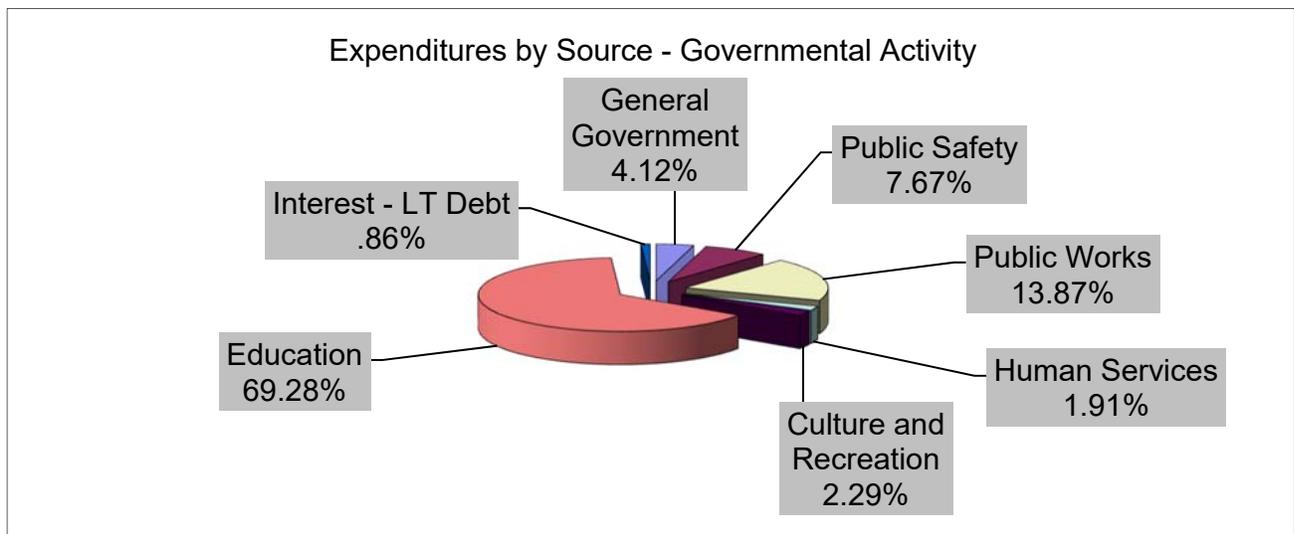
Government-Wide Financial Analysis (Continued)

Expenses

The total cost of all programs and services was \$51.3 million, a decrease of \$474 thousand from the prior year. The following is an explanation of the major changes:

- Overall General Fund operating budget had a decrease in actual expenditures of \$537 thousand, or 1.3% from the prior year.
- Increase to the Town's net pension liability of \$564 thousand and an increase to the Town's net OPEB liability of \$212 thousand.
- Human services expenditures increased \$404 thousand due to two new Community Development Block Grants for Orchard Hill renovations and crumbling foundation testing.
- Decrease in public works expenditures of \$984 thousand due to delayed timing of Town Aid Road funds resulting in delay of road work. In addition, a large amount of projects completed by public works were able to be capitalized rather than expensed in the current year.

The following chart shows expenses by function:



Government-Wide Financial Analysis (Continued)

Table 3 presents the cost of each of the Town's programs - general government, public safety, public works, human services, culture and recreation, education and debt service - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

The General Government function includes costs related to overall governmental administration, and includes recording of legally required documents, computer system management, finance system management, assessment and collection of taxes, elections, land use planning and economic development.

Public Safety encompasses a full service police department, volunteer fire services and an ambulance service with contracted paramedic services.

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Public Works includes the maintenance of Town roadways, repairs of the town fleet, maintenance at town parks and athletic facilities, management of the Town's cemeteries, code enforcement and engineering services. The solid waste and sewer operating programs are supported by user fees. This program is self-supporting and reduces the overall burden on the property tax.

Human Services include general family services, youth services and elderly services. In addition, this function incorporates the Community Development Block Grant program, which provides grants and no-interest loans for home improvement and community construction projects.

Culture and Recreation funds a grant to the Booth-Dimock Memorial Library and provides support for the full parks and recreation program. The General Fund provided 19% of the costs of recreation and park maintenance. The balance is supported by the fees charged for a variety of programs offered to Town residents, summer camps for youth, full waterfront services at Coventry Lake and miscellaneous programs offered at the Town parks.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General government	\$ 2,114,592	\$ 2,325,920	\$ (1,478,292)	\$ (1,647,723)
Public safety	3,941,988	3,891,121	(3,314,142)	(3,107,932)
Public works	7,126,262	8,110,969	(3,453,642)	(5,115,370)
Human services	981,549	577,274	(322,676)	(425,258)
Culture and recreation	1,176,161	1,126,796	(753,884)	(732,678)
Education	35,584,039	35,409,114	(20,282,418)	(19,324,543)
Debt service	439,219	396,525	(439,219)	(369,525)
Total	<u>\$ 51,363,810</u>	<u>\$ 51,837,719</u>	<u>\$ (30,044,273)</u>	<u>\$ (30,723,029)</u>

Town Funds Financial Analysis - Governmental Funds

At the close of the fiscal year the Town of Coventry reported (as presented in the balance sheet - Exhibit III) a combined fund balance of \$10.6 million, which is an increase from last year's total of \$9.7 million. The changes are explained as follows:

- General Fund balance increased by \$264,159, a 4.8% increase. This is due to the unfavorable budgetary results noted on the next page offset by an increase in outstanding encumbrances as of year-end.
- Sewer Assessment fund balance increased \$147,459 or 42.1% due to increased collections in the current year. Upon the completion of the sewer expansion project around the lake, increased debt service requirements will cause this fund to shrink until all assessments have been collected and all debt has been paid.
- CDBG fund balance increased \$23,428 or 33.3%. This fund uses grant monies to support its projects and only spends funds on hand for new loan projects.
- Capital Projects fund balance increased by \$330,763 or 28.9%. General Fund capital appropriations, which had been frozen in January during budget remediation, were released at the end of the fiscal year and transferred to capital projects funds for future use. In addition, \$198 thousand of the capital lease recognized in the current fiscal year will be paid out in fiscal year 19/20 when the item is received by the Town.

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

- Non-major Governmental Funds fund balance increased \$96,010 or 3.7%. The major changes were as follows: Town Aid Road increased by \$225 thousand due late receipt of the second grant payment from the State; and EMS Services decreased \$146 thousand due to the planned purchase of a new ambulance.

General Fund Budget Highlights

The final adopted budgeted for fiscal year 2018 included the use of fund balance of \$194,000. Final results were use of fund balance of only \$34,029. Overall, revenues were under final budget appropriations by \$55,244. Taxes were under estimates by \$6,590. Operating grants were \$65,681 under final budget, due to the State's mid-year cuts in such grants as the elderly circuit breaker. Local revenues exceeded final budget appropriations due to conveyance tax receipts and building permit revenue.

Expenditures were within final budget authorization, with an ending positive variance of \$179,801. Of this, \$28,146 was related to education expenditures. Throughout the fiscal year, the Town Council approved appropriation increases of \$194,000 for winter sand/salt purchases and snow related overtime, as well as hydrilla treatment for Lake Wangumbaug. Actual budgetary expenditures totaled \$39,919,474.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2018, the Town had \$118.8 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads and bridges as shown in Table 4. This amount represents a net decrease (including additions and deductions) of \$301 thousand, or 0.3%, over last year.

**TABLE 4
CAPITAL ASSETS (Net of Depreciation)**

	Governmental Activities	
	2018	2017
Land	\$ 3,826,689	\$ 3,492,989
Buildings	35,786,498	36,662,137
Improvements other than buildings	2,326,900	1,729,551
Equipment	5,171,161	4,214,310
Infrastructure	69,538,627	70,886,777
Construction in progress	2,102,984	2,068,180
Total	<u>\$ 118,752,859</u>	<u>\$ 119,053,944</u>

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

This year's major additions included:

- Ambulance with lift
- Fire Truck
- High School Boiler replacements
- Tracy Shoddy Mill renovation
- Lake gate replacement
- Jones Crossing Bridge Repair
- Cider Mill Bridge Repair
- Tennis court replacement
- Senior transportation van
- Dump Truck
- Roller
- Police in-car camera system
- Town Hall and Police servers
- Lake and Cross St. Improvements
- Library chiller replacement
- Open space property

More detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

Long-Term Debt

At June 30, 2018, the Town had \$10,995,000 in general obligation bonds outstanding versus \$12,460,000 last year - a decrease of \$1,465,000. Clean Water Fund Loans of \$4,537,870 are a reduction of \$455,657 from the last fiscal year balance of \$4,993,527.

The Town's rating was changed to AA3 by Moody's as of December 2017. Despite strong management and a history of stable finances, the Town faces increased pressure from hold backs and declines in state funding which led to the downgrade.

The State limits the amount of general obligation debt that cities can issue based on a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below the state-imposed limit.

Other obligations include landfill post closure liability, and accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal year 2018 budget tax rates. The relatively low ratio of commercial to residential property places a high burden on the residential taxpayer. Opportunities to relieve this burden through the implementation of fees or the application for grant monies are always pursued.

