



July 30, 2020

**MEMORANDUM TO PROSPECTIVE BIDDERS**

**Re:   BOROUGH OF NAUGATUCK, CONNECTICUT  
      \$3,000,000 General Obligation Bond Anticipation Notes**

**Dated: August 20, 2020      Date of Sale: Thursday, August 6, 2020  
Due: December 15, 2020    Time of Sale: 11:30 A.M. (Eastern Time)**

***\*\*Phone Number to Place Bid: (203) 283-1110\*\****

As per the Notice of Telephone Sale, proposals may be submitted by telephone on Thursday, August 6, 2020. Please note that a representative of Phoenix Advisors, LLC will be available until 11:30 A.M. (Eastern Time) on the day of the sale to assist with telephone bids. We ask that you submit your final bid by telephone at **(203) 283-1110 no later than 11:30 A.M. on Thursday, August 6, 2020.**

*The issue of notes is exempt from the provisions of Rule 15c2-12, as amended, of the Securities and Exchange Commission. No Official Statement has been prepared by or on behalf of the Issuer for this sale.*

The General Purpose Financial Statements have been excerpted from the Annual Financial Report of the Borough of Naugatuck, Connecticut as of June 30, 2019. These excerpts are included in this package. Copies of the complete Annual Financial Report for June 30th are available upon request from Phoenix Advisors, LLC, Attention: Barry J. Bernabe, Managing Director, 53 River Street, Suite 1, Milford, Connecticut, Telephone (203) 283-1110.

We trust we may be of service.

**PHOENIX ADVISORS, LLC**



## **Telephone BAN Sale Term Sheet**

**\$3,000,000**

### **General Obligation Bond Anticipation Notes Borough of Naugatuck, Connecticut**

<b>Date of Sale:</b>	Thursday, August 6, 2020 at 11:30 A.M. (Eastern Time).
<b>Location of Sale:</b>	Telephone Sale: (203) 283-1110
<b>Issuer:</b>	Borough of Naugatuck, Connecticut (the "Borough").
<b>Issue:</b>	\$3,000,000 General Obligation Bond Anticipation Notes (the "Notes").
<b>Dated Date:</b>	August 20, 2020
<b>Principal and Interest Due:</b>	At maturity on December 15, 2020
<b>Purpose:</b>	The Notes are being issued to finance renovations to Naugatuck High School.
<b>Denominations:</b>	\$100,000, or integral multiples in excess thereof of \$1,000.
<b>Redemption:</b>	The Notes are not subject to redemption prior to maturity.
<b>Security:</b>	The Notes will be General Obligations of the Borough and the Borough will pledge its full faith and credit to the payment of principal of and interest on the Notes when due.
<b>Credit Rating:</b>	No application for a rating on this Note issue has been made to any credit rating agency. The Borough has an outstanding bond rating of "Aa3" from Moody's Investors Service and "AA-" from S&P Global Ratings.
<b>Basis of Award:</b>	Lowest Net Interest Cost (NIC), as of dated date.
<b>Form of Legal Opinion and Tax Exemption:</b>	See Opinion of Bond Counsel.
<b>Bank Qualification:</b>	The Notes shall be designated by the Borough as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.
<b>Registrar, Transfer Agent, Certifying Agent and Paying Agent:</b>	U.S Bank National Association of Hartford, Connecticut, Goodwin Square, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103.
<b>Option for No Book Entry:</b>	A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC. See "Option for No Book Entry" in Notice of Sale.
<b>Municipal Advisor:</b>	Phoenix Advisors, LLC of Milford, Connecticut will act as Municipal Advisor. Barry Bernabe, Managing Director, Telephone: (203) 283-1110.
<b>Legal Opinion:</b>	Pullman & Comley, LLC of Hartford, Connecticut will act as Bond Counsel.
<b>Delivery and Payment:</b>	Except if the winning bidder requests no book entry, it is expected that delivery of the Notes in book-entry-only form will be made to The Depository Trust Company on or about August 20, 2020. Delivery of the Notes will be made against payment in immediately available Federal Funds.
<b>Issuer Official:</b>	Questions concerning the Borough should be directed to Ms. Allyson Bruce, Controller, Town Hall, 229 Church Street, Naugatuck, Connecticut 06770, Telephone: (203) 720-7027.

August 20, 2020

Borough of Naugatuck  
229 Church Street  
Naugatuck, CT 06770

Re: Borough of Naugatuck, Connecticut  
\$3,000,000 General Obligation Bond Anticipation Notes  
Dated August 20, 2020; Due December 15, 2020

Ladies and Gentlemen:

We have acted as Bond Counsel to the Borough of Naugatuck, Connecticut (the "Borough") in connection with the issuance by the Borough of its \$3,000,000 General Obligation Bond Anticipation Notes, dated August 20, 2020 (the "Notes"). In such capacity, we have examined records of proceedings of the Borough authorizing the Notes, a Tax Compliance Agreement of the Borough dated August 20, 2020 (the "Agreement"), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that when the Notes are duly certified by U.S. Bank National Association, the Notes will be valid and legally binding general obligation notes of the Borough payable as to both principal and interest from ad valorem taxes which may be levied on all taxable property subject to taxation by the Borough without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the Borough and was duly authorized by the Borough.

The rights of the holders of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be excludable from gross income. In the Agreement, the Borough has made covenants and representations designed to assure compliance with such requirements of the Code. The Borough has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes to ensure that interest on the Notes shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Notes.

In rendering the below opinions regarding the Federal treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Agreement, and (ii) continuing compliance by the Borough with the covenants set forth in the Agreement as to such tax matters.

In our opinion, under existing statutes and court decisions, (i) interest on the Notes is excludable from gross income for federal income tax purposes; and (ii) such interest is not an item of tax preference for purposes of calculating the federal alternative minimum tax. Although we have rendered an opinion that interest on the Notes is excludable from gross income for federal income tax purposes, federal income tax liability may otherwise be affected by the ownership or disposition of the Notes. We express no opinion regarding other federal income tax consequences caused by ownership or disposition of, or receipt of interest on the Notes.

We are further of the opinion that, under existing statutes, interest on the Notes is excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. We express no opinion regarding other State income tax consequences caused by the ownership or disposition of, or receipt of interest on the Notes.

The Notes have been designated to be and are qualified tax-exempt obligations of the Borough under Section 265(b)(3) of the Code.

We have not undertaken to advise whether any events after the date of issuance of the Notes, including the adoption of federal tax legislation, may affect the tax status of interest on the Notes.

Respectfully,

PULLMAN & COMLEY, LLC

**NOTICE OF TELEPHONE SALE  
BOROUGH OF NAUGATUCK, CONNECTICUT**

**\$3,000,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES  
Dated August 20, 2020: Due December 15, 2020**

Bids by TELEPHONE will be received by the **BOROUGH OF NAUGATUCK**, Connecticut (the “Borough”), at (203) 283-1110 until **11:30 A.M. (E.T.), Thursday**

**August 6, 2020**

(the “Bid Date”) for the purchase of the above-captioned **BOROUGH OF NAUGATUCK** General Obligation Bond Anticipation Notes (the “Notes”).

**The Issue**

The full faith and credit of the Borough will be pledged for the prompt payment of the principal of and the interest on the Notes. The Notes will be general obligations of the Borough payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Borough without limit as to rate or amount except as to classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts pursuant to Connecticut General Statutes, as amended. The Notes will be dated August 20, 2020 and will be payable to the registered owners at maturity on December 15, 2020. They will be issued in minimum denominations of \$100,000 or integral multiples in excess thereof of \$1,000. Denominations of less than \$100,000 will not be made available. The Notes will bear interest (computed on a 360-day year, 30-day month basis) payable at maturity at the rate or rates per annum fixed in the proposal accepted for their purchase, which rates shall be in multiples of 1/100 of 1% per annum.

The Notes are **NOT** subject to redemption prior to maturity.

**Bid Requirements**

Telephone bids for the Notes will be received on behalf of the Borough by Phoenix Advisors, LLC, the Borough’s municipal advisor. All telephone bids must be made to Phoenix Advisors, LLC at (203) 283-1110 and be completed by 11:30 A.M. (E.T.) on Thursday, August 6, 2020.

Bidders shall recognize that a bid by telephone means that the bidder accepts the terms and conditions of this Notice of Sale and agrees to be bound by such and, further, such bidder recognizes and accepts the risk that its telephone bid may not be received by the Borough through its agent or may be received later than the time specified as the result of a failure in communications including, but not limited to, a failure in telephonic communications, or the inability to reach the Borough through its agent by the time required. A bid received after the time specified, as determined in the Borough’s sole discretion, will not be reviewed or honored by the Borough.

A proposal may be for all or any part of the Notes, but any proposal for a part must be for at least \$100,000, or integral multiples in excess thereof of \$1000. A separate proposal will be required for each part of the Notes for which a separate stated interest rate is bid.

**Award, Delivery and Payment**

Unless all bids are rejected, the Notes will be awarded on the basis of the lowest net interest cost, computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom any premium offered. As between proposals resulting in the same lowest net interest cost, the award will be made on the basis of the highest principal amount of the Notes specified. In the event that two or more bidders offer bids at the same lowest net interest cost and the same principal amount, the Borough will determine by lot which of such bidders will be awarded the Notes. No bid for less than par and accrued interest, if any, will be considered and the

Borough reserves the right to award to any bidder(s) all or any part of the Notes bid for in its proposal. If a bidder is awarded only a part of the Notes bid for in its proposal, any premium offered in such proposal will be proportionately reduced so that the net interest cost shall be the same as in the bidder's proposal with respect to the amount bid, carried to four places. The purchase price must be paid in federal funds.

Promptly upon verbal notification that a bidder's proposal may be accepted, the bidder shall confirm to the Borough the reoffering prices of the Notes.

Bids will be finally accepted or rejected promptly after opening and not later than 1:00 P.M. (E.T.) on the Bid Date in accordance with the provisions herein.

### **Establishment of Issue Price**

In order to provide the Borough with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion of interest on the Notes from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Borough at or prior to the delivery of the Notes an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the Public (the "Initial Offering Price") or the actual sales price or prices of the Notes, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. However, such certificate may indicate that the winning bidder has purchased the Notes for its own account in a capacity other than as an Underwriter, and currently has no intent to reoffer the Notes for sale to the Public (as defined below). For purposes of this "Establishment of Issue Price" section, Bond Counsel may act on behalf of the Borough.

The Borough intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "Competitive Sale Rule") because:

- (1) the Borough shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Borough anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Borough anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the lowest net interest cost, as set forth in this Notice of Sale.

By submitting a bid, each bidder is certifying that (i) it is an underwriter with an established industry reputation for underwriting municipal bonds, and (ii) its bid is a firm offer to purchase the Notes, is a good faith offer which the bidder believes reflects current market conditions, and is not a "courtesy bid" being submitted for the purpose of assisting in meeting the Competitive Sale Rule, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds. The municipal advisor will advise the winning bidder if the Competitive Sale Rule was met at the same time it notifies the winning bidder of the award of the Notes. Bids will not be subject to cancellation in the event that the Competitive Sale Rule is not satisfied.

In the event that the Competitive Sale Rule is not satisfied, the Borough shall treat the first price at which 10% of each interest rate for a maturity of the Notes (the "Actual Sale Rule") is sold to the Public as the issue price of that interest rate and maturity. In such event, the winning bidder shall promptly advise the Borough if the Notes satisfy the Actual Sale Rule as of the Bid Date.

To satisfy the Actual Sale Rule for the Notes, the winning bidder:

- (1) will make a bona fide offering to the Public of all of the Notes at the Initial Offering Price and provide the Borough with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel,
- (2) will report to the Borough information regarding the actual prices at which at least 10% of each maturity of the Notes have been sold to the Public,
- (3) will provide the Borough with reasonable supporting documentation or certifications of such sale prices the form of which is acceptable to Bond Counsel. This reporting requirement, which may extend beyond the closing date of the Notes, will continue until such date that 10% of each maturity of the Notes has been sold to the Public at such sale price, and
- (4) has or will include within any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Notes to the Public, together with the related pricing wires, language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to comply with the reporting requirement described above.

Sales of any Notes to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (2) “*Related Party*” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (3) “*Underwriter*” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Notes to the Public (including a member of the selling group or a party to a retail distribution agreement participating in the initial sale of the Notes to the Public).

At or prior to the delivery of the Notes the successful bidder shall be furnished, without cost, with the approving opinion of Pullman & Comley, LLC, of Hartford, Connecticut, Bond Counsel. The successful bidder will also be furnished with a receipt of payment for the Notes, a Signature and No Litigation Certificate, dated as of the date of delivery of the Notes, stating that there is no litigation pending, or to the knowledge of the signers thereof, threatened, affecting the validity of the Notes or the power of the Borough to levy and collect taxes to pay them.

The Notes shall be deemed designated by the Borough as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

The Borough will have no responsibility to pay for any expenses of the underwriter except to the extent specifically stated in this Notice of Sale. The underwriter will have no responsibility to pay for any of the Borough’s costs of issuance except to the extent specifically stated in this Notice of Sale.

The underwriter will be responsible for the clearance or exemption with respect to the status of the Notes for sale under securities or “Blue Sky” laws and the preparation of any surveys or memoranda in connection with such sale. The Borough shall have no responsibility for such clearance, exemption or preparation.

It is expected that the Notes will be delivered to DTC in New York City on or about August 20, 2020 against payment in immediately available federal funds, except in the case that the option for no book entry is selected by the underwriter. The deposit of the Notes with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the winning underwriter to obtain CUSIP numbers for the Notes prior to delivery and the Borough will not be responsible for any delay occasioned by the inability to deposit the Notes with DTC due to the failure of the winning underwriter to obtain such numbers and to supply them to the Borough in a timely manner. Neither the failure to print such CUSIP number on any note, nor any error with respect thereto, shall constitute a cause for a failure or refusal by the underwriter thereof to accept delivery of and pay for the Notes.

### **Right to Reject Bids; Waiver**

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

### **Postponement; Change of Terms**

The Borough reserves the right to alter any terms of the Notes or this Notice of Sale and to postpone, from time to time, the date or time established for the receipt of the bids.

### **Book-Entry**

Subject to the paragraph below, the Notes will be issued by means of a book-entry system with no physical distribution of certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company, New York, New York (DTC), registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$100,000 or integral multiples in excess thereof of \$1,000, with transfers of ownership effected on the records of DTC and its Participants pursuant to rules and procedures adopted by DTC and its Participants. The successful bidder or bidders, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Borough or its agent in Federal funds to DTC or its nominee as registered owner of the Notes. Principal and interest payments to Participants of DTC will be the responsibility of DTC. Principal and interest payments to Beneficial Owners by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Borough will not be responsible or liable for payments by DTC to its Participants or by DTC Participants to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Notes and the Borough fails to identify another qualified securities depository to replace DTC, or (b) the Borough determines to discontinue the book-entry system of evidence and transfer of ownership of the Notes, the Borough will authenticate and deliver replacement Notes in the form of fully registered Note certificates directly to the Beneficial Owners of the Notes or their nominees.