During the budget process the Town Council considered the uncertainty of State aid to municipalities, an improving real estate market, the low interest rate environment, and general taxpayer sentiment when adopting the General Fund budget for 2018-19. The final proposed budget had a 0.84% increase for General Government, a 0.88% increase for Education, no change in Capital expenditures and a 6.64% increase for Debt Service. The adopted budget General Fund budget is \$40,812,486, a total increase of 1.24% from the original fiscal year 2017 budget. The property tax revenue increase needed was 3.2% from the previous year to fund this budget. The mil rate for the Town increased from 32.0 to 32.2, a 0.6% increase. The budget was approved by the voters at the first adjourned Town meeting in May 2018.

The Town will use budget revenues to finance programs currently offered. No new programs are proposed. The adopted budget for 2018-19 includes no transfer of funds from fund balance to offset expenditures. Council policy has established a goal for an unassigned general fund balance of 15% of expenditures. General Fund balance as of June 30, 2018 is 13.2% of the final FY18 budget appropriation.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, Town of Coventry, 1712 Main Street, Coventry, Connecticut, 06238.

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities
Assets:	
Cash and cash equivalents	\$ 10,723,369
Investments	4,103
Receivables, net	6,513,582
Inventory	16,951
Prepaid items	23,868
Advance to plan administrator	3,054,580
Capital assets not being depreciated	5,929,673
Capital assets being depreciated, net of accumulated depreciation	112,823,186
Total assets	139,089,312
Deferred Outflows of Resources:	
Difference between projected and actual earnings on pension plan investments	171,543
Changes in pension assumptions	296,874
Difference between projected and actual pension plan experience	449,842
Deferred charge on refunding	146,506
Total deferred outflows of resources	1,064,765
Liabilities:	
Accounts payable and accrued liabilities	1,694,141
Unearned revenue	335,065
Noncurrent liabilities:	
Due within one year	2,527,957
Due in more than one year	27,912,401
Total liabilities	32,469,564
Deferred Inflows of Resources:	
Difference between expected and actual pension plan experience	135,559
Changes in pension assumptions	30,760
Changes in OPEB assumptions	321,706
Total deferred inflows of resources	488,025
Net Position:	
Net investment in capital assets	101,359,144
Restricted for:	
Trust purposes - nonexpendable	13,595
Trust purposes - expendable	16,579
Unrestricted	5,807,170
Total Net Position	\$ 107,196,488

The accompanying notes are an integral part of the financial statements

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 2,114,592	\$ 627,677	\$ 8,623	\$	\$ (1,478,292)
Public safety	3,941,988	618,328	9,518		(3,314,142)
Public works	7,126,262	1,785,453	1,331	1,885,836	(3,453,642)
Human services	981,549	37,540	97,437	523,896	(322,676)
Culture and recreation	1,176,161	392,974	29,303		(753,884)
Education	35,584,039	795,436	14,506,185		(20,282,418)
Interest on long-term debt	439,219				(439,219)
Total	\$ 51,363,810	\$ 4,257,408	\$ 14,652,397	\$ 2,409,732	(30,044,273)
General revenues:					
Property taxes					30,867,144
Grants and contributions not restricted to specific programs					83,578
Unrestricted investment earnings					129,581
Total general revenues					<u>31,080,303</u>
Change in net position					1,036,030
Net Position at Beginning of Year, as Restated					<u>106,160,458</u>
Net Position at End of Year					<u>\$ 107,196,488</u>

The accompanying notes are an integral part of the financial statements

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

	<u>General</u>	<u>Sewer Assessment</u>	<u>CDBG Grant</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 5,955,699	\$ 435,473	\$ 17,643	\$ 1,332,363	\$ 2,887,579	\$ 10,628,757
Investments					4,103	4,103
Receivables, net	694,286	2,175,341	2,717,473	174,442	752,040	6,513,582
Due from other funds	520,373					520,373
Other	23,329				539	23,868
Inventories					16,951	16,951
Total Assets	<u>\$ 7,193,687</u>	<u>\$ 2,610,814</u>	<u>\$ 2,735,116</u>	<u>\$ 1,506,805</u>	<u>\$ 3,661,212</u>	<u>\$ 17,707,634</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts and other payables	\$ 456,727		\$ 303,783	\$ 32,265	\$ 261,175	\$ 1,053,950
Accrued payroll	330,360				57,348	387,708
Due to other funds					126,373	126,373
Unearned revenue	96,543			1,109	237,413	335,065
Total liabilities	<u>883,630</u>	<u>-</u>	<u>303,783</u>	<u>33,374</u>	<u>682,309</u>	<u>1,903,096</u>
Deferred inflows of resources:						
Unavailable revenue:						
Property taxes	526,092					526,092
Special assessments		2,112,789				2,112,789
Sewer receivable					62,309	62,309
COVRRRA receivable					122,871	122,871
Loans receivable			2,337,554			2,337,554
Other receivables					80,541	80,541
Total deferred inflows of resources	<u>526,092</u>	<u>2,112,789</u>	<u>2,337,554</u>	<u>-</u>	<u>265,721</u>	<u>5,242,156</u>
Fund balances:						
Nonspendable	23,329				30,546	53,875
Restricted	34,048	498,025	93,779	60,773	467,653	1,154,278
Committed				1,412,658	2,214,983	3,627,641
Assigned	422,829					422,829
Unassigned	5,303,759					5,303,759
Total fund balances	<u>5,783,965</u>	<u>498,025</u>	<u>93,779</u>	<u>1,473,431</u>	<u>2,713,182</u>	<u>10,562,382</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,193,687</u>	<u>\$ 2,610,814</u>	<u>\$ 2,735,116</u>	<u>\$ 1,506,805</u>	<u>\$ 3,661,212</u>	<u>\$ 17,707,634</u>

(Continued on next page)

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

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position:

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

Fund balances - total governmental funds (Exhibit III)	\$ 10,562,382
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 170,280,003	
Less accumulated depreciation	<u>(51,527,144)</u>	
Net capital assets		118,752,859

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

Property tax receivables greater than 60 days	393,696
Interest receivable on property taxes	132,396
Assessments receivable	2,112,789
Sewer use receivable	62,309
Mortgage loans	2,337,554
COVRA and other receivables	203,412
Deferred outflow related to changes in projected investments earnings	171,543
Deferred outflow related to changes in pension assumptions	296,874
Deferred outflow related to pension actuarial experience	449,842

Internal service funds are used by management to charge the costs of
risk management to individual funds. The assets and liabilities of
the internal service funds are reported with governmental activities
in the statement of net position.

2,621,843

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

Net pension liability	(3,043,316)
Bonds and notes payable	(15,532,870)
Interest payable on bonds and notes	(119,134)
Compensated absences	(1,004,108)
Capital lease	(1,475,682)
Bond premium	(531,669)
Net OPEB Liability	(8,728,588)
Deferred charge on refunding	146,506
Landfill postclosure liability	(124,125)
Deferred inflows related to pension assumption changes	(30,760)
Deferred inflows related to pension actuarial experience	(135,559)
Deferred inflows related to OPEB assumption changes	<u>(321,706)</u>

Net Position of Governmental Activities (Exhibit I)	<u>\$ 107,196,488</u>
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The accompanying notes are an integral part of the financial statements

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Sewer Assessments</u>	<u>CDBG Grant</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property taxes	\$ 30,835,771	\$	\$	\$	\$	\$ 30,835,771
Intergovernmental	13,609,567		535,064	38,151	2,816,140	16,998,922
Charges for services	649,782	579,669	70,509		3,329,290	4,629,250
Investment earnings	54,911	3,512		5,985	32,441	96,849
Miscellaneous				85,088	148,546	233,634
Total revenues	<u>45,150,031</u>	<u>583,181</u>	<u>605,573</u>	<u>129,224</u>	<u>6,326,417</u>	<u>52,794,426</u>
Expenditures:						
Current:						
General government	1,492,501				15,416	1,507,917
Public safety	2,372,805				447,148	2,819,953
Public works	2,362,323				1,596,593	3,958,916
Human services	279,276		582,145		33,448	894,869
Culture and recreation	537,368				533,667	1,071,035
Insurance and sundry	2,161,875					2,161,875
Education	32,303,060			71,900	1,773,187	34,148,147
Debt service	2,774,781					2,774,781
Capital outlay	320,980			964,216	1,858,418	3,143,614
Total expenditures	<u>44,604,969</u>	<u>-</u>	<u>582,145</u>	<u>1,036,116</u>	<u>6,257,877</u>	<u>52,481,107</u>
Excess (Deficiency) of Revenues over Expenditures	<u>545,062</u>	<u>583,181</u>	<u>23,428</u>	<u>(906,892)</u>	<u>68,540</u>	<u>313,319</u>
Other Financing Sources (Uses):						
Issuance of capital lease				548,500		548,500
Transfers in	580,077	60,000		737,510	123,470	1,501,057
Transfers out	(860,980)	(495,722)		(48,355)	(96,000)	(1,501,057)
Total other financing sources (uses)	<u>(280,903)</u>	<u>(435,722)</u>	<u>-</u>	<u>1,237,655</u>	<u>27,470</u>	<u>548,500</u>
Net Change in Fund Balances	264,159	147,459	23,428	330,763	96,010	861,819
Fund Balances at Beginning of Year	<u>5,519,806</u>	<u>350,566</u>	<u>70,351</u>	<u>1,142,668</u>	<u>2,617,172</u>	<u>9,700,563</u>
Fund Balances at End of Year	<u>\$ 5,783,965</u>	<u>\$ 498,025</u>	<u>\$ 93,779</u>	<u>\$ 1,473,431</u>	<u>\$ 2,713,182</u>	<u>\$ 10,562,382</u>