### **Option For No Book Entry**

A bidder for the Notes may request that the Notes be issued in the form of a single fully registered physical certificate in the par amount of the Notes, rather than in book-entry form through the facilities of DTC, provided the bid is for all the Notes at the same interest rate. A bidder for the Notes requesting that the Notes be issued in non-book-entry form may request that it be designated by the Borough as the Certifying Agent, Registrar and Paying Agent for the Notes if it is a bank or trust company authorized to act in such capacity pursuant to the Connecticut General Statutes. Any bidder seeking to have the Notes issued in non-book-entry form, or to be designated as Certifying Agent, Registrar and Paying Agent for such Notes, shall indicate this preference to the Borough at the



time of the submission of the bid. The Borough reserves the right to decline any request to issue the Notes in non-book entry form, or to designate the successful bidder as Certifying Agent, Registrar and Paying Agent for the Notes, if it should determine, in its sole discretion, that issuing the Notes in such manner or with such designation is not in its best interests. If the Notes are issued in non-book-entry form, the successful bidder, and any subsequent registered owner of the Notes, shall not impose on or charge the Borough any costs or expenses of any re-registration or transfer of Notes from time to time, including any costs of counsel, costs to convert the Notes to book-entry only form, or for any costs or expenses of services as Certifying Agent, Registrar and Paying Agent for the Notes if the successful bidder is so designated.

#### **No Continuing Disclosure or Official Statement**

Since the Notes mature not more than nine months from the date of issue and are in denominations of \$100,000 or more, the undertaking to provide an official statement or continuing disclosure under SEC Rule 15c2-12 does not apply to the Notes. Therefore, the Borough will not provide an official statement nor enter into a continuing disclosure agreement with respect to the Notes.

#### **Additional Information**

More information concerning the issue and the Borough may be obtained from Barry J. Bernabe, Managing Director, Phoenix Advisors, LLC, 53 River Street, Suite 1, Milford, CT 06460 (203) 283-1110.

N. Warren Hess, III  
Mayor

Judith E. Anderson  
Treasurer

July 30, 2020

# **BOROUGH OF NAUGATUCK, CONNECTICUT**

## **FINANCIAL INFORMATION**

Annual Financial Statements of  
The Borough of Naugatuck, Connecticut  
Year Ended June 30, 2019

## **Independent Auditors' Report**

### **Board of Mayor and Burgesses and Board of Finance Borough of Naugatuck, 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 Borough of Naugatuck, Connecticut ("Borough"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

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

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

**Board of Mayor and Burgesses and Board of Finance  
Borough of Naugatuck, Connecticut**

Page 2

***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 Borough of Naugatuck, Connecticut, as of June 30, 2019, 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.

***Other Matters***

***Required Supplementary Information***

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

***Supplementary and Other Information***

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

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

**Board of Mayor and Burgesses and Board of Finance  
Borough of Naugatuck, Connecticut**

Page 3

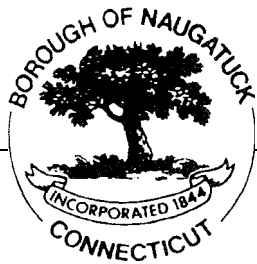
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2020, on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

Wethersfield, Connecticut  
April 9, 2020



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**Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

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As management of the Borough of Naugatuck, Connecticut ("Borough"), we offer readers of the Borough's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2019.

**Financial Highlights**

- The liabilities and deferred inflows of resources of the Borough exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$74,029,891 (*net position*). *Unrestricted net position*, the amount that may be used to meet the Borough's ongoing obligations to citizens and creditors, was a deficit balance of \$(247,446,397).
- The Borough's total net position increased by \$11,602,659. The increase is due substantially to positive operations of the governmental funds of \$6,876,796 (discussed below) as well as net capital asset activity of \$1,829,143 and debt related activity of \$7,012,623 offset by decreases in pension and OPEB expense of \$2,373,435 and revenues of \$1,841,245 due to accounting basis changes (conversion to accrual basis on Exhibit E).
- As of the close of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$24,584,742, an increase of \$6,876,796 in comparison with the prior year. This increase is primarily attributable to the positive operations of the NHS Reconstruction and Renovation Fund which resulted in an increase in fund balance of \$6,081,967 due to the school building grant revenues. Additionally, there was an increase in fund balance in the General Fund of \$679,071 and Capital Nonrecurring Fund of \$753,714 offset by the negative operations of Other Governmental Funds of \$637,956.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,585,274. The unassigned fund balance represents 9.75% of total budgetary general fund expenditures and transfers out.
- The Borough's total debt decreased by \$7,027,106 or 7.30% as the result of \$1,384,389 of equipment financing note issuances net of scheduled principal payments on outstanding debt of \$8,411,495.
- Net capital assets increased by \$1,829,143. This increase is largely due to an increase in construction in progress of \$1,897,393 for Cross Street, Maple Street Bridge reconstruction project, and various infrastructure projects of \$5,396,725 in excess of current year depreciation expense.

### **Overview of the Basic Financial Statements**

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

**Government-wide financial statements.** One of the most important questions asked about the Borough's finances is, "Is the Borough as a whole better off or worse off as a result of the year's activities?" The *statement of net position* and *statement of activities* report information about the Borough as a whole and about its activities in a way that helps answer this question.

These statements include *all* assets, liabilities and deferred outflows/inflows of resources 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 the cash is received or paid.

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

You will need to consider other nonfinancial factors, however, such as changes in the Borough's property tax base and the condition of the Borough's roads, to assess the overall health of the Borough.

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

The government-wide financial statements present the functions of the Borough that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Borough include general government, public safety, public works, health and welfare and education.

**Fund financial statements.** The fund financial statements provide detailed information about the most significant funds; not the Borough as a whole. Some funds are required to be established by State law and by bond covenants. However, the Borough establishes many other funds to help it maintain control and manage money that have been segregated for specific activities or objectives. Funds are also established to ensure and demonstrate compliance with finance related legal requirements for using certain grants. All of the funds of the Borough can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

## Management's Discussion and Analysis (continued)

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

The Borough reports governmental funds separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, NHS Reconstruction and Renovation fund and Capital Nonrecurring fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of combining statements in Schedules 2 and 3 in this report.

**Proprietary funds.** The Borough maintains three proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Borough's various functions. The Borough uses an internal service fund to account for its self-insured dental benefits and Board of Education dental benefits as well as workers compensation benefits for the Borough and the Board of Education. This activity has been included within governmental activities in the government-wide financial statements.

The data for the internal service funds is provided in Exhibits F, G and H of this report.

**Fiduciary funds.** The Borough is the trustee, or fiduciary, for its employees' pension and OPEB plans. It is also responsible for other assets that, because of a trust agreement, can be used only for the trust beneficiaries. All of the Borough's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position (Exhibits I and J). We exclude these activities from the Borough's other financial statements because the Borough cannot use these assets to finance its operations. The Borough is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information as follows:

- A budgetary comparison schedule for the General Fund to demonstrate compliance with this budget.
- Schedules to demonstrate the Borough's progress in funding its obligation to provide pension benefits.
- Schedules to demonstrate the Borough's progress in funding its obligation to provide other post-employment benefits.

**Other information.** The combining statements referred to earlier in connection with other governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found in Schedules 2 through 6 of this report.



## Management's Discussion and Analysis (continued)

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the Borough's financial position. The Borough's net position increased from a year ago by \$11,602,659 to \$(74,029,891).

By far the largest portion of the Borough's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Borough's net position represents resources that are subject to external restrictions on how they may be used. When the balance is positive, the remaining balance of unrestricted net position is available to be used to meet the Borough's ongoing obligations to citizens and creditors.

### **Summary Statement of Net Position June 30**

	<b><u>2019</u></b>	<b><u>2018</u></b>
Current and other assets	\$ 50,777,994	\$ 43,518,307
Capital assets (net)	<u>232,087,899</u>	<u>230,258,756</u>
Total assets	<u>282,865,893</u>	<u>273,777,063</u>
Deferred outflows of resources	<u>8,876,930</u>	<u>9,306,012</u>
Current liabilities outstanding	22,544,874	18,798,887
Long-term liabilities outstanding	<u>304,019,993</u>	<u>310,076,811</u>
Total liabilities	<u>326,564,867</u>	<u>328,875,698</u>
Deferred inflows of resources	<u>39,207,847</u>	<u>39,839,927</u>
Net position:		
Net investment in capital assets	171,828,625	170,382,476
Restricted	1,587,881	2,672,206
Unrestricted	<u>(247,446,397)</u>	<u>(258,687,232)</u>
Total net position	<u>\$ (74,029,891)</u>	<u>\$ (85,632,550)</u>

## Management's Discussion and Analysis (continued)

**Governmental activities.** The Borough's net position increased by \$11,602,659 from operations as detailed below:

### Statement of Changes in Net Position For the Years Ended June 30

	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 9,512,023	\$ 10,266,483
Operating grants and contributions	50,509,764	50,424,172
Capital grants and contributions	10,807,044	6,003,178
General revenues:		
Property taxes	78,599,861	74,995,756
Grants and contributions not restricted to specific programs	1,305,688	1,270,987
Income from investments	806,926	193,766
Gain on sale of capital assets	46,995	-
Other	328,998	285,232
Total revenues	<u>151,917,299</u>	<u>143,439,574</u>
Expenses:		
General government	8,931,541	9,684,934
Public safety	26,020,220	23,723,836
Public works	13,058,623	16,576,629
Health and welfare	3,487,506	3,504,500
Education	85,032,314	86,599,042
Interest	3,784,436	1,448,866
Total expenses	<u>140,314,640</u>	<u>141,537,807</u>
Change in net position	11,602,659	1,901,767
Net position - July 1	<u>(85,632,550)</u>	<u>(87,534,317)</u>
Net position - June 30	<u>\$ (74,029,891)</u>	<u>\$ (85,632,550)</u>

## Management's Discussion and Analysis (continued)

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Key elements of this increase are as follows:

- Capital grants and contributions increased by \$4,803,866 primarily due to the school construction grant of \$6,060,290 offset by a decrease in highway planning and construction grant of approximately \$1,200,000.
- The \$2,296,384 increase in public safety expense was mainly due to increases in pension and OPEB expense of \$537,789 as well as employee benefits \$554,283 and police outside services activity of \$368,624.
- The \$3,518,006 decrease in public works expense is primarily due to \$1,635,080 decrease in the WPCA department operations as a result of efficiencies from the recent upgrade and due to higher road maintenance cost versus reconstruction in the prior year.
- The \$1,566,728 decrease in education expense was mainly due to a decrease of pension and OPEB expense of \$2,571,285 offset by an increase in workers compensation claims of \$625,643 an increase in compensated absences of \$589,670.

### **Financial Analysis of the Borough's Funds**

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

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

As of the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$24,584,742. Fund balance has been classified as:

• nonspendable (education endowment)	\$ 1,000
• restricted	1,586,881
• committed	13,399,835
• assigned	6,009,334
• unassigned	3,587,692

The total fund balance increased by \$6,876,796 to \$24,584,742. This increase is a result of the following funds activity:

**General Fund.** The general fund is the operating fund of the Borough. The fund balance of the Borough's general fund increased by \$679,071 due to increases in revenue of \$2,568,567 and spending savings of \$3,136,808 which offset \$3,104,809 appropriated to balance the 2019 budget.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,585,274. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 9.75% of total general fund budgetary expenditures and transfers out.

## Management's Discussion and Analysis (continued)

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***NHS Reconstruction and Renovation Fund.*** This fund accounts for financial resources to be used for the \$81,000,000 reconstruction and renovation of the High School project. The primary source of funding is school building grants and bond proceeds. The fund ended the year with an increase in fund balance of \$6,081,967 as a result of the receipt of school construction grant revenue from the State. The fund ended the year with a deficit of \$7,746,176 which will be eliminated when additional school building grant funds are received or bonds are issued to permanently finance the bond anticipation notes.

***Capital Nonrecurring Fund.*** This fund accounts for financial resources to be used for the activities associated with major capital improvements and equipment. This fund is funded with grants, debt (equipment financing notes) issuances and transfers from the general fund. The increase in fund balance of \$753,714 is due to grant revenue offset by the current year expenditures related to Maple Street Bridge renovation and Cross Street Renovation and other road projects funded in previous years. The fund balance at fiscal year end was \$12,731,820, which will be expended in future years as projects are completed.

### **General Fund Budgetary Highlights**

The Borough budgeted \$3,104,809 of fund balance to balance the budget.

Significant budget transfers made during the year were as follows:

- \$430,261 from insurance to pension to allow the Borough to contribute the total actuarial determined contributions.

Significant revenues variances from the budget were as follows:

- Property taxes were in excess of the amount budgeted by \$869,643 due to an increase in the collection rate of prior year taxes.
- Intergovernmental revenues were in excess of the amount budgeted by \$1,177,447 due to receipts of the motor vehicle property tax grant of \$671,300 and municipal stabilization grant of \$283,399, which were not budgeted.

Significant departments that were underspent during the year were as follows:

- Insurance was underspent by \$1,157,955 due to a credit from workers compensation of \$1,050,000 for changes in estimates for claims.
- Contingency was underspent by \$700,000 as there were no budget transfers for overages necessary during the year.
- Equipment financing note payments were under spent by \$360,157 as certain payments were made from the capital nonrecurring fund.

### **Capital Assets and Debt Administration**

**Capital assets.** The Borough of Naugatuck's capital assets totaled \$232,087,899, net of accumulated depreciation. This includes land, buildings and improvements, land improvements, machinery and equipment, infrastructure and construction in progress. The net increase in the Borough's capital assets for the current fiscal year was \$1,829,143 or 0.79%. This increase is largely due to an increase in construction in progress of \$1,897,393 for Cross Street, Maple Street Bridge reconstruction project, and various infrastructure projects \$5,396,725, net with current year depreciation expense.

## Management's Discussion and Analysis (continued)

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### Capital assets (continued)

Other significant transactions were as follows:

- Purchase of land of \$805,460.
- Purchase of several new public works vehicles and equipment for \$968,037.
- Purchase of a fire truck for \$694,897.

### Capital Assets (Net of Accumulated Depreciation) June 30

	2019	2018
Land	\$ 15,205,924	\$ 14,400,464
Construction in progress	23,431,895	21,534,502
Buildings and improvements	114,702,236	117,285,189
Land improvements	715,130	738,963
Machinery and equipment	5,597,896	4,995,096
Infrastructure	72,434,818	71,304,542
Total	<u>\$ 232,087,899</u>	<u>\$ 230,258,756</u>

Additional information on the Borough's capital assets can be found in Note III.D.