(Continued on next page)

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

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 861,819
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	2,727,128
Depreciation expense	(2,827,981)

The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.	(200,232)
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Change in deferred outflow related to differences between projected and actual earnings on pension plan investments	(152,364)
Change in deferred outflow related to changes in pension assumptions	207,816
Change in deferred outflow related to differences between projected and actual pension plan experience	137,762

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Property tax receivable - accrual basis change	48,357
Property tax interest and lien revenue - accrual basis change	(16,984)
Sewer use and assessment receivable - accrual basis change	(444,245)
Loans and other receivables - accrual basis change	(35,207)
Amortization of bond premiums	58,871
COVRRRA and other receivables	20,761

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

Bond and note principal payments	1,920,657
Capital lease payments	353,977
Capital lease financing	(548,500)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	(25,167)
Accrued interest	19,406
Amortization of deferred charge on refunding	(17,349)
Net other post employment benefit expense	(211,505)
Net pension expense	(564,251)
Change in deferred inflow related to the difference between expectations and pension actuarial experience	34,899
Change in deferred inflow related to the changes in pension assumptions	7,502
Change in deferred inflow related to changes in OPEB assumptions	(321,706)
Landfill postclosure care	18,925

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.	<u>(16,359)</u>
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Change in Net Position of Governmental Activities (Exhibit II)	<u>\$ 1,036,030</u>
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The accompanying notes are an integral part of the financial statements

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

	Governmental Activities Internal Service Funds
	<u> </u>
Current Assets:	
Cash and cash equivalents	\$ 94,612
Accounts receivable	55,000
Advance to plan administrator	<u>3,054,580</u>
Total assets	<u>3,204,192</u>
Current Liabilities:	
Claims payable	188,349
Due to other funds	<u>394,000</u>
Total liabilities	<u>582,349</u>
Net Position:	
Unrestricted	\$ <u><u>2,621,843</u></u>

The accompanying notes are an integral part of the financial statements

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

	Governmental Activities
	Internal Service Funds
Operating Revenues:	
Employer contributions	\$ <u>5,448,051</u>
Operating Expenses:	
Administrative expense	572,397
Employee benefits	<u>4,924,745</u>
Total operating expenses	<u>5,497,142</u>
Operating Income (Loss)	(49,091)
Nonoperating Revenue:	
Investment income	<u>32,732</u>
Change in Net Position	(16,359)
Net Position at Beginning of Year	<u>2,638,202</u>
Net Position at End of Year	\$ <u><u>2,621,843</u></u>

The accompanying notes are an integral part of the financial statements

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

	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:	
Cash received from users	\$ 5,393,051
Cash payments to providers of benefits	(5,475,403)
Net cash provided by (used in) operating activities	<u>(82,352)</u>
Cash Flows from Investing Activities:	
Investment income	<u>32,732</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(49,620)
Cash and Cash Equivalents at Beginning of Year	<u>144,232</u>
Cash and Cash Equivalents at End of Year	<u>\$ 94,612</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (49,091)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in accounts receivable	(55,000)
(Increase) decrease in advance to plan administrator	67,516
Increase (decrease) in claims payable	<u>(45,777)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (82,352)</u>

The accompanying notes are an integral part of the financial statements

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

	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 3,758	\$ 635,530
Mutual funds	9,982,775	
Guaranteed investment contracts	<u>5,245,637</u>	<u> </u>
Total Assets	15,232,170	\$ <u><u>635,530</u></u>
Liabilities:		
Accounts payable	2,232	
Due to others	<u> </u>	\$ <u>635,530</u>
Total Liabilities	<u>2,232</u>	\$ <u><u>635,530</u></u>
Net Position:		
Net Position Restricted for Pensions	<u>\$ 15,229,938</u>	

The accompanying notes are an integral part of the financial statements

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

	Pension Trust Fund
	<u> </u>
Additions:	
Contributions:	
Employer	\$ 568,278
Plan members	<u>249,086</u>
Total contributions	<u>817,364</u>
Investment income:	
Change in fair value of investments	1,053,501
Investment expense	<u>(45,440)</u>
Net investment income	<u>1,008,061</u>
Total additions	<u>1,825,425</u>
Deductions:	
Benefits	1,173,150
Administration	<u>16,843</u>
Total deductions	<u>1,189,993</u>
Change in Net Position	635,432
Net Position at Beginning of Year	<u>14,594,506</u>
Net Position at End of Year	<u>\$ 15,229,938</u>

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town was incorporated in 1712 and operates under a Council/Manager form of government adopted by Charter in 1967. The seven-member Town Council is the legislative body responsible for enacting ordinances, budget preparation and establishing a property tax mill rate. The Town Manager serves as the Chief Executive Officer in charge of the daily operation of the Town organization in accordance with Council policy and regulation. A seven-member Board of Education, a separately elected body, is responsible for the educational policy of the Coventry Public School system.

The Town provides the following services: general government, public safety, public works, human services, culture and recreation, and education.

The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

Agency funds use the accrual basis of accounting, but have no measurement focus since they report only assets and liabilities.

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The *Sewer Assessment Fund* accounts for the extension and maintenance of sewer lines. The major source of revenue for this fund is sewer assessment charges.

The *CDBG Grant Fund* accounts for the Community Development Block Grant program grants and loans. The major sources of revenue for this fund are capital grants and repayments on loans.

The *Capital Projects Fund* accounts for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements and/or equipment. The major sources of financing for this fund are the issuance of general obligation bonds and capital grants.

Additionally, the Town reports the following fiduciary fund types:

The *Internal Service Fund* accounts for the self-insured activities of the Town.

The *Pension Trust Fund* accounts for resources held in trust for the members and beneficiaries of the Town of Coventry Retirement System.

The *Agency Funds* account for resources held by the Town in a purely custodial capacity. The Town maintains two agency funds, the School Activities Fund and the Escrow Deposit Fund.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain Town functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include property taxes.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned then unassigned.

D. Deposits and Investments

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments as described in Note 3.

Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All property tax receivables are shown net of an allowance for uncollectibles. An amount of \$101,770 has been established as an allowance for uncollectible taxes. At June 30, 2018, this represents 17.02% of all property taxes receivable.

Property taxes become an enforceable lien and are assessed on property as of October 1; however, the legal right to attach property does not exist until July 1. Property assessments are made at 70% of the market value. Real estate taxes are billed on July 1 and are payable in semiannual installments on July 1 and January 1. Personal property and motor vehicle taxes are billed and due July 1, and motor vehicle supplement taxes are billed and due January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

Upon completion of projects, sewer assessments are levied and assessed to the users each October. Usage charges are billed in May and November. Assessments and user charges are due and payable within 30 days, and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full.

F. Inventories and Prepaid Items

Inventories are reported at cost using the first-in first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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

G. 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 \$10,000 for land, \$5,000 for furniture and equipment, and \$100,000 for infrastructure. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-50
System infrastructure	40-75
Furniture and equipment	3-20

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plans (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide statement of net position, the Town reports deferred inflows of resources related to pensions and OPEB. A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plans (active employees and inactive employees). In addition, for governmental funds, the Town reports unavailable revenue, which arises

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

only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, special assessments, sewer receivables, COVRA receivables and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

I. Compensated Absences

Town and Board of Education employees earn vacation and sick time based upon years of service and the terms of various union contracts.

All compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured. Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year or the vested amount is expected to be paid with available resources.

J. Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

K. Total Other Postemployment Benefits Other than Pensions (OPEB) Liability

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

M. Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

Net position is restricted by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of Coventry Town Council). The Town Council may commit resources, when a member puts forth a resolution and this resolution is passed by the Council, prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned Fund Balance

This represents amounts constrained for the intent to be used for a specific purpose by the Town Manager who has been delegated authority to assign amounts by ordinance within the Town Charter.

Unassigned Fund Balance

This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

The Town has a minimum fund balance policy that establishes a goal for unassigned fund balance in the General Fund at 10% of the General Fund expenditures.