**Long-term debt.** At the end of the current fiscal year, the Borough had total debt outstanding of \$89,234,421. The decrease of \$7,027,106 from prior year is due to issuance of equipment financing notes of \$1,384,389 offset by scheduled debt payments of \$8,411,495. All debt is backed by the full faith and credit of the Borough.

The Borough maintains an "AA" bond rating from Standard and Poor's and an "Aa3" rating from Moody's Investor Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times prior year total tax collections including interest and lien fees. The current debt limitation for the Borough is \$556,381,427, which is significantly in excess of the Borough's outstanding general obligation debt.

**Long-term debt (continued)**

<b>Long-Term Debt</b>		
<b>June 30</b>		
	<b>2019</b>	<b>2018</b>
General purpose bonds	\$ 10,309,250	\$ 11,185,750
General purpose bonds (taxable)	2,260,000	2,515,000
School bonds	23,595,750	25,119,250
Sewer bonds	6,500,000	6,500,000
Sewer bonds (taxable)	1,150,000	1,575,000
Pension bonds (taxable)	32,615,000	34,100,000
Notes payable	8,154,421	8,911,527
Certificates of participation	4,650,000	6,355,000
Total	<u>\$ 89,234,421</u>	<u>\$ 96,261,527</u>

Additional information on the Borough's long-term debt can be found in Note III. G.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the Borough is currently 4.7%, which is 0.8% lower than fiscal year 2018. This is higher than the state's average unemployment rate of 3.9%.
- Contractual obligations and employee benefit costs continue to rise.
- State funding continues to be reduced.
- As are all local governments, the Borough is responding to the COVID-19 (coronavirus) pandemic. It is expected that the pandemic will have an economic impact on the Borough's 2020 and 2021 budgets, but the extent of impact is currently unknown.

All of these factors were considered in preparing the Borough's budget for the 2020 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the Borough's finances for all those with an interest in the Borough's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Borough of Naugatuck, 229 Church Street, Naugatuck, CT 06770.

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## **Basic Financial Statements**

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**Borough of Naugatuck, Connecticut**

**Statement of Net Position**  
**Governmental Activities**  
**June 30, 2019**

Assets

Current assets:	
Cash	\$ 5,475,223
Investments	36,639,762
Receivables (net):	
Property taxes	3,004,952
Intergovernmental	672,109
Assessments	15,342
Loans	25,417
Other	997,053
Other assets	50,068
Total current assets	<u>46,879,926</u>
Noncurrent assets:	
Restricted assets:	
Temporarily restricted:	
Cash	47,222
Investments	202,561
Permanently restricted:	
Cash	<u>1,000</u>
Total restricted assets	<u>250,783</u>
Receivables (net):	
Property taxes	2,897,810
Loans	689,475
Other	<u>60,000</u>
Total receivables (net)	<u>3,647,285</u>
Capital assets (net of accumulated depreciation):	
Land	15,205,924
Construction in progress	23,431,895
Buildings and improvements	114,702,236
Land improvements	715,130
Machinery and equipment	5,597,896
Infrastructure	<u>72,434,818</u>
Total capital assets (net of accumulated depreciation)	<u>232,087,899</u>
Total noncurrent assets	<u>235,985,967</u>
Total assets	<u>282,865,893</u>

Deferred Outflows of Resources

Pension related	8,566,907
OPEB related	<u>310,023</u>
Total deferred outflows of resources	<u>8,876,930</u>

(Continued)

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



**Borough of Naugatuck, Connecticut**

**Statement of Net Position**  
**Governmental Activities**  
**June 30, 2019**

Liabilities

Liabilities:

Current liabilities:

Cash overdraft	\$ 764,081
Accounts payable	4,609,775
Accrued payroll and related liabilities	915,177
Accrued interest payable	367,496
Unearned revenue	14,341
Bond anticipation notes	5,455,000
Performance bonds	202,561
Other liabilities	208,617
Bonds and notes payable	6,980,050
Certificates of participation	1,795,000
Compensated absences	802,084
Claims payable	430,692
	<hr/>

Total current liabilities	<hr/> 22,544,874
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Noncurrent liabilities:

Bonds, notes and related liabilities	78,456,938
Certificates of participation	2,855,000
Net pension liability	41,939,426
Net OPEB liability	177,406,090
Compensated absences	3,208,338
Claims payable	154,201
	<hr/>

Total noncurrent liabilities	<hr/> 304,019,993
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Total liabilities	<hr/> 326,564,867
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Deferred Inflows of Resources

Advance property tax collections	226,301
Deferred charge on refunding	742,286
Pension related	4,494,689
OPEB related	33,744,571
	<hr/>

Total deferred inflows of resources	<hr/> 39,207,847
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Net Position

Net investment in capital assets	171,828,625
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Restricted for:

Endowments:

Nonexpendable	1,000
Expendable	219,010
Public safety	175,869
Health and wellness	407
Community development programs	780,488
Education	411,107
Unrestricted	(247,446,397)
	<hr/>

Total net position	<hr/> \$ (74,029,891)
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(Concluded)

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

## Borough of Naugatuck, Connecticut

**Statement of Activities**  
**Governmental Activities**  
**For The Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 8,931,541	\$ 412,173	\$ 671,300	\$ -	\$ (7,848,068)
Public safety	26,020,220	1,879,258	86,036	-	(24,054,926)
Public works	13,058,623	5,581,570	-	4,746,754	(2,730,299)
Health and welfare	3,487,506	636,769	35,662	-	(2,815,075)
Education	85,032,314	1,002,253	49,716,766	6,060,290	(28,253,005)
Interest	3,784,436	-	-	-	(3,784,436)
<b>Total</b>	<b>\$140,314,640</b>	<b>\$ 9,512,023</b>	<b>\$ 50,509,764</b>	<b>\$ 10,807,044</b>	<b>(69,485,809)</b>
General revenues:					
Property taxes					78,599,861
Grants and contributions not restricted to specific programs					1,305,688
Income from investments					806,926
Gain on sale of capital assets					46,995
Other					328,998
<b>Total general revenues</b>					<b>81,088,468</b>
Change in net position					11,602,659
Net position - July 1, 2018					(85,632,550)
Net position - June 30, 2019					<b>\$ (74,029,891)</b>

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

Borough of Naugatuck, Connecticut

Balance Sheet  
Governmental Funds  
June 30, 2019

	General	NHS Reconstruction and Renovation	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ -	\$ 422,620	\$ 2,556,582	\$ 2,496,021	\$ 5,475,223
Restricted cash	-	-	-	48,222	48,222
Investments	32,063,231	-	-	1,252,311	33,315,542
Restricted investments	202,561	-	-	-	202,561
Receivables:					
Property taxes	8,264,924	-	-	-	8,264,924
Intergovernmental	-	-	208,697	463,412	672,109
Assessments	15,342	-	-	-	15,342
Loans	-	-	-	767,732	767,732
Other	537,363	-	-	459,690	997,053
Due from other funds	4,995,903	-	10,737,527	1,108,345	16,841,775
Other	-	-	-	50,068	50,068
Total assets	<u>\$ 46,079,324</u>	<u>\$ 422,620</u>	<u>\$ 13,502,806</u>	<u>\$ 6,645,801</u>	<u>\$ 66,650,551</u>
<u>Liabilities</u>					
Cash overdraft	\$ 764,081	\$ -	\$ -	\$ -	\$ 764,081
Accounts payable	2,678,291	-	770,986	526,766	3,976,043
Accrued payroll and related liabilities	864,344	-	-	50,833	915,177
Due to other funds	17,027,519	2,713,796	-	2,282,107	22,023,422
Unearned revenue	-	-	-	14,341	14,341
Bond anticipation notes	-	5,455,000	-	-	5,455,000
Performance bonds	202,561	-	-	-	202,561
Other liabilities	208,617	-	-	-	208,617
Total liabilities	<u>21,745,413</u>	<u>8,168,796</u>	<u>770,986</u>	<u>2,874,047</u>	<u>33,559,242</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue:					
Property taxes	8,264,924	-	-	-	8,264,924
Advance property tax collections	226,301	-	-	-	226,301
Sewer assessments	15,342	-	-	-	15,342
Total deferred inflows of resources	<u>8,506,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,506,567</u>
<u>Fund Balances</u>					
Nonspendable	-	-	-	1,000	1,000
Restricted	-	-	-	1,586,881	1,586,881
Committed	-	-	12,731,820	668,015	13,399,835
Assigned	4,242,070	-	-	1,767,264	6,009,334
Unassigned	11,585,274	(7,746,176)	-	(251,406)	3,587,692
Total fund balances	<u>15,827,344</u>	<u>(7,746,176)</u>	<u>12,731,820</u>	<u>3,771,754</u>	<u>24,584,742</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 46,079,324</u>	<u>\$ 422,620</u>	<u>\$ 13,502,806</u>	<u>\$ 6,645,801</u>	<u>\$ 66,650,551</u>

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

(Continued)

Borough of Naugatuck, Connecticut

Reconciliation of Fund Balance  
to Net Position of Governmental Activities  
June 30, 2019

Amounts reported in the statement of net position (Exhibit A) are  
different from the governmental fund balance sheet due to:

Total fund balance (Exhibit C, Page 1 of 2)	\$ 24,584,742
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Capital assets used in governmental activities are not financial resources and, therefore,  
are not reported in the funds:

Beginning capital assets	230,258,756
Current year additions (net of construction in progress)	9,931,024
Depreciation expense	(8,101,881)

Other long-term assets and deferred outflows of resources are not available resources and, therefore,  
are not reported in the funds:

Property tax interest and lien accrual	3,337,838
Allowance for doubtful accounts	(5,752,840)
Other long-term receivable	60,000
Deferred outflows related to pensions	8,566,907
Deferred outflows related to OPEB	310,023

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

Property tax and sewer assessments receivable - accrual basis change	8,280,266
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Internal service funds are used by management to charge the cost of  
dental insurance and workers' compensation to individual departments:

The assets and liabilities of the internal service funds are included in the statement of net position	7,287,242
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Some liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the  
current period and, therefore, are not reported in the funds:

Bonds and notes payable	(84,584,421)
Premium	(852,567)
Certificates of participation	(4,650,000)
Compensated absences	(4,010,422)
Net pension liability	(41,939,426)
Net OPEB liability	(177,406,090)
Accrued interest payable	(367,496)
Deferred charge on refunding	(742,286)
Deferred inflows related to pensions	(4,494,689)
Deferred inflows related to OPEB	(33,744,571)

Net position (Exhibit A)	<u>\$ (74,029,891)</u>
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(Concluded)

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

## Borough of Naugatuck, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For The Year Ended June 30, 2019**

	General	NHS Reconstruction and Renovation	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 80,323,791	\$ -	\$ -	\$ -	\$ 80,323,791
Intergovernmental	41,116,248	6,060,290	3,633,316	11,049,520	61,859,374
Charges for services	6,418,179	-	120,552	2,973,292	9,512,023
Income from investments	736,919	7,194	37,960	24,853	806,926
Contributions and rebates	-	-	314,402	486,035	800,437
Other	299,630	-	29,368	-	328,998
Total revenues	<u>128,894,767</u>	<u>6,067,484</u>	<u>4,135,598</u>	<u>14,533,700</u>	<u>153,631,549</u>
Expenditures:					
Current:					
General government	3,393,858	-	-	-	3,393,858
Public safety	11,548,105	-	-	1,667,862	13,215,967
Public works	10,295,699	-	-	1,137,230	11,432,929
Health and welfare	1,303,754	-	-	187,154	1,490,908
Nondepartmental	16,531,889	-	-	-	16,531,889
Education	71,127,474	-	-	12,392,949	83,520,423
Debt service	11,806,171	-	631,837	-	12,438,008
Capital outlay	-	-	6,256,638	-	6,256,638
Total expenditures	<u>126,006,950</u>	<u>-</u>	<u>6,888,475</u>	<u>15,385,195</u>	<u>148,280,620</u>
Excess (deficiency) of revenues over expenditures	<u>2,887,817</u>	<u>6,067,484</u>	<u>(2,752,877)</u>	<u>(851,495)</u>	<u>5,350,929</u>
Other financing sources (uses):					
Issuance of debt	-	-	1,384,389	-	1,384,389
Premium	-	14,483	-	-	14,483
Sale of capital assets	-	-	126,995	-	126,995
Transfers in	-	-	1,995,207	345,206	2,340,413
Transfers out	<u>(2,208,746)</u>	<u>-</u>	<u>-</u>	<u>(131,667)</u>	<u>(2,340,413)</u>
Net other financing sources (uses)	<u>(2,208,746)</u>	<u>14,483</u>	<u>3,506,591</u>	<u>213,539</u>	<u>1,525,867</u>
Net change in fund balances	679,071	6,081,967	753,714	(637,956)	6,876,796
Fund balances - July 1, 2018	<u>15,148,273</u>	<u>(13,828,143)</u>	<u>11,978,106</u>	<u>4,409,710</u>	<u>17,707,946</u>
Fund balances - June 30, 2019	<u><u>\$ 15,827,344</u></u>	<u><u>\$ (7,746,176)</u></u>	<u><u>\$ 12,731,820</u></u>	<u><u>\$ 3,771,754</u></u>	<u><u>\$ 24,584,742</u></u>

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

## Borough of Naugatuck, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to Statement of Activities  
For The Year Ended June 30, 2019**

Amounts reported in the statement of activities (Exhibit B) are different due to:

Net change in fund balances - total governmental funds (Exhibit D) \$ 6,876,796

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

This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay	9,931,024
Depreciation expense	(8,101,881)
<b>Total</b>	<b>1,829,143</b>

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

Change in property tax and sewer assessments - accrual basis change	(1,000,675)
Change in property tax interest and lien revenue	(2,323,255)
Change in allowance for doubtful accounts	1,562,685
Change in investment income (loss)	(80,000)
<b>Total</b>	<b>(1,841,245)</b>

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, however, 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 deferred and amortized in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
General obligation bonds and notes	(1,384,389)
Premium	(14,483)
Principal repayments:	
General obligation bonds and notes	6,706,495
Certificates of participation	1,705,000
<b>Total</b>	<b>7,012,623</b>

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 governmental funds:

Amortization of premium	68,984
Change in:	
Compensated absences	(865,661)
Net pension liability	(8,280,204)
Net OPEB liability	7,142,857
Accrued interest payable	17,694
Amortization of deferred charges	155,399
Amortization of deferred outflows related to pension	(371,931)
Amortization of deferred inflows related to pension	2,774,689
Amortization of deferred outflows related to OPEB	(57,151)
Amortization of deferred inflows related to OPEB	(3,581,695)
<b>Total</b>	<b>(2,997,019)</b>

Internal Service Funds are used by management to charge costs of dental insurance and workers' compensation to individual departments	722,361
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Change in net position (Exhibit B)	\$ 11,602,659
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The notes to the financial statements are an integral part of this statement.