N. Use of Estimates

The preparation of the 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 including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements:

- The Town Manager prepares an operating, capital and debt service budget from information provided by various Town departments. The Board of Education also prepares an operating budget. The budget includes the proposed expenditures and the means to finance them.
- These budgets are presented at a public hearing before being amended and adopted by the Town Council. The Council's operating or General Fund budget is submitted to a Town meeting that approves, rejects or reduces the budget, which is subsequently adjourned to a referendum for ratification.
- Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established by function and department. Upon request, the Town Council may, by resolution, transfer any unencumbered appropriation, balance or portion thereof from one department, commission, board or office to another. No transfer shall be made from any appropriations for debt service and other statutory charges. Transfers between line items within a department may be made with the approval of the Town Manager.
- The Town Council can make additional appropriations, subject to fund balance availability and other restrictions, up to 1.5% of the current year's property tax levy. Additional appropriations can be made when unanticipated revenue is made available for specific purposes. Additional appropriations during the year were \$194,000 from fund balance, in addition the Town decreased the total approved budget by \$214,700, due to mid-year cuts in expected intergovernmental revenue from the State. All additional appropriations were made in accordance with Charter provisions.
- Appropriations not encumbered at the end of the fiscal year lapse. Encumbrances for capital additions lapse at the end of three years (if there is no activity), and all other encumbrances lapse at the end of one year.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- The General Fund budget is prepared on a modified accrual basis of accounting except for encumbrances, which are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued. Encumbrances outstanding at year end are reflected in budgetary reports as expenditures in the current year. Additionally, the Town does not budget for revenues or expenditures associated with pension contributions made by the State of Connecticut on behalf of Town of Coventry teachers or for expenditures reimbursed by the State of Connecticut for excess costs related to certain special education students.

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the State Short-Term Investment Fund (STIF). This investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board, and are regulated under the State Statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

A. Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the State of Connecticut.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$8,873,141 of the Town’s bank balance of \$10,444,915 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 7,860,827
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>1,012,314</u>
Total Amount Subject to Custodial Credit Risk	<u>\$ 8,873,141</u>

Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk-based capital ratio.

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

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2018, the Town's cash equivalents amounted to \$1,231,349. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

	<u>Standard & Poor's</u>
State Short-Term Investment Fund (STIF)	AAAm

B. Investments

Investments as of June 30, 2018 in all funds are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Other investments:	
Mutual funds	\$ 9,982,775
Common stock	4,103
Guaranteed investment contracts	<u>5,245,637</u>
Total Investments	<u>\$ 15,232,515</u>

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2018:

	<u>June 30, 2018</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Common stock	\$ 4,103	\$ 4,103	\$	\$
Mutual funds	<u>9,982,775</u>	<u>9,982,775</u>	<u> </u>	<u> </u>
Total investments by fair value level	9,986,878	<u>\$ 9,986,878</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value:				
Guaranteed investment contracts	<u>5,245,637</u>			
Total Investments Measured at Fair Value	<u>\$ 15,232,515</u>			

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

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

Guaranteed Investment Contracts

The Town has entered into a guaranteed investment contract with Brighthouse Life Insurance Company (Brighthouse). Brighthouse maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. Brighthouse is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Town. Because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for the guaranteed investment contract. The guaranteed investment contract is presented on the face of the statements of net position at contract value. Contract value, as reported to the Town by Brighthouse, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. There are no reserves against contract value for credit risk of the contract issuer or otherwise. The contract is a traditional investment contract. The crediting interest rate is based on a formula agreed upon with the issuer. Such interest rates are reviewed on an annual basis for resetting. The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date. There are no unfunded commitments under the contract. The contract allows redemption at any time with no notice.

Interest Rate Risk

The Town's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Investments

As indicated above, State Statutes limit the investment options of cities and towns. The Town's investment policy provides investment guidelines and lists prohibited investments.

Concentration of Credit Risk

The Town's investment policy does not allow for an investment in any one issuer that is in excess of 5% of the Town's total investments.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2018, the Town had \$4,103 in uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

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

4. RECEIVABLES

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

	<u>General</u>	<u>Sewer Assessment</u>	<u>CDBG Grant</u>	<u>Capital Projects</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:						
Interest	\$ 290,837	\$	\$	\$	\$	\$ 290,837
Taxes	597,993					597,993
Accounts	65,667				471,368	537,035
Intergovernmental			379,919	174,442	335,672	890,033
Special assessments		2,175,341				2,175,341
Loans			2,337,554			2,337,554
Gross receivables	<u>954,497</u>	<u>2,175,341</u>	<u>2,717,473</u>	<u>174,442</u>	<u>807,040</u>	<u>6,828,793</u>
Less allowance for uncollectibles:						
Taxes	(101,770)					(101,770)
Delinquent interest	<u>(158,441)</u>					<u>(158,441)</u>
Net Total Receivables	<u>\$ 694,286</u>	<u>\$ 2,175,341</u>	<u>\$ 2,717,473</u>	<u>\$ 174,442</u>	<u>\$ 807,040</u>	<u>\$ 6,568,582</u>

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,492,989	\$ 404,000	\$ (70,300)	\$ 3,826,689
Construction in progress	<u>2,068,180</u>	<u>1,247,427</u>	<u>(1,212,623)</u>	<u>2,102,984</u>
Total capital assets not being depreciated	<u>5,561,169</u>	<u>1,651,427</u>	<u>(1,282,923)</u>	<u>5,929,673</u>
Capital assets being depreciated:				
Buildings	52,528,277		(70,500)	52,457,777
Improvements other than buildings	2,126,169	668,673		2,794,842
Furniture and equipment	8,136,842	1,474,437	(471,966)	9,139,313
Infrastructure	<u>99,813,184</u>	<u>145,214</u>		<u>99,958,398</u>
Total capital assets being depreciated	<u>162,604,472</u>	<u>2,288,324</u>	<u>(542,466)</u>	<u>164,350,330</u>
Less accumulated depreciation for:				
Buildings	(15,866,140)	(810,215)	5,076	(16,671,279)
Improvements other than buildings	(396,618)	(71,324)		(467,942)
Furniture and equipment	(3,922,532)	(453,078)	407,458	(3,968,152)
Infrastructure	<u>(28,926,407)</u>	<u>(1,493,364)</u>		<u>(30,419,771)</u>
Total accumulated depreciation	<u>(49,111,697)</u>	<u>(2,827,981)</u>	<u>412,534</u>	<u>(51,527,144)</u>
Total capital assets being depreciated, net	<u>113,492,775</u>	<u>(539,657)</u>	<u>(129,932)</u>	<u>112,823,186</u>
Governmental Activities Capital Assets, Net	<u>\$ 119,053,944</u>	<u>\$ 1,111,770</u>	<u>\$ (1,412,855)</u>	<u>\$ 118,752,859</u>

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

Depreciation and amortization expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 27,378
Public safety	249,750
Public works	1,909,245
Human services	2,639
Culture and recreation	58,642
Education	<u>580,327</u>
 Total Depreciation and Amortization Expense - Governmental Activities	 \$ <u><u>2,827,981</u></u>

6. FUND BALANCES

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

	Major Funds				Nonmajor Governmental Funds	Total
	General Fund	Sewer Assessments	CDBG Grant	Capital Projects		
Fund balances:						
Nonspendable:						
Inventory	\$	\$	\$	\$	16,951	\$ 16,951
Prepaid items	23,329					23,329
Permanent fund principal					13,595	13,595
Restricted for:						
Capital projects				60,773		60,773
Unspent grant balances			93,779		293,559	387,338
Debt repayments		498,025				498,025
Health insurance	34,048					34,048
Donation purposes					101,364	101,364
Statutes					72,730	72,730
Committed to:						
Capital projects				1,412,658	416,713	1,829,371
Public Safety					203,688	203,688
Public Works					1,291,525	1,291,525
Recreation					79,517	79,517
Farmer's Market					59,053	59,053
Education					164,487	164,487
Assigned to:						
Capital	2,569					2,569
General government	18,701					18,701
Public safety	59,461					59,461
Public works	90,489					90,489
Human services	10,955					10,955
Insurance and sundry	2,500					2,500
Education	238,154					238,154
Unassigned	<u>5,303,759</u>					<u>5,303,759</u>
 Total Fund Balances	 \$ <u>5,783,965</u>	 \$ <u>498,025</u>	 \$ <u>93,779</u>	 \$ <u>1,473,431</u>	 \$ <u>2,713,182</u>	 \$ <u>10,562,382</u>

Encumbrances of \$420,260 at June 30, 2018 are contained in the above table in the assigned category of the General Fund.

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

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2018, the Internal Service Fund and the Nonmajor Governmental Funds owed the General Fund \$394,000 and \$126,373, respectively, which resulted from regularly recurring transactions and represented a temporary balance.

Interfund transfers for the year ended June 30, 2018 consisted of the following:

	Transfers In					Total
	General Fund	Capital Projects	Miscellaneous Grants	Nonmajor Governmental	Sewer Assessment	
Transfers out:						
General Fund	\$		\$	\$	\$	\$
Sewer Assessment		737,510		123,470		860,980
Capital Projects Fund	495,722					495,722
Nonmajor Governmental Funds	48,355					48,355
	36,000				60,000	96,000
	<u>\$ 580,077</u>	<u>\$ 737,510</u>	<u>\$ -</u>	<u>\$ 123,470</u>	<u>\$ 60,000</u>	<u>\$ 1,501,057</u>

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) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

8. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and loans payable:					
General obligation bonds	\$ 12,460,000	\$	\$ 1,465,000	\$ 10,995,000	\$ 1,650,000
Premium on issuance	590,540		58,871	531,669	
Loans payable - Clean Water Fund	4,993,527		455,657	4,537,870	464,854
	<u>18,044,067</u>	-	<u>1,979,528</u>	<u>16,064,539</u>	<u>2,114,854</u>
Other liabilities:					
Capital leases	1,281,159	548,500	353,977	1,475,682	312,329
Landfill postclosure	143,050		18,925	124,125	18,925
Total OPEB liability	8,517,083	211,505		8,728,588	
Net pension liability	2,479,065	564,251		3,043,316	
Compensated absences	978,941	112,792	87,625	1,004,108	81,849
	<u>31,443,365</u>	<u>1,437,048</u>	<u>2,440,055</u>	<u>30,440,358</u>	<u>2,527,957</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 31,443,365</u>	<u>\$ 1,437,048</u>	<u>\$ 2,440,055</u>	<u>\$ 30,440,358</u>	<u>\$ 2,527,957</u>

General obligation bonds allocable to sewer projects are secured by the full faith and credit of the Town but are substantially liquidated by sewer assessments. The remaining liabilities above have typically been liquidated by the General Fund.

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

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2018 is as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate (%)</u>	<u>Amount of Original Issue</u>	<u>Balance Outstanding June 30, 2018</u>
2002 Refunding Bonds	12/1/2002	2022	3.25%-4.9%	\$ 1,350,000	\$ 110,000
2010 Refunding Bonds Series A	2/9/2010	2025	1%-3.5%	2,500,000	470,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	3,438,000	318,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	57,000	5,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	3,105,000	312,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	2,605,000	1,005,000
2010 Refunding Bonds Series B	2/9/2010	2025	2-4%	1,200,000	580,000
2015 Refunding General Obligation	3/24/2015	2025	2.00%	100,000	48,000
2015 Refunding NCFD GO	3/24/2015	2032	2.88%	1,675,000	1,225,000
2015 Refunding Parker Bridge GO	3/24/2015	2025	2.34%	215,000	97,000
2015 Refunding PW Garage GO	3/24/2015	2031	2.34%	3,350,000	2,001,000
2015 Refunding School Asbestos GO	3/24/2015	2025	2.34%	465,000	210,000
2015 Refunding School Roof GO	3/24/2015	2031	3.55%	1,600,000	1,004,000
2015 Refunding Water System GO	3/24/2015	2025	2.00%	455,000	210,000
2016 Road Bonds	3/1/2016	2036	2.41%	3,000,000	3,000,000
2016 Pucker Street Bridge	3/1/2016	2036	2.41%	400,000	400,000
					<u>\$ 10,995,000</u>

Clean Water Fund Loan Payable

The Town is currently participating in the State of Connecticut Clean Water Fund Loan program. The loan matures on June 30, 2027, has an outstanding balance as of June 30, 2018 of \$4,537,870 and is payable monthly with interest at 2%.

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

Bonds and Notes Payable

Annual debt service requirements to maturity on general obligation bonds and Clean Water Fund loans are as follows as of June 30, 2018:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,114,854	\$ 416,671	\$ 2,531,525
2020	1,489,237	363,685	1,852,922
2021	1,498,810	320,575	1,819,385
2022	1,348,575	279,358	1,627,933
2023	1,328,537	240,175	1,568,712
2024-2028	5,242,857	715,014	5,957,871
2029-2033	1,955,000	224,526	2,179,526
2034-2036	<u>555,000</u>	<u>33,300</u>	<u>588,300</u>
	<u>\$ 15,532,870</u>	<u>\$ 2,593,304</u>	<u>\$ 18,126,174</u>

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

<u>Category</u>	<u>Debt Limit</u>	<u>Indebtedness</u>	<u>Balance</u>
General purpose	\$ 67,382,640	\$ 8,315,638	\$ 59,067,002
Schools	134,765,280	6,169,633	128,595,647
Sewers	112,304,400	2,454,128	109,850,272
Urban renewal	97,330,480		97,330,480
Pension deficit	89,843,520		89,843,520

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$209,634,880.

Amounts above do not include \$210,000 of Water System Improvement bonds issued, which are excluded from the Town's statutory debt limit pursuant to Connecticut General Statutes.

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

Bond Authorizations

At June 30, 2018, debt authorized but unissued is as follows:

<u>Project</u>	<u>Appropriation/ Authorization</u>	<u>Prior Bonds Issued</u>	<u>Paydown Grants Expected/ Received</u>	<u>Authorized But Unissued Debt</u>
Sewers				
Wangumbaug Lake Sewer Extension	\$ 17,800,000	\$ 9,815,810	\$ 7,892,591	\$ 91,599
Schools				
Energy Efficiency and Code Work	2,640,633	-	-	2,640,633
General Purpose				
Jones Crossing Bridge	700,000	-	-	700,000
Energy Efficiency and Code Work	359,368	-	-	359,368

Capital Leases

A summary of assets acquired through capital leases is as follows as of June 30, 2018:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 2,833,554
Less accumulated amortization	<u>(366,115)</u>
	<u>\$ 2,467,439</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2019	\$ 347,195
2020	297,591
2021	259,150
2022	259,151
2023	194,155
Thereafter	<u>252,805</u>
Total minimum lease payments	1,610,047
Less amount representing interest	<u>(134,365)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,475,682</u>

Landfill Postclosure

State and federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Town's landfill has stopped accepting waste, closure has been completed and monitoring is continuing. The remaining postclosure costs are estimated to be \$124,125 over the next 7 years. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Town pays for the costs of monitoring on an ongoing basis through the COVRRRA Fund.

9. PENSION PLANS

A. Defined Benefit Plan

Plan Description

The Town of Coventry Employee Retirement System (CERS or the Plan) is a single-employer retirement system established and administered by the Town to provide pension benefits to substantially all Town and Board of Education employees, except for professional employees of the Board of Education who are covered under the State of Connecticut Teachers Retirement System. The CERS is a defined benefit plan. The CERS is considered to be a part of the Town's financial reporting entity and is included in the Town's basic financial statements as a pension trust fund. Contribution provisions and benefit provisions of the CERS are established by and can be amended by the Town Council subject to ratification of various bargaining units. A separate stand-alone financial report for the CERS is not issued by the Town.

Management of the plan rests with the Pension Committee, which consists of no fewer than three, nor more than five, members all appointed by the Town Council.

All employees except for sworn officers of the police department are included as participants in the Plan on the first July 1 following the attainment of age 21 and the completion of two years of service. Sworn officers of the police department are included on their dates of hire. No employees are included before the effective date. Police and nonunion employees are vested 100% after 5 years, and all other employees are vested after 10 years.

Benefits are calculated on a percentage of earnings times years of service. The percentage varies by group. The Plan also provides for early retirement, deferred retirement and disability retirement. Participants have a nonforfeitable right to accrued benefits at the date of termination of employment provided that they have completed the years required for 100% vesting. Normal retirement age varies from 45 to 65 based on the bargaining unit.

The accrued benefit is paid in the form of a monthly life annuity. Benefits will be actuarially adjusted to reflect any other form of annuity payable. Administrative costs for the plan are paid from the plan investment earnings.

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

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

Retired members	31
Terminated plan members entitled to but not yet receiving benefits	26
Active plan members	<u>137</u>
 Total	 <u><u>194</u></u>

Summary of Significant Accounting Policies

Plan financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which employee services are performed. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

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

Investments

Investment Policy

The Pension Committee recommended the adoption of an investment policy to the Town Council. The current policy was adopted in August of 2007. The goals of the policy are to create a framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Town. The following was the adopted asset allocation as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Large Cap	6.36%
U.S. Large Cap Value	6.48%
U.S. Small Value	6.60%
U.S. Micro Cap	6.60%
International Large	9.30%
International Small	8.70%
Emerging Large	7.56%
Emerging Small	4.68%
U.S. REITS	1.80%
International REITS	1.80%
Fixed Income (Metlife)	40.00%
Cash	<u>0.12%</u>
 Total	 <u><u>100.00%</u></u>

Concentrations

The pension plan held fixed income investments of \$5,245,637 with Metlife representing 5% or more of the pension trust fund's fiduciary net position as of June 30, 2018.

**TOWN OF COVENTRY, CONNECTICUT
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Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.81%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

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

Total pension liability	\$	18,273,254
Plan fiduciary net position		<u>15,229,938</u>
Net Pension Liability	\$	<u><u>3,043,316</u></u>
Plan fiduciary net position as a percentage of the total pension liability		83.35%

Actuarial Assumptions

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

Inflation	2.6%
Salary increases	3.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation

Pre-retirement mortality rates were based on the RP-2014 Mortality Table adjusted to 2006 Total Dataset Table projected to valuation date with scale MP-2017. Post-retirement mortality rates were based on IRS 417(e) applicable mortality.

The actuarial assumptions used in the July 1, 2017 valuation were based on standard tables adjusted for certain plan features.