## Borough of Naugatuck, Connecticut

Statement of Net Position  
 Proprietary Funds  
 June 30, 2019

	<u>Internal Service Funds</u>
<u>Assets</u>	
Investments	\$ 3,324,220
Due from other funds	<u>4,547,915</u>
Total assets	<u>7,872,135</u>
<u>Liabilities</u>	
Current liability:	
Claims payable	430,692
Noncurrent liability:	
Claims payable	<u>154,201</u>
Total liabilities	<u>584,893</u>
<u>Net Position</u>	
Unrestricted	<u><u>\$ 7,287,242</u></u>

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

## Borough of Naugatuck, Connecticut

**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For The Year Ended June 30, 2019**

	<u>Internal Service Funds</u>
Operating revenues:	
Charges for services	<u>\$ 2,694,182</u>
Operating expenses:	
Claims	1,923,686
Administration	<u>48,135</u>
Total operating expenses	<u>1,971,821</u>
Change in net position	722,361
Total net position - July 1, 2018	<u>6,564,881</u>
Total net position - June 30, 2019	<u><u>\$ 7,287,242</u></u>

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



## Borough of Naugatuck, Connecticut

**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended June 30, 2019**

	<u>Internal Service Funds</u>
Cash flows from (used in) operating activities:	
Cash received for charges for services	\$ 1,649,020
Cash paid for benefits and claims	(2,577,579)
Cash paid for administration	<u>(48,135)</u>
Net cash from (used in) operating activities	(976,694)
Cash flows from investing activities:	
Sale of investments	<u>230,269</u>
Net increase (decrease) in cash	(746,425)
Cash - July 1, 2018	<u>746,425</u>
Cash - June 30, 2019	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	\$ 722,361
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
(Increase) decrease in:	
Due from other funds	(977,763)
Increase (decrease) in:	
Accounts and other payables	(67,399)
Claims payable	<u>(653,893)</u>
Net cash from operating activities	<u><u>\$ (976,694)</u></u>

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

## Borough of Naugatuck, Connecticut

## Statement of Fiduciary Net Position

## Fiduciary Funds

June 30, 2019

	Pension and OPEB Trust Funds	Private- Purpose Trust Fund	Custodial Funds
<u>Assets</u>			
Cash	\$ -	\$ -	\$ 419,273
Investments:			
Certificates of deposit	-	40,729	-
Mutual funds:			
Equity	108,707,143	-	-
Bonds	47,195,458	-	-
Money market	373,805	-	-
Total investments	156,276,406	40,729	-
Due from other funds	628,942	4,790	-
Total assets	156,905,348	45,519	419,273
<u>Net Position</u>			
Restricted for:			
Pension benefits	147,042,608	-	-
OPEB benefits	9,862,740	-	-
Individuals and events	-	45,519	419,273
Total net position	\$ 156,905,348	\$ 45,519	\$ 419,273

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

## Borough of Naugatuck, Connecticut

**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For The Year Ended June 30, 2019**

	Pension and OPEB Trust Funds	Private- Purpose Trust Fund	Custodial Funds
Additions:			
Contributions:			
Employer	\$ 12,217,003	\$ -	\$ -
Plan members	683,681	-	-
Private	-	974	-
Total contributions	12,900,684	974	-
Activity fees	-	-	794,848
Investment income (loss):			
Net change in fair value of investments	4,863,765	-	-
Interest and dividends	3,463,443	-	-
Total investment income (loss)	8,327,208	-	-
Less investment expenses	86,667	-	-
Net investment income (loss)	8,240,541	-	-
Total additions	21,141,225	974	794,848
Deductions:			
Benefits	19,651,676	-	-
Administration	102,731	-	-
Scholarships	-	14,930	-
Activities and events	-	-	779,587
Total deductions	19,754,407	14,930	779,587
Changes in net position	1,386,818	(13,956)	15,261
Net position - July 1, 2018	155,518,530	59,475	404,012
Net position - June 30, 2019	\$ 156,905,348	\$ 45,519	\$ 419,273

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

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**History and organization**

The Borough of Naugatuck, Connecticut ("Borough") operates under a Charter which became effective in 1893 and was revised in November 1994. The form of government includes an elected mayor and an eight-member Burgesses, which constitutes the Board of Mayor and Burgesses. The Borough also has an elected nine-member Board of Education, eight of which are elected and the ninth member is the Mayor. The Board of Finance is comprised of nine residents and three alternates who are appointed by the Board of Mayor and Burgesses. The Borough provides the following public services as authorized by its charter: public safety, public works, health and welfare, and education.

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

**I. Summary of significant accounting policies****A. 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 Borough. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

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.

**B. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. 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 revenues 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 Borough considers tax revenues to be available if they are collected by the end of the current fiscal period.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

For reimbursement grants, intergovernmental grants, charges for services and interest, the Borough considers revenues to be available if they are collected within one year 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. General capital asset acquisitions are reported as expenditures in governmental funds.

Expenditure reimbursement type grants, certain intergovernmental revenues, transfers 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 by the Borough.

The Borough reports the following major governmental funds:

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

The *NHS Reconstruction and Renovation Fund* is used to account for the reconstruction and renovation of the high school.

The *Capital Nonrecurring Fund* is used to account for activities associated with major capital improvements and equipment.

Additionally, the Borough reports the following fund types:

*Special Revenue Funds* are used to account for and report the proceeds of specific revenue resources that are restricted or committed to expenditures for specified purposes other than debt.

The *Debt Service Fund* is used to account for and report resources and expenditures that are assigned for the repayment of debt.

The *Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Borough's programs.

The *Internal Service Funds* account for risk financing activities for dental insurance and workers' compensation benefits.

The *Pension Trust Fund* accounts for the activities of the Naugatuck Employee Retirement System, which accumulates resources for pension benefit payments to qualified employees.

The *Other Post-Employment Benefit Trust Fund* accounts for the activities of the Naugatuck Other Post-Employment Benefit Plan, which accumulates resources for retiree medical payments to qualified employees.

The *Private-Purpose Trust Fund* accounts for resources legally held in trust for student scholarships. All resources of the fund, including any earnings, may not be used to support Borough activities.

The *Custodial Funds* account for monies held on behalf of students.

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

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

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 all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Borough's internal service funds are charges to Borough Departments for various types of self-insurance. Operating expenses for the internal service funds include the cost of insurance and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Borough of Naugatuck's pension and OPEB plans, the Connecticut State Teachers' Retirement System ("TRS") and the Connecticut Retiree Health Insurance Plan ("RHIP") have been determined on the same basis as they are reported by the Borough of Naugatuck pension and OPEB plans, TRS, and RHIP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

**C. Assets, liabilities, deferred outflows/inflows of resources and equity****1. Cash and investments****a. Cash**

The Borough considers cash as cash on hand and demand deposits.

For cash flow purposes the Borough considers cash equivalents money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

**b. Investments**

In general, State of Connecticut Statutes allow the Borough to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital and nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

State Treasurers Investment Fund is an investment pool managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares.

The Borough's pension and OPEB plans have adopted a formal investment policy that defines allowable investments, prohibited investments, prohibited transactions, asset allocation guidelines and diversification guidelines and fixed income and cash equivalent guidelines.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**

The investment guidelines are as follows:

Asset Class	Target Allocation		
	Firemen Plan	Employee Plan	OPEB Plan
Equities	67.50%	64.00%	60.00%
Fixed income	30.00%	33.50%	40.00%
Commodities	2.50%	2.50%	0.00%
Total	100%	100%	100%

**c. Method used to value investments**

Investments for the Borough are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**Fair value of investments**

The Borough measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

*Level 1:* Quoted prices for identical investments in active markets;

*Level 2:* Quoted prices for identical investments in markets that are not active; and

*Level 3:* Unobservable inputs.

**d. Risk policies**

Interest rate risk – Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Borough of Naugatuck, Connecticut****Notes to Financial Statements  
As of and for the Year Ended June 30, 2019****C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**

Credit risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Borough has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.

Concentration of credit risk – Concentration of credit risk is the risk attributed to the magnitude of an entity's investments in a single issuer. The Borough follows the limitations specified in the Connecticut General Statutes. Generally, The Borough's deposits cannot be 75% or more of the total capital in any one depository.

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, The Borough will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Borough does not have a formal policy with respect to custodial credit risk.

Foreign currency risk – Foreign currency risk is the risk that the value of the investment may be affected by changes in the rate of exchange. The Borough does not have a formal policy with respect the foreign currency risk.

**2. Receivables and payables****a. Interfunds**

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 non-current portion of interfund loans).

**b. Property taxes and other receivables**

In the government-wide financial statements, property tax and loan receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 2% to 66% of outstanding receivable balances and are calculated based upon prior collections.

In the fund financial statements, property tax revenues are recognized when they become available. Only taxes collected during the fiscal year have been recorded as revenue. All property taxes receivable, which have not been collected at June 30, have been recorded as deferred inflows of resources, since they are not considered to be available to finance expenditures of the current fiscal year.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Loans receivable consist of Community Development Block Grant loans. The Borough provides low interest loans for residential rehabilitation as well as loans to local businesses for facility improvements.



## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)****3. Restricted assets**

The restricted assets for the Borough are restricted for performance bonds and endowment purposes. Performance bonds are restricted until the monies are returned to the vendor after satisfactory completion of contract or the Borough calls the bond for nonperformance. The endowment's trust agreement restricts the expenditure of the investment income only for the designated purpose.

**4. Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-50
Land improvements	10-40
Machinery and equipment	5-20
Infrastructure	10-65

**5. 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

**Borough of Naugatuck, Connecticut****Notes to Financial Statements  
As of and for the Year Ended June 30, 2019****C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**

Deferred inflows of resources also include deferred inflows relating to advance refunding of debt. These amounts are deferred and are amortized over the life of the debt.

Advance tax collections represent taxes associated with a future period. This amount is recognized during the period in which the revenue is associated.

For governmental funds, the Borough reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from several sources: property taxes (including advance collections, if any), sewer assessment and use charges. These amounts are recognized as an inflow of resources in the period that the amounts become available.

**6. Compensated absences**

The Borough allows employees to accumulate earned but unused vacation and sick pay benefits. The rate that these benefits are earned and accumulate varies by bargaining unit. Upon severance from employment with the Borough, employees are paid by a prescribed formula for these accrued absences. All compensated absences are accrued when incurred in the government-wide financial statements. 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.

Compensated absences are only reported in governmental funds if they are due and payable to an employee who has resigned or retired before or at fiscal year end.

**7. Long-term obligations**

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)****8. Net position and fund balances**

In the government-wide financial statements, net position is classified into the following categories:

Net Investment in Capital Assets

This category presents the net position that reflects capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category presents the net position of the Borough which is not restricted.

Sometimes the Borough will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, fund balances are classified into the following categories:

Nonspendable

This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the Borough. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Mayor and Burgesses or referendum.

Assigned

This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by the passage of a resolution by the Board of Mayor and Burgesses or by the issuance of a properly approved purchase order.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**Unassigned

This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Borough considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Borough considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Mayor and Burgesses has provided otherwise in its commitment or assignment actions.

**Minimum Fund Balance Policy**

The Board of Mayor and Burgesses adopted a minimum fund balance policy for the General Fund. The policy requires the Borough to strive to maintain an unassigned general fund balance of not less than 8% nor more than 12% of current year budgeted general fund operating expenditures.

**9. 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.

**10. Reclassifications**

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**II. Stewardship, compliance and accountability****A. Basis of budgeting**

Only the General Fund has a legally adopted annual budget.

The Borough uses the budgetary basis of accounting under which purchase orders for contracts or other commitments are recorded in order to reserve that portion of the applicable appropriation.

Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**B. Donor-restricted endowments**

The Borough has received certain endowments for the maintenance of the grounds at the Hillside Middle School (formally the high school). The amounts are reflected in net position as restricted for this purpose (education). Investment income is approved for expenditure by the Superintendent of Schools.

The Borough allocates investment income of donor-restricted endowments in accordance with donor restrictions and Connecticut law, which has adopted the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Under UPMIFA, investment income earned on donor-restricted endowment funds is considered to be unrestricted in the absence of explicit donor restrictions. Further, in the absence of explicit donor restrictions regarding investment appreciation, such appreciation is treated the same as the related investment income. Investment losses that reduce the value of endowment investments below the original principal amount serve to reduce restricted net position or unrestricted net position, depending upon the applicable donor's stipulations regarding the treatment of investment income and appreciation.

At year end, there is no appreciation available for appropriation.

**C. Capital projects authorizations**

The following is a summary of Capital Projects:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
Naugatuck treatment plant	\$ 31,750,000	\$ 23,866,339	\$ 7,883,661
Renaissance Place downtown phase I	500,000	2,567	497,434
Maple Street bridge renovation	6,097,447	6,094,728	2,719
Roads and infrastructure	5,075,000	4,720,635	354,365
Financing of judgment	12,430,000	9,140,010	3,289,990
Parcel A, B and C Site	975,000	356,463	618,537
Building 25 Goodyear/Tuttle House	1,861,720	1,861,720	-
Hillside School roof	1,569,855	753,270	816,585
Reclamation account	2,000,000	1,494,358	505,642
2nd 5 Year capital project	6,900,060	6,686,423	213,637
Roof Replacement Project at City Hill Middle School	<u>1,213,000</u>	<u>10,460</u>	<u>1,202,540</u>
Total	<u>\$ 70,372,082</u>	<u>\$ 54,986,973</u>	<u>\$ 15,385,109</u>

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**III. Detailed notes****A. Cash and investments****1. Deposits – custodial credit risk**

At year end, the Borough's bank balance was \$23,372,442 and was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 15,806,800
Uninsured and collateral held by the pledging bank's trust department, not in the Borough's name	<u>5,768,933</u>
Total amount subject to custodial credit risk	<u><u>\$ 21,575,733</u></u>

Financial instruments that potentially subject the Borough to significant concentrations of credit risk consist primarily of cash. From time to time, the Borough's cash account balances exceed the Federal Deposit Insurance Corporation limit. The Borough reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

**2. Investments**

- a. The Borough's investments consisted of the following types and maturities. Specific identification was used to determine maturities:

Type of Investment	Fair Value	Investment Maturities (In Years)				
		N/A	Less Than 1	1-5 Years	5-10 Years	Over 10 Years
<u>Mutual funds:</u>						
Equity	\$ 108,707,143	\$ 108,707,143	\$ -	\$ -	\$ -	\$ -
Bonds	47,195,458	-	-	3,605,038	16,197,525	27,392,895
Money market	1,626,116	-	1,626,116	-	-	-
Certificates of deposit	15,710,879	-	15,710,879	-	-	-
Pooled fixed income	19,919,862	-	19,919,862	-	-	-
Total	<u><u>\$ 193,159,458</u></u>	<u><u>\$ 108,707,143</u></u>	<u><u>\$ 37,256,857</u></u>	<u><u>\$ 3,605,038</u></u>	<u><u>\$ 16,197,525</u></u>	<u><u>\$ 27,392,895</u></u>

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Cash and investments (continued)**

b. The Borough had the following recurring fair value measurements:

	Amount	Quoted Market Prices in Active Markets Level 1
<u>Investments by fair value level</u>		
Mutual funds:		
Equity	\$108,707,143	\$ 108,707,143
Bonds	47,195,458	47,195,458
Money market	1,626,116	1,626,116
Total investments by fair value level	<u>157,528,717</u>	<u>\$ 157,528,717</u>
<u>Other investments not subject to fair value measurement</u>		
Certificates of deposit	15,710,879	
Pooled fixed income	<u>19,919,862</u>	
Total other investments	<u>35,630,741</u>	
Total Investments	<u>\$193,159,458</u>	

Level 1: Quoted prices for identical investments in active markets

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Cash and investments (continued)**

- c. The Borough's investments subject to credit risk have average ratings by Standard & Poor's as follows:

Type of Investment	Ratings				Totals
	AAA	AA	BBB	BB	
Mutual funds:					
Bonds	\$ 3,605,038	\$ 3,364,859	\$ 27,392,895	\$ 12,832,666	\$ 47,195,458
Money market	1,626,116	-	-	-	1,626,116
Pooled fixed income	19,919,862	-	-	-	19,919,862
Total	<u>\$ 25,151,016</u>	<u>\$ 3,364,859</u>	<u>\$ 27,392,895</u>	<u>\$ 12,832,666</u>	<u>\$ 68,741,436</u>

- d. Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

The Borough has no investments that are subject to custodial credit risk.

**B. Receivables**

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Borough's government-wide financial statements with allowances for uncollectible accounts are presented below.

	Property Taxes	
	Taxes	Interest and Liens
Current Portion	<u>\$2,272,853</u>	<u>\$ 732,099</u>
Long Term Portion	5,992,071	2,605,739
Less Allowance for Uncollectible	<u>(3,500,000)</u>	<u>(2,200,000)</u>
Net Long Term Portion	<u>\$2,492,071</u>	<u>\$ 405,739</u>



## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**B. Receivables (continued)**

	Loans and Other Receivables	
	CDBG Loans	Police Outside Services
Gross Receivable	\$ 767,732	\$ 469,690
Less Allowance for Uncollectible	<u>(52,840)</u>	<u>(10,000)</u>
Net Receivable	<u>\$ 714,892</u>	<u>\$ 459,690</u>

**C. Interfund accounts****1. Interfund payables and receivables**

A summary of interfund balances is as follows:

	Corresponding Fund	Due From	Due To
Major Funds:			
General Fund			
Capital Nonrecurring Fund	N/A	\$ -	\$ 10,737,527
NHS Reconstruction and Renovation	N/A	2,713,796	-
Town Aid Road	N/A	-	40,311
Private Duty Police	N/A	122,282	-
Youth Services Bureau	N/A	-	93
Youth Services Donations	N/A	-	314
Community Fund	N/A	-	142,055
Community Development	N/A	-	12,756
Consolidation Fund	N/A	-	184,819
Public Safety	N/A	-	175,869
Debt Service Fund	N/A	-	380,340
Tuttle Lewis Whittemore Trust Fund	N/A	-	171,788
School Cafeteria	N/A	330,322	-
Special Education Grants	N/A	1,829,503	-
Workers' Compensation	N/A	-	2,990,517
Dental Insurance - Board of Education	N/A	-	201,221
Dental Insurance - General Government	N/A	-	1,356,177
Pension and OPEB Trust Funds	N/A	-	628,942
Private Purpose Trust Fund	N/A	-	4,790
Total General Fund		<u>4,995,903</u>	<u>17,027,519</u>

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**C. Interfund accounts (continued)**

	Corresponding Fund	Due From	Due To
Capital Nonrecurring Fund	General Fund	\$ 10,737,527	\$ -
NHS Reconstruction and Renovation	General Fund	-	2,713,796
Other Governmental Funds:			
Special Revenue Funds			
Town Aid Road	General Fund	40,311	-
Private Duty Police	General Fund	-	122,282
Public Safety	General Fund	175,869	-
Community Fund	General Fund	142,055	-
Community Development	General Fund	12,756	-
Consolidation Fund	General Fund	184,819	-
Youth Services Bureau	General Fund	93	-
Youth Services Donations	General Fund	314	-
School Cafeteria	General Fund	-	330,322
Special Education Grants	General Fund	-	1,829,503
Total Special Revenue Funds		556,217	2,282,107
Debt Service Fund	General Fund	380,340	-
Tuttle Lewis Whittemore Trust Fund	General Fund	171,788	-
Total Other Governmental Funds		1,108,345	2,282,107
Internal Service Funds			
Dental Insurance - General Government	General Fund	1,356,177	-
Dental Insurance - Board of Education	General Fund	201,221	-
Workers' Compensation	General Fund	2,990,517	-
Total Internal Service Funds		4,547,915	-
Fiduciary Funds			
Firemen's Pension Fund	General Fund	33,003	-
Employee's Pension Fund	General Fund	595,939	-
Private Purpose Trust Fund	General Fund	4,790	-
Total Fiduciary Funds		633,732	-
Grand Total		\$ 22,023,422	\$ 22,023,422

All interfund balances resulted from the time lag between the dates payments occurred between funds for interfund goods, payroll and services provided or in instances where certain funds do not have a cash account.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**C. Interfund accounts (continued)****2. Interfund transfers**

A summary of interfund transfers for the fiscal year is as follows:

	<u>Corresponding Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Major Funds:</u>			
General Fund			
Capital Nonrecurring Fund	N/A	\$ -	\$ 1,920,073
School Cafeteria Fund	N/A	-	120,964
Special Education Grants	N/A	-	167,709
Total General Fund		-	2,208,746
Capital Nonrecurring Fund	General Fund	1,920,073	-
Capital Nonrecurring Fund	Consolidation Fund	75,134	-
Total Capital Nonrecurring Fund		1,995,207	-
<u>Other Governmental Funds:</u>			
Special Revenue Funds			
School Cafeteria Fund	General Fund	120,964	-
Special Education Grants	General Fund	167,709	-
Consolidation Fund	Capital Nonrecurring Fund	-	75,134
Consolidation Fund	Community Fund	-	56,533
Community Fund	Consolidation Fund	56,533	-
Total Other Governmental Funds		345,206	131,667
Grand Total		<u>\$ 2,340,413</u>	<u>\$ 2,340,413</u>

Transfers are used to account for the financing by the general fund of various programs and activities in other funds.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**D. Capital assets**

Capital asset activity was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
<u>Capital assets, not being depreciated:</u>				
Land	\$ 14,400,464	\$ 805,460	\$ -	\$ 15,205,924
Construction in progress	21,534,502	1,897,393	-	23,431,895
Total capital assets, not being depreciated	35,934,966	2,702,853	-	38,637,819
<u>Capital assets, being depreciated:</u>				
Buildings and improvements	154,887,487	111,627	-	154,999,114
Land improvements	4,367,223	56,885	-	4,424,108
Machinery and equipment	20,121,034	1,662,934	-	21,783,968
Infrastructure	191,569,993	5,396,725	-	196,966,718
Total capital assets, being depreciated	370,945,737	7,228,171	-	378,173,908
Total capital assets	406,880,703	9,931,024	-	416,811,727
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	37,602,298	2,694,580	-	40,296,878
Land improvements	3,628,260	80,718	-	3,708,978
Machinery and equipment	15,125,938	1,060,134	-	16,186,072
Infrastructure	120,265,451	4,266,449	-	124,531,900
Total accumulated depreciation	176,621,947	8,101,881	-	184,723,828
Total capital assets being depreciated, net	194,323,790	(873,710)	-	193,450,080
Governmental activities capital assets, net	\$ 230,258,756	\$ 1,829,143	\$ -	\$ 232,087,899

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

General government	\$ 4,107,620
Education	2,649,084
Public safety	452,895
Health and welfare	403,474
Public works	488,808
Total depreciation expense	<u>\$ 8,101,881</u>

**E. Construction commitments**

The Borough has the following construction commitments:

Incinerator upgrade	<u>\$ 974,817</u>
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## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**F. Short-term obligations - bond anticipation notes**

The Borough uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

Short-term obligation activity for the year was as follows:

Type of Obligation	Maturity Date	Coupon Rate	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Bond Anticipation Notes	8/14/2019	2.50%	\$ -	\$ 5,455,000	\$ -	\$ 5,455,000

In August 2019, the Borough issued \$5,455,000 of bond anticipation notes that mature in February 2020, and carry a coupon interest rate of 2.5% and a true interest cost of 1.15%.

In February 2020, the Borough issued \$5,455,000 of bond anticipation notes that mature in August 2020, and carry a coupon interest rate of 2.0% and a true interest cost of 1.20%.

**G. Changes in long-term obligations****1. Summary of changes**

The following is a summary of changes in long-term obligations during the fiscal year:

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Current Portion	Long-Term Portion
<b>Bonds:</b>										
<b>General Purpose:</b>										
5 year capital project	\$ 4,200,000	07/15/02	02/15/21	5.88%	\$ 700,000	\$ -	\$ 230,000	\$ 470,000	\$ 230,000	\$ 240,000
Loss reserve (taxable)	4,560,000	06/01/06	06/01/26	5.43% to 5.93%	2,515,000	-	255,000	2,260,000	270,000	1,990,000
Refunding bonds	4,360,000	03/24/16	08/01/30	3.00%-5.00%	2,180,750	-	181,500	1,999,250	181,500	1,817,750
Bonds	9,235,000	09/24/15	09/15/35	3.00%-5.00%	8,305,000	-	465,000	7,840,000	465,000	7,375,000
Total general purpose					13,700,750	-	1,131,500	12,569,250	1,146,500	11,422,750
<b>School bonds:</b>										
NHS cafeteria project	800,000	07/15/02	02/15/21	5.88%	125,000	-	45,000	80,000	45,000	35,000
Refunding bonds	4,360,000	03/24/16	08/01/30	3.00%-5.00%	1,784,250	-	148,500	1,635,750	148,500	1,487,250
NHS addition & renovation	10,000,000	03/18/14	03/15/34	2.00%-5.00%	8,410,000	-	530,000	7,880,000	530,000	7,350,000
NHS addition & renovation	8,000,000	09/24/15	09/15/35	2.00%-5.00%	7,200,000	-	400,000	6,800,000	400,000	6,400,000
NHS renovation	8,000,000	10/24/16	06/30/37	2.00%-5.00%	7,600,000	-	400,000	7,200,000	400,000	6,800,000
Total school bonds					25,119,250	-	1,523,500	23,595,750	1,523,500	22,072,250
<b>Sewer bonds</b>										
GOB (AMT) Series A	6,500,000	05/24/17	06/30/37	3.00%-5.00%	6,500,000	-	-	6,500,000	-	6,500,000
GOB Taxable Series B	2,000,000	05/24/17	06/30/22	2.00%-2.75%	1,575,000	-	425,000	1,150,000	425,000	725,000
Total sewer bonds					8,075,000	-	425,000	7,650,000	425,000	7,225,000
<b>Pension bonds (taxable):</b>										
2003 (taxable)	49,265,000	10/23/03	06/01/33	1.35% - 5.91%	34,100,000	-	1,485,000	32,615,000	1,570,000	31,045,000
Total bonds					80,995,000	-	4,565,000	76,430,000	4,665,000	71,765,000

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**G. Changes in long-term obligations (continued)**

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Current Portion	Long-Term Portion
<u>Notes:</u>										
Equipment financing notes:										
School improvements	\$ 2,585,000	7/15/2009	7/15/2019	4.54%	\$ 475,499	\$ -	\$ 232,479	\$ 243,020	\$ 243,020	\$ -
Education copiers	598,350	12/1/2014	12/1/2020	4.00%	179,505	-	119,670	59,835	59,835	-
Town copier	35,625	1/1/2015	1/15/2020	3.25%-6.50%	10,849	-	7,125	3,724	3,724	-
Police vehicle	140,701	8/2/2017	8/2/2020	5.25%	91,381	-	44,522	46,859	46,859	-
Town vehicles	451,052	4/1/2018	4/1/2020	3.25%-6.50%	300,702	-	150,351	150,351	150,351	-
Vehicle	25,381	12/11/2015	12/11/2021	3.25%-6.50%	12,875	-	4,159	8,716	4,289	4,427
Building	2,000,000	4/16/2013	7/1/2022	3.25%	1,000,000	-	200,000	800,000	200,000	600,000
Computer equipment	47,067	9/1/2017	9/1/2022	3.25%	38,242	-	11,767	26,475	11,767	14,708
Communication equipment	500,400	4/1/2013	4/1/2023	3.25%-6.50%	232,847	-	50,040	182,807	50,040	132,767
Various equipment	11,522,741	7/29/2008	7/29/2023	6.52%	5,320,258	-	914,245	4,406,013	1,001,443	3,404,570
Street lighting	1,089,875	9/26/2017	8/24/2024	3.23%	1,015,739	-	142,847	872,892	147,494	725,398
Fire Truck	694,897	5/2/2019	8/1/2023	4.82%	-	694,897	-	694,897	152,349	542,548
Town vehicle and equipment	689,493	5/2/2019	11/1/2021	4.65%	-	689,492	240,357	449,135	219,463	229,672
Clean Water:										
CWF 175-CSL	472,000	06/30/08	06/30/27	2.00%	233,630	-	23,933	209,697	24,416	185,281
Total notes					8,911,527	1,384,389	2,141,495	8,154,421	2,315,050	5,839,371
Total bonds/notes					89,906,527	1,384,389	6,706,495	84,584,421	6,980,050	77,604,371
Premium					907,068	14,483	68,984	852,567	-	852,567
Total bonds/notes and related liabilities					90,813,595	1,398,872	6,775,479	85,436,988	6,980,050	78,456,938
Certificates of participation:										
Wastewater	1,490,000	05/05/14	06/30/22	2.00%-5.00%	765,000	-	200,000	565,000	210,000	355,000
Incinerator A	10,545,000	05/05/14	06/30/22	5.00%	5,590,000	-	1,505,000	4,085,000	1,585,000	2,500,000
Total certificates of participation					6,355,000	-	1,705,000	4,650,000	1,795,000	2,855,000
Compensated absences					3,144,761	1,339,288	473,627	4,010,422	802,084	3,208,338
Net pension liability					33,659,222	22,171,821	13,891,617	41,939,426	-	41,939,426
Net OPEB liability					184,548,947	13,614,079	20,756,936	177,406,090	-	177,406,090
Claims payable					1,184,586	1,089,685	1,760,269	514,002	359,801	154,201
Total long-term obligations					\$ 319,706,111	\$ 39,613,745	\$ 45,362,928	\$ 313,956,928	\$ 9,936,935	\$ 304,019,993