TOWN OF COVENTRY, CONNECTICUT
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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the July 1, 2017 valuation (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
U.S. Large Cap	5.50%
U.S. Large Cap Value	5.75%
U.S. Small Value	6.25%
U.S. Micro Cap	7.00%
International Large	6.25%
International Small	6.75%
Emerging Large	8.00%
Emerging Small	8.25%
U.S. REITS	6.25%
International REITS	6.75%
Fixed Income (Metlife)	3.50%
Cash	1.00%

**TOWN OF COVENTRY, CONNECTICUT
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Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2017	\$ 17,073,571	\$ 14,594,506	\$ 2,479,065
Changes for the year:			
Service cost	565,374		565,374
Interest on total pension liability	1,279,723		1,279,723
Differences between expected and actual experience	252,167		252,167
Changes in assumptions	275,569		275,569
Employer contributions		568,278	(568,278)
Member contributions		249,086	(249,086)
Net investment income		1,008,061	(1,008,061)
Benefit payments, including refund to employee contributions	(1,173,150)	(1,173,150)	-
Administrative expenses		(16,843)	16,843
Net changes	<u>1,199,683</u>	<u>635,432</u>	<u>564,251</u>
Balances as of June 30, 2018	<u>\$ 18,273,254</u>	<u>\$ 15,229,938</u>	<u>\$ 3,043,316</u>

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

The following presents the net pension liability of the Town, calculated using the discount rate of 7.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 4,025,235	\$ 3,043,316	\$ 2,165,205

**TOWN OF COVENTRY, CONNECTICUT
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 JUNE 30, 2018**

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

For the year ended June 30, 2018, the Town recognized pension expense of \$896,913. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 449,842	\$ 135,559
Changes of assumptions	296,874	30,760
Net difference between projected and actual earning on pension plan investments	<u>171,543</u>	<u> </u>
Total	<u>\$ 918,259</u>	<u>\$ 166,319</u>

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

Year Ending June 30

2019	\$ 364,925
2020	206,210
2021	5,117
2022	105,256
2023	70,432

Funding Policy

The Town’s funding policy provides for periodic contributions at rates that, when expressed as a percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contribution rate for normal costs of the Plan was determined using the projected unit credit method. Town employees contribute 1.75% of covered payroll, except for police employees who are required to contribute a rate equal to 6.5% of covered payroll. For the year ended June 30, 2018, the Town contributed \$568,278 to the Plan.

B. Teachers’ 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, a cost sharing multiple-employer defined benefit pension plan administered by the Teachers Retirement Board. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the Teachers Retirement Board. The Teachers Retirement Board issues a publicly available financial report that can be obtained at www.ct.gov.

**TOWN OF COVENTRY, CONNECTICUT
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Benefit Provisions

The plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement

Retirement benefits for employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

Early Retirement

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

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

Contributions

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

Employer (School Districts)

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

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

Employees

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

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

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

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

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

Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>41,168,926</u>
Total	<u>\$ 41,168,926</u>

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

For the year ended June 30, 2018, the Town recognized pension expense and revenue of \$4,762,042 in Exhibit II for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

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

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

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

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

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

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

**TOWN OF COVENTRY, CONNECTICUT
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For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	6.0%	0.4%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The Town's proportionate share of the net pension liability is \$-0- and, therefore, the change in the discount rate would only impact the amount recorded by the State of Connecticut.

Other Information

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

10. OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The Town, in accordance with various collective bargaining agreements, is committed to providing medical benefits to certain eligible retirees and their spouses, under a single employer plan. The Post-Retirement Medical Program (RMP) covers Town and Board of Education employees. All Town of Coventry employees are eligible to purchase medical insurance. The benefits include individual, two-person or family coverage under the Blue Cross Health Plan (or equivalent), including hospitalization, surgical, prescriptions, dental and major medical. Employees who choose to participate must pay the full premium cost. Board of Education employees may also purchase life insurance at the full premium cost. Spouses can continue coverage after the retiree’s death. The Town OPEB plan is administered by the Town. The Town does not issue a separate stand-alone financial statement for this program.

Membership in the plan consisted of the following at July 1, 2016, the date of the last actuarial valuation:

Inactive employees currently receiving benefit payments	21
Active employees	<u>388</u>
 Total	 <u><u>409</u></u>

B. Funding Policy

The Town funding and payment of post employment benefits are accounted for in the General Fund on a pay-as-you-go basis. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with post employment benefits in accordance with GASB guidelines. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund may not be established in the future to exclusively control the funding and reporting of post employment benefits, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers.

The Town’s funding strategy for post employment obligations are based upon characteristics of benefits on four distinct groups of employees established within their respective collective bargaining units and/or contracts and include the following:

Teachers

- Eligible for Medical, Dental and Life Coverage if age 50 with 25 years of service or age 55 with 20 years of service or age 60 with 10 years of service.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree’s death.

Police

- Eligible for Medical and Dental Coverage if age 45 and 20 years for Sworn Police, and rule of 85 for nonsworn employees.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree’s death.

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Town Employees (non-Police)

- Eligible for Medical and Dental Coverage if age 62 with 10 years of service.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree's death.

Board of Education (other than Teachers)

- Eligible for Dental and Life Coverage if age 62 with 10 years of service.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree's death.

Total OPEB Liability

The Town's total OPEB liability of \$8,728,588 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.70%
Salary increases	Graded by service for Teachers and Administrators, 3.00% for all others
Discount rate	3.87%
Healthcare cost trend rates	5.40% for 2016, decreasing to an ultimate rate of 4.40% after 67 years
Retirees' share of benefit-related costs	100% of projected health insurance premiums for retirees for all except Town Manager, whose benefits will be discounted 2.25% per year of service not to exceed 75% discount.

The discount rate was based on the 20-year tax-exempt municipal bond yield.

Mortality rates for Teachers and Administrators were based on RP-2000 Combined Healthy Mortality Table for Males or Females, projected forward 19 years using Scale AA, with a two-year age setback. All others were based on RP-2000 Combined Healthy Mortality Table for Males or Females, projected forward 19 years using Scale AA.

The actuarial assumptions used in the June 30, 2016 valuation were based on the standard tables modified for certain plan features such as eligibility, where applicable and input from the plan sponsor.

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Changes in the Total OPEB Liability

	Total OPEB Liability
Balances as of July 1, 2017	\$ <u>8,517,083</u>
Changes for the year:	
Service cost	421,300
Interest on total OPEB liability	317,034
Changes in assumptions or other inputs	(360,004)
Benefit payments	<u>(166,825)</u>
Net changes	<u>211,505</u>
Balances as of June 30, 2018	\$ <u><u>8,728,588</u></u>

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 (2.87%) or 1 percentage point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 10,061,309	\$ 8,728,588	\$ 7,628,942

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 (4.4% decreasing to 3.4%) or 1 percentage point higher (6.4% decreasing to 5.4%) than the current healthcare cost trend rates:

	1% Decrease (4.4% Decreasing to 3.4%)	Healthcare Cost Trend Rates (5.4% Decreasing to 4.4%)	1% Increase (6.4% Decreasing to 5.4%)
Total OPEB liability	\$ 7,301,702	\$ 8,728,588	\$ 10,534,546

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

For the year ended June 30, 2018, the Town recognized OPEB expense of \$700,036. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Changes of assumptions or other inputs	\$ <u>321,706</u>
Total	\$ <u><u>321,706</u></u>

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

<u>Year Ending June 30</u>	
2019	\$ 38,298
2020	38,298
2021	38,298
2022	38,298
2023	38,298
Thereafter	130,216

Other Post Employment Benefit - Connecticut State Teachers Retirement Plan

A. Plan Description

Teachers, principals, superintendents or supervisors engaged in service of public schools plus professional employees at State Schools of higher education are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost sharing multiple-employer defined benefit other post employment benefit plan administered by the Teachers' Retirement Board (TRB), if they choose to be covered.

Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

B. Benefit Provisions

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

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

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

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

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

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

Survivor Health Care Coverage

Survivors of former employees or retirees remain eligible to participate in the plan and continue to be eligible to receive either the \$110 monthly subsidy or participate in the TRB-Sponsored Medicare Supplemental Plans, as long as they do not remarry.

C. Eligibility

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

Credited Service

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, State employment, or wartime military service may be purchased prior to retirement if the member pays one-half the cost.

Normal Retirement

Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

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Early Retirement

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

Proratable Retirement

Age 60 with 10 years of Credited Service.

Disability Retirement

No service requirement if incurred in the performance of duty, and 5 years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

D. Contributions

State of Connecticut

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

Employer (School Districts)

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

Employees

Each member is required to contribute 1.25% of their annual salary up to \$500,000. Contributions in excess of \$500,000 will be credited to the Retiree Health Insurance Plan.

E. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>10,596,428</u>
Total	<u>\$ 10,596,428</u>

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

For the year ended June 30, 2018, the Town recognized OPEB expense and revenue of \$491,092 in Exhibit II for on-behalf amounts for the benefits provided by the State.

F. Actuarial Assumptions

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

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

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

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

The long-term expected rate of return on plan assets is reviewed as part of the GASB 74 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.04%).

G. Discount Rate

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

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

H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate and the Discount Rate

The Town’s proportionate share of the net OPEB liability is \$-0- and, therefore, the change in the health care cost trend rate or the discount rate would only impact the amount recorded by the State of Connecticut.

I. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan. Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

11. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors or omissions; injuries to employees or natural disasters. The Town purchases commercial insurance for all risks of loss. There are no significant reductions in insurance coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

Dental Insurance Internal Service Fund

The Town’s dental self-insurance fund is used to account for dental insurance coverage for Town employees. The Town examines the coverage on a yearly basis to determine adequate coverage and minimize risk. A schedule of changes in the claims liability for the years ended June 30, 2017 and 2018, is presented below:

		<u>Claims Payable July 1</u>		<u>Claims and Changes in Estimates</u>		<u>Claims Paid</u>		<u>Claims Payable June 30</u>
2016-2017	\$	-	\$	210,522	\$	210,522	\$	-
2017-2018		-		218,079		218,079		-

Health Insurance Internal Service Fund

The Coventry Health Insurance Fund (the Fund), which has been recorded as an Internal Service Fund, was established to provide medical and dental health coverage for all eligible Town and Board of Education employees. The Fund is substantially funded by the Town’s General Fund based upon estimates for the number of employees and type of coverage (single or family) as well as trends in the costs of coverage and costs of administration. The program’s general objectives are to provide the members of the health insurance program with lower costs for coverage and to develop a systematic method to control health costs through wellness initiatives.

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

The Town and Board of Education participate in the Eastern Connecticut Health Insurance Program. This group consists of five entities, the Towns and Boards of Education of Coventry, Tolland, Plainfield and Putnam and also including EASTCONN, a regional educational service center. This partnership is the first in the state of Connecticut and was formed with a goal to reduce costs through collaboration. A third party administers the plan for which the Fund pays a fee. The Fund has purchased individual stop loss coverage of \$150,000 per claim.

The Town's health self-insurance fund is used to account for medical insurance coverage for Town and Board of Education employees. The Town examines the coverage on a yearly basis to determine adequate coverage and minimize risk. A schedule of changes in the claims liability for the years ended June 30, 2017 and 2018, is presented below:

	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2016-2017	\$ 464,107	\$ 4,266,933	\$ 4,496,914	\$ 234,126
2017-2018	234,126	4,706,666	4,752,443	188,349

12. COMMITMENTS AND CONTINGENCIES

The Town is currently a defendant in a number of lawsuits. The outcome and eventual liability to the Town, if any, in these matters is not known at this time. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.

13. PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

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

Net position at June 30, 2017, as previously reported	\$ 110,737,161
Adjustments:	
Eliminate net OPEB obligation reported per GASB No. 45	3,940,380
Record total OPEB liability per GASB No. 75	<u>(8,517,083)</u>
Net Position at July 1, 2017, as Restated	<u>\$ 106,160,458</u>

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Property Taxes:				
Current taxes	\$ 29,965,263	\$ 29,965,263	\$ 29,931,392	\$ (33,871)
Delinquent taxes	250,000	300,000	347,537	47,537
Interest and penalties	200,000	200,000	189,376	(10,624)
Supplemental motor vehicles	250,000	380,000	370,368	(9,632)
Total property taxes	<u>30,665,263</u>	<u>30,845,263</u>	<u>30,838,673</u>	<u>(6,590)</u>
Intergovernmental:				
General Government:				
Elderly circuit breaker	65,670	65,670		(65,670)
Disability exemption	1,800	1,800	2,114	314
Grant in lieu of taxes	284	260	261	1
Pequot state property	44,362	44,362	44,362	-
Veterans additional tax relief	7,000	7,000	7,808	808
Emergency Management Performance Grant	6,209	6,209	6,209	-
Telephone access grant	20,000	20,000	18,500	(1,500)
Youth services grant	14,000	14,000	14,366	366
Municipal assistance grant	86,930	80,072	80,072	-
Municipal revenue sharing	10,533	10,533	10,533	-
Total general government	<u>256,788</u>	<u>249,906</u>	<u>184,225</u>	<u>(65,681)</u>
Education:				
Education cost sharing grant	8,318,357	7,601,811	7,580,352	(21,459)
Adult education	10,844	10,572	11,079	507
Total education	<u>8,329,201</u>	<u>7,612,383</u>	<u>7,591,431</u>	<u>(20,952)</u>
Investment Earnings	<u>47,000</u>	<u>47,000</u>	<u>54,911</u>	<u>7,911</u>
Local Revenues:				
Housing Authority PILOT	18,800	18,800	23,711	4,911
Finance:				
Insurance reimbursement and claims	36,751	36,751	36,916	165
Sale of town property	50,000	80,000	38,009	(41,991)
Preschool administration			1,000	1,000
Conveyance tax	105,000	130,000	168,374	38,374
Town clerk:				
Office receipts	95,000	95,000	94,638	(362)
Assessor:				
Copy charges	800	800	518	(282)

(Continued on next page)

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Development/Planning:				
Zoning permits	\$ 11,000	\$ 11,000	\$ 11,925	\$ 925
Planning and zoning	4,500	4,500	4,681	181
Zoning board of appeals	2,500	2,500	3,500	1,000
Inland wetlands	1,800	1,800	3,300	1,500
Regulations and maps	2,700	2,700	98	(2,602)
Permits	100	100	92	(8)
Building Department:				
Building permits	160,000	180,000	203,292	23,292
Fire inspection	1,500	1,500	2,020	520
Blasting permit	50	50	50	-
Police Services:				
Warden receipts	1,000	1,000	635	(365)
Dog license	9,500	9,500	9,060	(440)
Fingerprinting	1,800	1,800	2,780	980
Local parking fines	300	300	1,000	700
Permits	8,000	8,000	7,847	(153)
Other	600	600	4,244	3,644
Municipal surcharge	4,500	4,500	930	(3,570)
Miscellaneous:				
Miscellaneous unanticipated			4,266	4,266
Rents	28,800	28,800	29,751	951
Total local revenues	<u>545,001</u>	<u>620,001</u>	<u>652,637</u>	<u>32,636</u>
Total revenues	<u>39,843,253</u>	<u>39,374,553</u>	<u>39,321,877</u>	<u>(52,676)</u>
Other Financing Sources:				
Transfers in:				
Use of fund balance		194,000		(194,000)
Cancellation of prior year encumbrances			32,846	32,846
Sewer Assessment Fund	435,722	495,722	495,722	-
Police Special Services	35,000	35,000	35,000	-
Total other financing sources	<u>470,722</u>	<u>724,722</u>	<u>563,568</u>	<u>(161,154)</u>
Total Revenues and Other Financing Sources	<u>\$ 40,313,975</u>	<u>\$ 40,099,275</u>	39,885,445	<u>\$ (213,830)</u>
Budgetary revenues are different from GAAP revenues because:				
Cancellation of prior year encumbrances are recognized as budgetary revenue			(32,846)	
Excess cost grants are netted for budgetary reporting			572,710	
The town budgets certain transfers in directly against expenditure accounts			48,355	
The town budgets certain revenues directly against expenditure accounts			3,310	
State on-behalf OPEB payments			491,092	
State on-behalf pension payments			<u>4,762,042</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV			<u>\$ 45,730,108</u>	

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Government:				
Town Council	\$ 34,300	\$ 36,300	\$ 33,193	\$ 3,107
Town Manager	214,073	214,073	212,669	1,404
Finance Administration	119,940	116,845	116,574	271
Accounting	115,632	115,632	114,892	740
Tax Collector	115,578	113,458	108,458	5,000
Assessor	141,562	141,987	141,747	240
Assessment Appeals	750	750	531	219
Treasurer	23,802	21,802	21,229	573
Information Technology	176,980	180,770	178,360	2,410
Planning	143,545	127,262	127,262	-
Zoning Board of Appeals	23,629	13,983	13,983	-
Conservation	2,135	700	700	-
Economic Development	13,445	11,903	11,903	-
Inland Wetlands	48,364	40,607	40,607	-
Planning and Zoning Commission	4,600	2,164	2,164	-
Legal counsel	90,000	64,890	64,877	13
Probate court	7,680	7,680	7,680	-
Recording/licensing	154,486	150,091	146,349	3,742
Elections	56,761	56,761	54,879	1,882
Town Office building	77,019	84,918	81,946	2,972
Central services	47,310	42,810	36,144	6,666
Total general government	<u>1,611,591</u>	<u>1,545,386</u>	<u>1,516,147</u>	<u>29,239</u>
Public Safety:				
Police Administration	195,491	191,690	191,385	305
Police Operations	1,320,255	1,283,982	1,282,765	1,217
Police supportive services	329,167	356,493	356,040	453
Police marine patrol	8,400	5,013	4,948	65
Police station	59,560	76,515	76,467	48
Fire Marshal	19,685	19,685	14,437	5,248
Coventry Volunteer Fire Association	41,162	36,262	33,793	2,469
North Coventry Volunteer Fire Department	25,852	39,902	37,639	2,263
N. Coventry substation	7,550	7,550	3,751	3,799
Joint Fire Budget	391,250	380,100	365,548	14,552
CVFA South Street Substation	15,115	15,115	9,462	5,653
Civil Emergency Preparedness	27,735	29,735	26,979	2,756
Animal Control	71,394	68,494	67,643	851
Total public safety	<u>2,512,616</u>	<u>2,510,536</u>	<u>2,470,857</u>	<u>39,679</u>
Public Works:				
Roads and drainage	586,443	579,917	570,251	9,666
Public works building	57,437	70,597	67,959	2,638
Snow removal	293,000	412,975	409,707	3,268
Facilities maintenance	323,134	311,639	303,808	7,831
Public works administration	241,508	250,852	248,860	1,992
Fleet maintenance	457,983	452,132	435,625	16,507
Street lights	41,050	44,040	42,918	1,122
Cemetery Commission	25,651	25,651	21,594	4,057
Tree Warden	33,450	49,450	49,400	50
Facilities - other	5,620	4,620	2,524	2,096
Engineering	80,371	74,671	67,687	6,984
Building inspection	144,390	140,393	139,440	953
Building code	45	45	45	-
Health Department	65,860	65,860	65,859	1
Total public works	<u>2,355,942</u>	<u>2,482,842</u>	<u>2,425,677</u>	<u>57,165</u>