All long-term liabilities listed above are generally liquidated by the General Fund.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**G. Changes in long-term obligations (continued)**

The following is a summary of bond and note maturities:

Year Ending June 30,	Bond Principal	Notes Principal	Certificates of Participation	Total Interest
2020	\$ 4,665,000	\$ 2,315,050	\$ 1,795,000	\$ 3,925,270
2021	4,860,000	1,914,814	1,720,000	3,574,694
2022	4,700,000	1,782,404	1,135,000	3,170,432
2023	4,825,000	1,697,619	-	2,818,545
2024	4,950,000	360,557	-	2,548,818
2025	5,090,000	28,366	-	2,311,816
2026	5,240,000	27,527	-	3,055,886
2027	4,690,000	28,084	-	1,850,998
2028	4,820,000	-	-	1,646,230
2029	4,965,000	-	-	1,431,551
2030	5,120,000	-	-	1,203,629
2031	5,285,000	-	-	967,084
2032	5,315,000	-	-	720,051
2033	5,500,000	-	-	462,633
2034	2,210,000	-	-	193,544
2035	1,685,000	-	-	118,694
2036	1,685,000	-	-	63,575
2037	825,000	-	-	22,231
Totals	<u>\$ 76,430,000</u>	<u>\$ 8,154,421</u>	<u>\$ 4,650,000</u>	<u>\$ 30,085,681</u>

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**G. Changes in long-term obligations (continued)****2. Statutory debt limitations**

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

Category	Debit Limit	Net Indebtedness	Balance
General purpose	\$ 178,836,887	\$ 12,569,250	\$ 166,267,637
Schools	357,673,775	29,050,750	328,623,025
Sewers	298,061,479	12,509,697	285,551,782
Urban renewal	258,319,948	-	258,319,948
Pension deficit	238,449,183	32,615,000	205,834,183

The total overall statutory debt limit for the Borough is equal to seven times prior year annual receipts from taxation, \$556,381,427.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

**3. Authorized/unissued bonds**

The amount of authorized, unissued bonds for general purposes and schools is as follows:

<u>Purpose of Bonds</u>	<u>Amount</u>
High school	<u>\$ 55,000,000</u>



## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**H. Fund balances and restricted net position**

Fund Balance Component	General Fund	NHS Reconstruction and Renovation	Capital Nonrecurring Fund	Other Governmental Funds	Total
Nonspendable:					
Trust fund principal	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
Restricted:					
Public safety:					
Police	-	-	-	175,869	175,869
Health and welfare:					
Community programs	-	-	-	780,488	780,488
Youth services programs	-	-	-	407	407
Education:					
School repairs and maintenance	-	-	-	219,010	219,010
Various education programs	-	-	-	411,107	411,107
Total restricted	-	-	-	1,586,881	1,586,881
Committed:					
Public safety	-	-	-	284,349	284,349
Road projects	-	-	-	40,311	40,311
Community programs	-	-	-	142,055	142,055
Education and recreation programs	-	-	-	201,300	201,300
Construction and capital replacement	-	-	12,731,820	-	12,731,820
Total committed	-	-	12,731,820	668,015	13,399,835
Assigned:					
Subsequent year's budget	4,242,070	-	-	-	4,242,070
School repairs and maintenance	-	-	-	134,613	134,613
Debt service	-	-	-	1,632,651	1,632,651
Total assigned	4,242,070	-	-	1,767,264	6,009,334
Unassigned:	11,585,274	(7,746,176)	-	(251,406)	3,587,692
Total	\$ 15,827,344	\$ (7,746,176)	\$ 12,731,820	\$ 3,771,754	\$ 24,584,742

There were no amounts restricted by enabling legislation.

**I. Deficit fund balances**

The School Cafeteria Fund had a deficit fund balance of \$251,406. The deficit will be reduced or eliminated by future charges for services and transfers from the general fund.

**Borough of Naugatuck, Connecticut****Notes to Financial Statements  
As of and for the Year Ended June 30, 2019****IV. Other information****A. Risk management**

The Borough is exposed to various risks of loss related to public official liability, police liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Borough purchases commercial insurance for risks of loss, including blanket and umbrella policies. Except for the purchase of commercial insurance coverage for all Borough buildings (flood, fire and casualty), errors and omissions, general liability, and workers' compensation excess policy with a retention limit of \$500,000 per incident, the Borough is exposed to various risks for which it has retained the risk of loss including torts; theft of, damage to and destruction of assets; natural disaster; workers' compensation; and employee and post-retiree group workers' compensation and dental coverage. Settled claims have not exceeded commercial coverage in any of the past three years, and there has not been any significant reductions in insurance coverage from amounts held in prior years.

The Borough utilizes a risk management fund (the Internal Service Fund) to account for and finance its uninsured risks of loss for workers' compensation and dental claims. The fund records all claim expenses and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The Borough and Board of Education are charged premiums by the Internal Service Fund, which are included in expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Claims liabilities include an estimate of claims incurred but not reported and are the Borough's best estimate based on available information.

The claims liability reported in the Internal Service Fund is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Risk management (continued)**

The following is a summary of changes in the claims liabilities:

	Claims Payable July 1	Current year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30	Current Portion	Long-Term Portion
<u>Workers Compensation:</u>						
2017-2018	\$ 1,396,168	\$ 1,553,555	\$ 1,765,137	\$ 1,184,586	\$ 829,210	\$ 355,376
2018-2019	<u>1,184,586</u>	<u>1,089,685</u>	<u>1,760,269</u>	<u>514,002</u>	<u>359,801</u>	<u>154,201</u>
<u>Dental insurance:</u>						
General government						
2017-2018	18,300	302,297	302,597	18,000	18,000	-
2018-2019	18,000	291,472	281,685	27,787	27,787	-
Board of Education						
2017-2018	37,000	601,428	602,228	36,200	36,200	-
2018-2019	<u>36,200</u>	<u>542,529</u>	<u>535,625</u>	<u>43,104</u>	<u>43,104</u>	<u>-</u>
<u>Subtotal</u>						
2017-2018	55,300	903,725	904,825	54,200	54,200	-
2018-2019	<u>54,200</u>	<u>834,001</u>	<u>817,310</u>	<u>70,891</u>	<u>70,891</u>	<u>-</u>
<u>Totals</u>						
2017-2018	\$ 1,451,468	\$ 2,457,280	\$ 2,669,962	\$ 1,238,786	\$ 883,410	\$ 355,376
2018-2019	<u>\$ 1,238,786</u>	<u>\$ 1,923,686</u>	<u>\$ 2,577,579</u>	<u>\$ 584,893</u>	<u>\$ 430,692</u>	<u>\$ 154,201</u>

**B. Commitments and litigation**

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Borough expects such amounts, if any, to be immaterial.

The Borough is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable. In the opinion of the Borough attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Borough.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**V. Pensions and other post-employment benefit plans****A. Borough pension plans****1. Plan description****a. Plan administration**

The Borough administers two single-employer defined benefit plans: the Employee's Pension Fund and the Firemen's Pension Fund that provide pension benefits for eligible employees of the Borough. The pension plans grant the authority to establish and amend the benefit terms to the Board of Mayor and Burgesses. The plans are considered to be a part of the Borough's financial reporting entity and are included in the Borough's financial statements as a pension trust fund. The plans do not issue stand-alone financial statements.

Management of the plans is vested in the Pension Board, which consists of one member from the Board of Mayor and Burgesses, one member from the Board of Finance, one member from the Board of Education, and three electors from the Borough of Naugatuck. The Comptroller of the Borough and/or the Chief Personnel Officer shall be advisory members of the Pension Board, without vote.

**b. Plan membership**

At July 1, 2018 for the Firemen's plan and Employee's plan, pension plan membership consisted of the following:

	<u>Firemen</u>	<u>Employee</u>
Retirees and beneficiaries receiving benefits	54	470
Inactive with vested benefits	1	65
Active plan members	<u>15</u>	<u>236</u>
Total	<u><u>70</u></u>	<u><u>771</u></u>

The plans were closed to employees hired after January 2010. At that time, employees became eligible for participation in one of the Borough's defined contribution plans.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Borough pension plans (continued)****2. Benefit provisions**

Normal retirement	<p><b>Firemen:</b> The earlier of age 55 with 10 years of service or 20 years of service.</p> <p><b>Police:</b> The earlier of age 55 with 10 years of service or 20 years or service</p> <p><b>All other employees:</b> Age 60 with 15 years of service.</p>
Benefit calculation	<p><b>Firemen:</b> Maximum of 75% of the eligible participant's average gross pay earned by the participant in the three calendar years during which the participant earned his highest gross pay excluding private duty, uniform allowance, and tuition reimbursement. Overtime pay is included in the calculation of benefits, capped at 60%.</p> <p><b>Police:</b> Retirement benefits are paid based on a formula that combines age and years of service. The benefit is calculated based upon a percentage of the average three highest years gross pay up to a maximum of 75%. For Local 1303-50 and nonunion participants, the benefit is calculated based upon a percentage of average three highest years gross pay up to a maximum of 60%.</p> <p><b>All other employees:</b> Benefits are calculated based upon benefit percentages ranging from 1.66% to 1.75% times the number of years of service up to a maximum of 65% or 75% of final average earnings.</p>
Early retirement service requirement	<p><b>Firemen:</b> All plan members with 10 or more years of service, who have contributed to the plan for 10 or more years, and became unable to perform the duties as a firefighter.</p> <p><b>Police and all other employees:</b> A member who terminates employment, and who does not elect a refund of his contributions with interest credited thereon, shall be vested in his accrued pension benefit payable at normal retirement date. A member who elects to refund contributions with interest credited shall forfeit all rights to benefits under the plan.</p>
Early retirement amount	<p><b>Firemen:</b> 2% of the highest three year average salary multiplied by years of credited service.</p>

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Borough pension plans (continued)**

Service connected disability amount	<b>Firemen:</b> 1/2 of the average monthly pay received during the three calendar years that they earned their highest gross pay.
Vesting - Service	<b>Police and all other employees:</b> 1/2 of the employee's covered earnings to a maximum of \$5,000 per month.
Pre-retirement and Post-retirement death benefit amount	10 years of continuous service.
	1/2 of the pension benefits that are being paid or would have been paid to the participant if he had retired in accordance with the terms of the pension fund.
Cost of living increases	<b>Firemen:</b> 1.125% to 2.25% annually.
	<b>Police:</b> For officers retired after April 1992, the cost of living increase is based upon 25% of the active employee's increase in pay, with a maximum of 100% of final average earnings.
	<b>All other employees:</b> Provided on an ad hoc basis by formal action of the Borough Retirement Board.

**3. Contributions**

	<u>Firemen's Pension Fund</u>	<u>Employee's Pension Fund</u>
Firemen	8.0%	N/A
Employees	N/A	3.0% - 4.0% based upon bargaining group
Police	N/A	8.0%
Average active member contribution	8.0% of the annual base compensation	5.0% of the annual base compensation
Average Borough contribution	40.02% of annual payroll	27.33% of annual payroll

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Borough pension plans (continued)****4. Investments****a. Investment policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Borough's Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy:

Asset Class	Target Allocation	
	Firemen Plan	Employee Plan
Short Term Fixed Income	2.50%	2.50%
Core Fixed Income	27.50%	31.00%
Domestic Large Cap	39.50%	37.00%
Domestic Small Cap	3.00%	2.75%
International Developed Equity	16.00%	15.25%
Emerging Markets Equity	4.00%	4.00%
Real Estate	5.00%	5.00%
Commodities	2.50%	2.50%
Total	100.00%	100.00%

**b. Concentrations**

There were no investments in any one organization that represents 5% or more of the pension plan's net position.

**c. Rate of return**

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.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Borough pension plans (continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation (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	
	Firemen Plan	Employee Plan
Short Term Fixed Income	0.60%	0.60%
Core Fixed Income	1.65%	1.65%
Domestic Large Cap	5.55%	5.55%
Domestic Small Cap	6.00%	6.00%
International Developed Equity	5.55%	5.55%
Emerging Markets Equity	6.50%	6.50%
Real Estate	4.40%	4.40%
Commodities	2.40%	2.40%
Long-Term Inflation Expectation	2.25%	2.25%

**d. Annual money-weighted rate of return**

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.11% for the Firemen's Pension Fund and 5.39% for the Employee's Pension Fund. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**5. Net pension liability**

The components of the net pension liability were as follows:

	Firemen Plan	Employee Plan
Total pension liability	\$ 44,259,578	\$ 144,722,456
Plan fiduciary net position	37,117,838	109,924,770
Net pension liability	<u>\$ 7,141,740</u>	<u>\$ 34,797,686</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83.86%</u>	<u>75.96%</u>



## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Borough pension plans (continued)****6. Actuarial methods and significant assumptions**

The total pension liability was determined by actuarial valuations, using the following actuarial assumptions, applied to all periods included in the measurement:

	Firemen Plan	Employee Plan
Actuarial valuation date	July 1, 2018	July 1, 2018
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent	Level percent
Amortization period	16 years, closed	16 years, closed
Asset valuation method	5 year smoothed	5 year smoothed
Investment rate of return	7.125%	7.125%
Inflation	2.60%	2.60%
Salary increases	3.85%	3.60%
Cost of living adjustments	Plan A: 1.925% Plan C: 0.9625%	0.900%
Mortality rates	RP-2014 Adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2018.	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2018.

**7. Changes from prior year****a. Changes in assumptions**

The expected rate of return (net of investment-related and administrative expenses) was reduced from 7.25% to 7.125% for both pension plans.

The inflation rate was reduced from 2.75% to 2.60% for both pension plans.

The mortality assumption was updated to better reflect anticipated experiences and was based on the Projection Scale RP-2014 from the Projection Scale RP-2000 since the prior measurement date.

Projected salary increases were reduced from 3.75% to 3.60% for the employee's plan and 4.00% to 3.85% for the firemen's plan.

**b. Changes in benefit terms**

There were no changes in benefit terms.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Borough pension plans (continued)****8. Discount rate**

The discount rate used to measure the total pension liability was 7.125% for the Firemen's plan and the Employee's plan. 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 Borough 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.

**9. Changes in the net pension liability**

The Borough's net pension liability was measured at June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 for the Firemen's pension plan and the Employee's plan. The changes in net pension liability for each plan for the fiscal year were as follows:

Firemen's Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2018	\$ 41,829,283	\$ 37,356,512	\$ 4,472,771
Service cost	528,500	-	528,500
Interest	2,961,057	-	2,961,057
Differences between expected and actual experience	2,222,514	-	2,222,514
Changes in assumptions	(196,569)	-	(196,569)
Contributions - employer	-	878,174	(878,174)
Contributions - member	-	118,003	(118,003)
Net investment income (loss)	-	1,881,232	(1,881,232)
Benefit payments, including refunds of member contributions	(3,085,207)	(3,085,207)	-
Administration expenses	-	(30,876)	30,876
Net change	2,430,295	(238,674)	2,668,969
Balance at June 30, 2019	\$ 44,259,578	\$ 37,117,838	\$ 7,141,740

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Borough pension plans (continued)**

Employee's Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2018	\$ 138,209,723	\$ 109,023,272	\$ 29,186,451
Service cost	1,904,078	-	1,904,078
Interest	9,806,366	-	9,806,366
Differences between expected and actual experience	3,087,882	-	3,087,882
Changes in assumptions	1,594,447	-	1,594,447
Contributions - employer	-	4,477,400	(4,477,400)
Contributions - member	-	565,678	(565,678)
Net investment income (loss)	-	5,774,561	(5,774,561)
Benefit payments, including refunds of member contributions	(9,880,040)	(9,880,040)	-
Administration expenses	-	(36,101)	36,101
Net change	6,512,733	901,498	5,611,235
Balance at June 30, 2019	<u>\$ 144,722,456</u>	<u>\$ 109,924,770</u>	<u>\$ 34,797,686</u>

**10. Sensitivity of the net pension liability to changes in the discount rate**

The following presents the net pension liability, calculated using the discount rate as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>Firemen</u>	1% Decrease (6.125%)	Current Discount (7.125%)	1% Increase (8.125%)
Net pension liability	<u>\$ 12,182,316</u>	<u>\$ 7,141,740</u>	<u>\$ 2,928,644</u>
<u>Employee</u>	1% Decrease (6.125%)	Current Discount (7.125%)	1% Increase (8.125%)
Net pension liability	<u>\$ 51,220,764</u>	<u>\$ 34,797,686</u>	<u>\$ 21,076,982</u>

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Borough pension plans (continued)****11. Pension expense and deferred outflows and inflows of resources related to pensions**

During the year, the Borough recognized pension expense of \$11,232,860. The Borough reported deferred outflows and inflows of resources related to pensions from the following sources:

<b>Firemen's Plan</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Description of Outflows/Inflows		
Differences between expected and actual experience	\$ 1,164,174	\$ (9,655)
Changes in assumptions	252,027	(102,965)
Net difference between projected and actual earnings on pension plan investments	42,985	-
Totals	<u>\$ 1,459,186</u>	<u>\$ (112,620)</u>
Net amount of deferred inflows and outflows		<u>\$ 1,346,566</u>

<b>Employee's Plan</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Description of Outflows/Inflows		
Differences between expected and actual experience	\$ 2,117,378	\$ (4,382,069)
Changes in assumptions	4,863,163	-
Net difference between projected and actual earnings on pension plan investments	127,180	-
Totals	<u>\$ 7,107,721</u>	<u>\$ (4,382,069)</u>
Net amount of deferred inflows and outflows		<u>\$ 2,725,652</u>

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactives, which was 2.1 years for the Firemen's Plan and 2.9 years for the Employee's Plan.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**A. Borough pension plans (continued)**

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

	<u>Fireman's Plan</u>	<u>Employee's Plan</u>
2020	\$ 1,494,785	\$ 2,400,134
2021	(343,370)	(124,477)
2022	40,835	59,896
2023	<u>154,316</u>	<u>390,099</u>
Total	<u>\$ 1,346,566</u>	<u>\$ 2,725,652</u>

**B. Defined contribution pension plans**

The Borough administers four separate single-employer defined contribution pension plans. The Board of Mayor and Burgesses has authority to establish and amend the plans. Employee contribution percentages are defined in the union contracts. For police and fire, employees are required to contribute a minimum of 3.75% of wages and the Borough contribution is a maximum of 3.75% of wages. For Plan A and Plan B, employees are required to contribute a minimum of 3% of wages and the Borough contribution is a maximum of 3% of wages. Pension expense and employee contributions made for the fiscal year are as follows:

<u>Plan</u>	<u>Pension Expense</u>	<u>Employee Contributions</u>
Police	\$ 195,845	\$ 245,092
Fire	82,746	139,886
Plan A	49,064	124,123
Plan B	65,025	109,317

**C. Connecticut State Teachers' Retirement System****1. Plan description**

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System ("TRS"), a cost sharing multiple-employer defined benefit pension plan administered by the Teachers' Retirement Board ("TRB"). Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at [www.ct.gov/trb](http://www.ct.gov/trb).

**Borough of Naugatuck, Connecticut****Notes to Financial Statements  
As of and for the Year Ended June 30, 2019****C. Connecticut State Teachers' Retirement System (continued)****2. 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. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

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. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of annual average salary.

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

**3. Contributions****State of Connecticut**

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

**Employer (School Districts)**

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

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**C. Connecticut State Teachers' Retirement System (continued)****Employees**

Effective January 1, 2018, each teacher is required to contribute 7% of their salary for the pension benefit.

**4. Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions**

The Borough 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 amounts recognized by the Borough 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 Borough were as follows:

Borough's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Borough	<u>94,797,335</u>
Total	<u>\$ 94,797,335</u>

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

During the year the Borough recognized pension expense and revenue of \$9,161,951 for on-behalf amounts for contributions to the plan by the State.

**5. Actuarial assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	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 RP-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.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**C. Connecticut State Teachers' Retirement System (continued)**

Future cost-of-living increases - 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%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

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



## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**C. Connecticut State Teachers' Retirement System (continued)****6. Discount rate**

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at 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.

**7. Sensitivity of the net pension liability to changes in the discount rate**

The Borough'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.

**8. Plan fiduciary net position**

Detailed information about the Connecticut State Teachers' Retirement Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2018.

**D. Other post-employment benefit plan (OPEB)****1. Plan description****a. Plan administration**

The Borough administers one single-employer, post retirement healthcare plan for the Borough and Board of Education through the Borough of Naugatuck Other Post-Employment Benefit ("OPEB") trust fund. The plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. The plan does not issue stand alone financial reports.

**b. Plan membership**

As of July 1, 2018, the following employees are covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	907
Active plan members	<u>681</u>
Total	<u><u>1,588</u></u>

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**D. Other post-employment benefit plan (OPEB) (continued)****2. Benefit provisions**

The Borough plan provides for medical and dental benefits for all eligible retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations. Benefits are provided by a third party insurer and the full cost of benefits is covered by the plan.

**3. Contributions**

The Borough's contributions are actuarially determined on an annual basis using the projected unit credit method. The Borough's total contribution to the plan was \$6,861,429. There are no required employee contributions.

**4. Investments****a. Investment Policy**

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Borough's Retirement Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy for the OPEB plan:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. core fixed income	35.00%
U.S. large cap	25.00%
International developed equity	20.00%
Emerging markets equity	5.00%
REITs	5.00%
Short duration fixed income	5.00%
U.S. small cap	5.00%
	<hr/>
Total	<u>100.00%</u>

**b. Concentrations**

There were no investments in any one organization that represents 5% or more of the OPEB plan's net position.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**D. Other post-employment benefit plan (OPEB) (continued)****c. Rate of return**

The long-term expected rate of return on OPEB 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 OPEB 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 OPEB plan's target asset allocation (see the discussion of the OPEB plan's investment policy) are as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. core fixed income	2.25%
U.S. large cap	4.50%
International developed equity	5.25%
Emerging markets equity	6.25%
REITs	4.50%
Short duration fixed income	0.25%
U.S. small cap	5.00%
 Inflation rate	 2.60%

**d. Annual money-weighted rate of return**

The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 6.30% for the Borough OPEB Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**5. Net OPEB Liability**

The Borough's net OPEB liability of \$177,406,090 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

Total OPEB liability	\$ 187,268,830
Plan fiduciary net position	<u>(9,862,740)</u>
Net OPEB liability	<u>\$ 177,406,090</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>5.27%</u>

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**D. Other post-employment benefit plan (OPEB) (continued)****6. Actuarial methods and significant assumptions**

The total OPEB liability was determined based upon a July 1, 2018 actuarial valuation using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	4.69%
Salary Increases	3.60%
Inflation	2.60%
Healthcare cost trend rates:	
Initial medical trend rate	6.50%
Ultimate medical trend rate	4.60%
Mortality rates	RP-2014 Adjusted to 2006 Total Dataset Mortality projected to valuation date with Scale MP-2019.

A blended discount rate was used to discount liabilities. The discount rate used for the unfunded portion is based on the Bond Buyer GO municipal bond 20 year AA index as of June 30, 2019 of 3.51%.

**7. Changes from prior year****a. Change in assumptions**

The Borough's plan had the following changes in assumptions:

- The discount rate was increased from 4.58% to 4.69%.
- The healthcare cost trend rate decreased from 7.75-4.75% to 6.50-4.60%
- The inflation rate was decreased from 2.75% to 2.60%.
- The compensation rate was decreased from 3.75% to 3.60%.
- Mortality rates were adjusted from Scale RP-2000 Mortality Table to RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2019.

**b. Change in benefit terms**

The percentage of actives eligible at retirement who continue with medical coverage was reduced from 100% to 95 % for all groups, except for the following two subgroups: 70% for Teachers hired on or after September 1, 2002 and 70% for Administrators hired on or after March 1, 2011.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**D. Other post-employment benefit plan (OPEB) (continued)****8. Discount rate**

The discount rate used to measure the total OPEB liability was 4.69% for the OPEB plan. 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 the Borough contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

**9. Changes in the net OPEB liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2018	\$ 193,687,693	\$ 9,138,746	\$ 184,548,947
Service cost	4,646,045	-	4,646,045
Interest	8,932,280	-	8,932,280
Differences between expected and actual experience	(2,302,940)	-	(2,302,940)
Changes of benefit terms	(3,814,981)	-	(3,814,981)
Changes in assumptions	(7,192,838)	-	(7,192,838)
Contributions - employer	-	6,861,429	(6,861,429)
Net investment income	-	584,748	(584,748)
Benefit payments, including refunds of member contributions	(6,686,429)	(6,686,429)	-
Administration expenses	-	(35,754)	35,754
Net change	(6,418,863)	723,994	(7,142,857)
Balance at June 30, 2019	\$ 187,268,830	\$ 9,862,740	\$ 177,406,090

**10. Sensitivity of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease 3.69%	Discount Rate 4.69%	1% Increase 5.69%
Net OPEB Liability			
Borough Employees' OPEB Plan	\$ 205,685,336	\$ 177,406,090	\$ 154,595,999

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**D. Other post-employment benefit plan (OPEB) (continued)****11. Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

Net OPEB Liability	1% Decrease	Current Trend Rate	1% Increase
Borough Employees' OPEB Plan	<u>\$ 152,442,777</u>	<u>\$ 177,406,090</u>	<u>\$ 208,719,010</u>

**12. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB**

For the fiscal year the Borough recognized OPEB expense of \$3,183,947. The Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 310,023	\$ (1,969,181)
Changes in assumptions	-	(31,361,281)
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>(414,109)</u>
Total	<u>\$ 310,023</u>	<u>\$ (33,744,571)</u>
Net amount of deferred inflows and outflows		<u>\$ (33,434,548)</u>

Changes in assumptions and differences between expected and actual experience are amortized over 6.9 years. Actual investment earnings below (or above) projected earnings are amortized over 5 years.

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

Year Ending June 30,	
2020	\$ (6,019,972)
2021	(6,019,973)
2022	(5,924,301)
2023	(5,893,523)
2024	(5,860,915)
Thereafter	<u>(3,715,864)</u>
Total	<u>\$ (33,434,548)</u>

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan****1. Plan description**

Teachers, principals, superintendents, supervisors and professional employees at State schools of higher education if they choose to be covered that are currently receiving a retirement or disability benefit 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"). Chapter 167a Section 10-183t 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](http://www.ct.gov/trb).

**2. Benefit provisions**

The Plan provides for retiree health insurance benefits. Eligibility is as follows:

- **Normal Retirement:** Eligibility - Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.
- **Early Retirement:** Eligibility - 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.
- **Proratable Retirement:** Eligibility - Age 60 with 10 years of Credited Service.
- **Disability Retirement:** Eligibility - 5 years of Credited Service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.
- **Termination of Employment:** Eligibility - 10 or more years of Credited Service.

**Retiree health care coverage**

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

**Borough of Naugatuck, Connecticut****Notes to Financial Statements  
As of and for the Year Ended June 30, 2019****E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)**

Any member that 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, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan.

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

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).

**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.

**3. Contributions****State of Connecticut**

Per Connecticut General Statutes Section 10-183z, contribution requirements of active employees and the State of Connecticut are amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The 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.



## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)****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.

**4. OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB**

The Borough 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 amounts recognized by the Borough 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 Borough were as follows:

Borough's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Borough	<u>18,950,590</u>
Total	<u>\$ 18,950,590</u>

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

The Borough recognized OPEB expense and revenue of \$254,196 for on-behalf amounts for contributions to the plan by the State.

**5. Actuarial assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Health care cost trend rate	5.00% decreasing to 4.75% by 2028
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.87%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2019

**Borough of Naugatuck, Connecticut****Notes to Financial Statements  
As of and for the Year Ended June 30, 2019****E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)**

Mortality rates were based on the RP-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.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

**Changes in assumptions and inputs**

As a result of the experience study for the five-year period ending 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.
- The demographic assumptions of salary growth, payroll growth, 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.
- The discount rate has been increased from 3.56% to 3.87% based upon the increase in the municipal bond index.

Additionally, the assumed initial per capita health care costs, the assumed rates of healthcare inflation used to project the per capita costs, and the participation assumptions have been revised.

**Long-term expected rate of return**

The long-term expected rate of return on OPEB 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 OPEB 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

All the plan assets are assumed to be invested in cash equivalents due to the need for liquidity. The expected rate of return is 3.00%.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements  
As of and for the Year Ended June 30, 2019****E. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)****Affordable Care Act (ACA)**

The impact of the Affordable Care Act (ACA) was addressed in this valuation. Review of the information currently available did not identify any specific provisions of the ACA that are anticipated to significantly impact results. While the impact of certain provisions such as the excise tax on high-value health insurance plans beginning in 2020 (if applicable), mandated benefits and participation changes due to the individual mandate should be recognized in the determination of liabilities, overall future plan costs and the resulting liabilities are driven by amounts employers and retirees can afford (i.e., trend). The trend assumption forecasts the anticipated increase to initial per capita costs, taking into account health care cost inflation, increases in benefit utilization, plan changes, government-mandated benefits, and technological advances.

Given the uncertainty regarding the ACA's implementation (e.g., the impact of excise tax on high-value health insurance plans, changes in participation resulting from the implementation of state-based health insurance exchanges), continued monitoring of the ACA's impact on the Plan's liability will be required.

**6. Discount rate**

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

**7. Sensitivity of the OPEB liability to changes in the discount rate and the health care cost trend rate**

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

**8. Plan fiduciary net position**

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 as of and for the year ended June 30, 2018.