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Human Services:				
Visiting nurses	\$ 2,500	\$ 2,500	\$ 1,440	\$ 1,060
Human services/general administration	191,445	185,745	184,512	1,233
Elderly services	101,340	107,890	103,683	4,207
Total human services	<u>295,285</u>	<u>296,135</u>	<u>289,635</u>	<u>6,500</u>
Culture and Recreation:				
Booth/Dimock Library	468,375	468,375	468,375	-
Parks and recreation, supervision	67,383	67,393	67,389	4
Memorial Day	3,175	2,165	2,104	61
Total culture and recreation	<u>538,933</u>	<u>537,933</u>	<u>537,868</u>	<u>65</u>
Insurance and Sundry:				
Municipal insurance	398,400	378,400	378,178	222
Pension/Social Security	886,650	857,650	848,629	9,021
Health insurance	917,300	917,300	915,567	1,733
Contingency	20,000	-	-	-
Claims and losses	40,000	15,680	7,651	8,029
Total insurance and sundry	<u>2,262,350</u>	<u>2,169,030</u>	<u>2,150,025</u>	<u>19,005</u>
Education	<u>27,044,684</u>	<u>26,781,484</u>	<u>26,753,338</u>	<u>28,146</u>
Capital Outlay	<u>740,500</u>	<u>821,500</u>	<u>821,500</u>	<u>-</u>
Debt Service	<u>2,724,073</u>	<u>2,726,428</u>	<u>2,726,426</u>	<u>2</u>
Total budgetary expenditures	<u>40,085,974</u>	<u>39,871,274</u>	<u>39,691,473</u>	<u>179,801</u>
Other Financing Uses:				
Transfers out:				
Matching funds	2,000	2,000	2,000	-
Parks and recreation fund	33,701	33,701	33,701	-
Land acquisition fund	25,000	25,000	25,000	-
CNREF	167,300	167,300	167,300	-
Total other financing uses	<u>228,001</u>	<u>228,001</u>	<u>228,001</u>	<u>-</u>
Total	<u>\$ 40,313,975</u>	<u>\$ 40,099,275</u>	39,919,474	<u>\$ 179,801</u>

Budgetary expenditures are different from GAAP expenditures because:

Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes	(331,925)
Reserve for matching fund expenditures and transfers, net	891
The town budgets certain transfers in directly against expenditure accounts	48,355
The town budgets certain revenues directly against expenditure accounts	3,310
Excess cost grants are netted for budgetary reporting	572,710
State on-behalf OPEB payments	491,092
State on-behalf pension payments	<u>4,762,042</u>

Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV \$ 45,465,949

TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:					
Service cost	\$ 565,374	\$ 553,015	\$ 509,257	\$ 494,424	\$ 472,429
Interest	1,279,723	1,232,383	1,112,799	1,073,988	1,035,694
Differences between expected and actual experience	252,167	(98,117)	453,936	(144,868)	
Changes of assumptions	275,569	(45,764)	129,540		
Benefit payments, including refunds of member contributions	<u>(1,173,150)</u>	<u>(877,530)</u>	<u>(440,070)</u>	<u>(1,409,674)</u>	<u>(618,211)</u>
Net change in total pension liability	1,199,683	763,987	1,765,462	13,870	889,912
Total pension liability - beginning	<u>17,073,571</u>	<u>16,309,584</u>	<u>14,544,122</u>	<u>14,530,252</u>	<u>13,640,340</u>
Total pension liability - ending	<u>18,273,254</u>	<u>17,073,571</u>	<u>16,309,584</u>	<u>14,544,122</u>	<u>14,530,252</u>
Plan fiduciary net position:					
Contributions - employer	568,278	617,847	565,362	673,765	1,097,988
Contributions - member	249,086	270,830	245,912	239,053	221,335
Net investment income (loss)	1,008,061	1,712,604	(47,620)	159,678	1,768,049
Benefit payments, including refunds of member contributions	(1,173,150)	(877,530)	(440,070)	(1,409,674)	(618,211)
Administrative expense	<u>(16,843)</u>	<u>(23,173)</u>	<u>(36,641)</u>	<u>(28,694)</u>	<u>(34,485)</u>
Net change in plan fiduciary net position	635,432	1,700,578	286,943	(365,872)	2,434,676
Plan fiduciary net position - beginning	<u>14,594,506</u>	<u>12,893,928</u>	<u>12,606,985</u>	<u>12,972,857</u>	<u>10,538,181</u>
Plan fiduciary net position - ending	<u>15,229,938</u>	<u>14,594,506</u>	<u>12,893,928</u>	<u>12,606,985</u>	<u>12,972,857</u>
Net Pension Liability - Ending	<u>\$ 3,043,316</u>	<u>\$ 2,479,065</u>	<u>\$ 3,415,656</u>	<u>\$ 1,937,137</u>	<u>\$ 1,557,395</u>
Plan fiduciary net position as a percentage of the total pension liability	83.35%	85.48%	79.06%	86.68%	89.28%
Covered payroll	\$ 6,819,574	\$ 6,536,271	\$ 6,317,675	\$ 5,828,844	\$ 5,849,479
Net pension liability as a percentage of covered-employee payroll	44.63%	37.93%	54.07%	33.23%	26.62%

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

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 765,258	\$ 832,855	\$ 1,040,895	\$ 1,097,988	\$ 1,079,026	\$ 728,299	\$ 673,765	\$ 565,362	\$ 617,847	\$ 568,278
Contributions in relation to the actuarial determined contribution		832,855	1,139,895	1,267,988	1,097,988	1,097,988	673,765	565,362	617,847	568,278
Contribution Deficiency (Excess)	\$ <u>(765,258)</u>	\$ <u>-</u>	\$ <u>99,000</u>	\$ <u>170,000</u>	\$ <u>18,962</u>	\$ <u>369,689</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 5,707,527	\$ 6,161,861	\$ 6,183,478	\$ 5,811,077	\$ 5,811,077	\$ 5,849,479	\$ 5,828,844	\$ 6,317,675	\$ 6,536,271	\$ 6,819,574
Contributions as a percentage of covered payroll	0.00%	13.52%	18.43%	21.82%	18.89%	18.77%	11.56%	8.95%	9.45%	8.33%

Notes to Schedule

Valuation Date: July 1, 2017
Measurement Date: June 30, 2018
Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal
Amortization method: Level percentage of salary - open
Remaining amortization period: 15 Years
Asset valuation method: Asset gains and losses are recognized over a four-year period at 25% per year.
Inflation: 2.60%
Salary increases: 3.00%
Investment rate of return: Pre-retirement 7.50% per year, post-retirement non-union and police officers 6.50%
all other divisions 7.00%
Retirement age: Police Sworn: 45/20
Non-Uniformed Police: Rule of 85
Non Police Bargaining Unit Employees: 10% at 60, increasing to 100% at 65
Non Bargaining Unit Employees: 62/5
Mortality: RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST FIVE FISCAL YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	6.81%	13.15%	(0.37%)	1.25%	15.71%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>41,168,926</u>	<u>43,433,532</u>	<u>34,183,863</u>	<u>31,555,211</u>
Total	<u>\$ 41,168,926</u>	<u>\$ 43,433,532</u>	<u>\$ 34,183,863</u>	<u>\$ 31,555,211</u>
Town's covered payroll	\$ 13,040,396	\$ 12,962,869	\$ 12,733,792	\$ 12,100,327
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.51%

Notes to Schedule

Changes in benefit terms	None
Changes of assumptions	<p>During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015.</p> <p>During 2011, rates of withdrawal, retirement and assumed rates of salary increases were adjusted to reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2010.</p>
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Remaining amortization period	20.4 years
Asset valuation method	8.5%, net of investment related expense

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

TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR*

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 421,300
Interest	317,034
Changes of assumptions and other inputs	(360,004)
Benefit payments	<u>(166,825)</u>
Net change in total OPEB liability	211,505
Total OPEB liability - beginning	<u>8,517,083</u>
 Total OPEB Liability - Ending	 <u>\$ 8,728,588</u>
 Covered payroll	 \$ 20,377,472
 Total OPEB liability as a percentage of covered-employee payroll	 42.83%

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

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

	<u>2018</u>
Town's proportion of the net pension liability	0.00%
Town's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>10,596,428</u>
Total	<u>\$ 10,596,428</u>
Town's covered payroll	\$ 13,040,396
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	

Notes to Schedule

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

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