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**F. Pension and Other Post-Employment Benefit Plan Statements**

**Pension and OPEB Trust Funds**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2019**

	Firemen's Pension Fund	Employee's Pension Fund	OPEB Trust Fund	Total
<u>Assets</u>				
Investments at fair value:				
Mutual funds:				
Equity	\$ 26,002,956	\$ 76,694,938	\$ 6,009,249	\$ 108,707,143
Bonds	10,977,823	32,395,549	3,822,086	47,195,458
Money market	104,056	238,344	31,405	373,805
Total investments	37,084,835	109,328,831	9,862,740	156,276,406
Due from other funds	33,003	595,939	-	628,942
Total assets	37,117,838	109,924,770	9,862,740	156,905,348
<u>Net Position</u>				
Restricted for:				
Pension benefits	37,117,838	109,924,770	-	147,042,608
OPEB benefits	-	-	9,862,740	9,862,740
Total net position	\$ 37,117,838	\$ 109,924,770	\$ 9,862,740	\$ 156,905,348

## Borough of Naugatuck, Connecticut

**Notes to Financial Statements**  
**As of and for the Year Ended June 30, 2019**

**F. Pension and Other Post-Employment Benefit Plan Statements (continued)**

**Pension and OPEB Trust Funds**  
**Combining Statement of Changes in Fiduciary Net Position**  
**For the Year Ended June 30, 2019**

	Firemen's Pension Fund	Employee's Pension Fund	OPEB Trust Fund	Total
Additions:				
Contributions:				
Employer	\$ 878,174	\$ 4,477,400	\$ 6,861,429	\$ 12,217,003
Plan members	118,003	565,678	-	683,681
Total contributions	996,177	5,043,078	6,861,429	12,900,684
Investment income (loss):				
Change in fair value of investments	1,067,997	3,447,569	348,199	4,863,765
Interest and dividends	819,732	2,407,162	236,549	3,463,443
Total investment income (loss)	1,887,729	5,854,731	584,748	8,327,208
Less investment expenses	6,497	80,170	-	86,667
Net investment income (loss)	1,881,232	5,774,561	584,748	8,240,541
Total additions	2,877,409	10,817,639	7,446,177	21,141,225
Deductions:				
Benefits	3,085,207	9,880,040	6,686,429	19,651,676
Administration	30,876	36,101	35,754	102,731
Total deductions	3,116,083	9,916,141	6,722,183	19,754,407
Changes in net position	(238,674)	901,498	723,994	1,386,818
Net position - July 1, 2018	37,356,512	109,023,272	9,138,746	155,518,530
Net position - June 30, 2019	<u>\$ 37,117,838</u>	<u>\$ 109,924,770</u>	<u>\$ 9,862,740</u>	<u>\$ 156,905,348</u>

**Borough of Naugatuck, Connecticut****Notes to Financial Statements  
As of and for the Year Ended June 30, 2019****VI. Subsequent Events**

Subsequent to year-end, the COVID-19 (coronavirus) pandemic has resulted in substantial economic volatility and increases in unemployment. In addition, the Governor has issued an executive order requiring local governments to adopt one or more plan to provide a deferment of property tax due dates or a reduction in the interest rate charged for delinquent taxes from 18% to 3% for 90 days. Since this volatility was not anticipated in the development of the fiscal year 2020 budget, the following areas may be impacted:

- Economically sensitive revenues such as income from investments, certain fees, and state and federal grants
- Timing of tax collections
- Delinquency rate for tax collections
- Delinquent interest collections
- Increase costs for health related functions and cleaning supplies

In addition, the current market decline may impact pension and OPEB funded percentages and increase actuarial determined contributions.

Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the continued imposition or relaxation of protective measures, management cannot reasonably estimate the impact on the Borough's financial position.

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## **Required Supplementary Information**

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## Borough of Naugatuck, Connecticut

## Required Supplementary Information

**General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For The Year Ended June 30, 2019**

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Revenues:					
Property taxes	\$ 79,454,148	\$ -	\$ 79,454,148	\$ 80,323,791	\$ 869,643
Intergovernmental revenues	30,744,990	-	30,744,990	31,700,101	955,111
Charges for services	6,527,915	-	6,527,915	6,418,179	(109,736)
Income from investments	80,000	-	80,000	736,919	656,919
Other	103,000	-	103,000	299,630	196,630
Total revenues	116,910,053	-	116,910,053	119,478,620	2,568,567
Expenditures:					
Current:					
General government	3,649,807	(51,929)	3,597,878	3,393,858	204,020
Public safety	11,769,927	-	11,769,927	11,548,105	221,822
Public works	10,392,553	-	10,392,553	10,295,699	96,854
Health and welfare	1,388,247	5,815	1,394,062	1,303,754	90,308
Nondepartmental	18,596,400	46,114	18,642,514	16,531,889	2,110,625
Education	61,711,327	-	61,711,327	61,711,327	-
Debt service	12,219,350	-	12,219,350	11,806,171	413,179
Total expenditures	119,727,611	-	119,727,611	116,590,803	3,136,808
Excess (deficiency) of revenues over expenditures	(2,817,558)	-	(2,817,558)	2,887,817	5,705,375
Other financing sources (uses):					
Appropriation of fund balance	3,104,809	-	3,104,809	-	(3,104,809)
Sale of capital assets	300,000	-	300,000	-	(300,000)
Transfers in	1,621,495	-	1,621,495	-	(1,621,495)
Transfers out	(2,208,746)	-	(2,208,746)	(2,208,746)	-
Net other financing sources (uses)	2,817,558	-	2,817,558	(2,208,746)	(5,026,304)
Net change in fund balance	\$ -	\$ -	\$ -	679,071	\$ 679,071
Fund balance - July 1, 2018				15,148,273	
Fund balance - June 30, 2019				<u>\$ 15,827,344</u>	

**Reconciliation to Exhibit D**

	Revenues	Expenditures
Budgetary Basis - RSI-1	\$ 119,478,620	\$ 116,590,803
State Teachers' pension on behalf amount	9,161,951	9,161,951
State Teachers' OPEB on behalf amount	254,196	254,196
GAAP Basis - Exhibit D	<u>\$ 128,894,767</u>	<u>\$ 126,006,950</u>



**Borough of Naugatuck, Connecticut**  
**Required Supplementary Information**  
**General Fund**  
**Schedule of Revenues and Other Financing Sources -**  
**Budget and Actual**  
**For The Year Ended June 30, 2019**

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Property taxes:					
Taxes	\$ 67,411,007	\$ -	\$ 67,411,007	\$ 67,533,779	\$ 122,772
Taxes new construction	60,000	-	60,000	-	(60,000)
Prior year taxes	2,200,000	-	2,200,000	3,033,608	833,608
Interest and lien fees	1,025,000	-	1,025,000	1,787,245	762,245
Motor vehicle tax	8,605,241	-	8,605,241	7,843,016	(762,225)
Exemption P.A. 515	900	-	900	-	(900)
In lieu of taxes - Housing Authority	92,000	-	92,000	78,944	(13,056)
Telephone access grant	60,000	-	60,000	47,199	(12,801)
Total property taxes	79,454,148	-	79,454,148	80,323,791	869,643
Intergovernmental revenues:					
Borough:					
Motor vehicle property tax grant	-	-	-	671,300	671,300
LOCIP	294,988	-	294,988	294,988	-
Superior court distribution	12,000	-	12,000	15,392	3,392
In lieu of taxes - state property	2,998	-	2,998	46,475	43,477
Additional exempt vets	-	-	-	38,008	38,008
Social security disability	-	-	-	15,162	15,162
Municipal revenue sharing	341,656	-	341,656	341,656	-
Municipal stabilization grant	-	-	-	283,399	283,399
Miscellaneous state grants	-	-	-	72,526	72,526
Drug asset forfeiture	-	-	-	50,183	50,183
Pequot grant	147,899	-	147,899	147,899	-
Total Borough	799,541	-	799,541	1,976,988	1,177,447
Education:					
Education cost sharing	29,447,130	-	29,447,130	29,224,794	(222,336)
Special ed excess cost	498,319	-	498,319	498,319	-
Total education	29,945,449	-	29,945,449	29,723,113	(222,336)
Total intergovernmental revenues	30,744,990	-	30,744,990	31,700,101	955,111
Charges for services:					
Assessor's copies	700	-	700	692	(8)
Fire miscellaneous	500	-	500	222	(278)
Probate court	9,200	-	9,200	8,958	(242)
Permits & licenses	2,500	-	2,500	11,692	9,192
Zoning hearing costs	21,000	-	21,000	22,785	1,785
Other costs - Borough clerk	100	-	100	106	6
Recording fees	140,000	-	140,000	114,904	(25,096)
Conveyance tax	185,000	-	185,000	232,779	47,779
Vital statistics	30,000	-	30,000	33,580	3,580
Dog licenses	750	-	750	783	33
Miscellaneous - Town clerk	32,000	-	32,000	29,043	(2,957)
Building, plumbing & electrical	325,000	-	325,000	381,662	56,662
Parking fines	4,000	-	4,000	2,942	(1,058)
Sewer connections	9,000	-	9,000	50	(8,950)
Miscellaneous - police	22,000	-	22,000	23,722	1,722
Golf course fees	450,000	-	450,000	413,639	(36,361)
Rental club house	32,100	-	32,100	29,425	(2,675)
Tuition other schools	40,000	-	40,000	-	(40,000)

(Continued)

**Borough of Naugatuck, Connecticut**  
**Required Supplementary Information**  
**General Fund**  
**Schedule of Revenues and Other Financing Sources -**  
**Budget and Actual**  
**For The Year Ended June 30, 2019**

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Charges for services: (continued)					
Interest & lien fees	\$ 2,000	\$ -	\$ 2,000	\$ 286	\$ (1,714)
Rental - conrad street water tank	24,200	-	24,200	23,958	(242)
Tipping fees	-	-	-	11,780	11,780
Oxford connection	450,000	-	450,000	450,000	-
Transfer sewer authority	-	-	-	519	519
Clearwire	50,000	-	50,000	28,571	(21,429)
Hopkins park	80	-	80	80	-
Beacon falls / beacon hills east	69,000	-	69,000	66,000	(3,000)
Prospect connection	9,500	-	9,500	9,625	125
Veolia contract monitoring payment	86,000	-	86,000	88,891	2,891
Veolia base rent element 1	2,329,145	-	2,329,145	2,367,535	38,390
Middlebury connection - contract	250,000	-	250,000	412,924	162,924
Veolia base element 2	1,099,140	-	1,099,140	1,099,119	(21)
Veolia settlement	500,000	-	500,000	500,003	3
Bulk trash fees	55,000	-	55,000	51,904	(3,096)
Event center-6 rubber ave	300,000	-	300,000	-	(300,000)
Total charges for services	6,527,915	-	6,527,915	6,418,179	(109,736)
Income from investments	80,000	-	80,000	736,919	656,919
Other:					
Miscellaneous revenue	100,000	-	100,000	299,630	199,630
Clean water fund bond	3,000	-	3,000	-	(3,000)
Total other	103,000	-	103,000	299,630	196,630
Total revenues	116,910,053	-	116,910,053	119,478,620	2,568,567
Other financing sources:					
Appropriation of fund balance	3,104,809	-	3,104,809	-	(3,104,809)
Sale of capital assets	300,000	-	300,000	-	(300,000)
Transfers in:					
Capital nonrecurring fund	1,013,495	-	1,013,495	-	(1,013,495)
Police private duty	8,000	-	8,000	-	(8,000)
Internal service funds	600,000	-	600,000	-	(600,000)
Total other financing sources	5,026,304	-	5,026,304	-	(5,026,304)
Total revenues and other financing sources	\$ 121,936,357	\$ -	\$ 121,936,357	\$ 119,478,620	\$ (2,457,737)

(Concluded)

Borough of Naugatuck, Connecticut

Required Supplementary Information

General Fund  
Schedule of Expenditures and Other Financing Uses -  
Budget and Actual  
For The Year Ended June 30, 2019

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
General government:					
General administration	\$ 267,894	\$ -	\$ 267,894	\$ 266,569	\$ 1,325
Town hall building	144,733	17,481	162,214	162,214	-
Town wide activity	179,500	9,160	188,660	187,124	1,536
Department of finance	552,358	-	552,358	546,043	6,315
Probate court	21,795	-	21,795	15,895	5,900
Elections	92,032	-	92,032	87,882	4,150
Tax department	251,095	-	251,095	224,672	26,423
Property assessment	312,345	-	312,345	265,886	46,459
Building inspector	227,892	-	227,892	224,915	2,977
Information technology	406,551	-	406,551	392,902	13,649
Town clerk	183,457	-	183,457	178,902	4,555
Naugatuck economic development	92,000	-	92,000	92,000	-
Land use	151,586	-	151,586	146,264	5,322
Legal department	304,000	18,396	322,396	320,941	1,455
Estimated wage increase	325,141	(96,966)	228,175	216,569	11,606
Human resources	120,428	-	120,428	48,322	72,106
Vacant building maintenance	17,000	-	17,000	16,758	242
Total general government	3,649,807	(51,929)	3,597,878	3,393,858	204,020
Public safety:					
Police department	7,186,212	-	7,186,212	7,109,343	76,869
Fire department	4,459,357	-	4,459,357	4,322,255	137,102
Animal control	82,208	-	82,208	77,189	5,019
Emergency management	22,850	-	22,850	21,559	1,291
Eastside fire station	16,800	-	16,800	15,307	1,493
Safety patrol	2,000	-	2,000	1,992	8
Fire police	500	-	500	460	40
Total public safety	11,769,927	-	11,769,927	11,548,105	221,822
Public works:					
Operation and maintenance	5,467,515	-	5,467,515	5,475,455	(7,940)
Engineering department	311,636	-	311,636	287,447	24,189
Water Pollution Control Board	4,613,402	-	4,613,402	4,532,797	80,605
Total public works	10,392,553	-	10,392,553	10,295,699	96,854
Health and welfare:					
Social services	30,000	-	30,000	30,000	-
Youth services	35,809	2,711	38,520	38,520	-
Community service	1,234,395	3,104	1,237,499	1,235,234	2,265
Senior citizens	88,043	-	88,043	-	88,043
Total health and welfare	1,388,247	5,815	1,394,062	1,303,754	90,308
Nondepartmental:					
Pension	5,302,512	430,261	5,732,773	5,488,423	244,350
Insurance	11,419,982	(436,362)	10,983,620	9,825,665	1,157,955
General	1,173,906	52,215	1,226,121	1,217,801	8,320
Contingency	700,000	-	700,000	-	700,000
Total nondepartmental	18,596,400	46,114	18,642,514	16,531,889	2,110,625

(Continued)

**Borough of Naugatuck, Connecticut**  
**Required Supplementary Information**  
**General Fund**  
**Schedule of Expenditures and Other Financing Uses -**  
**Budget and Actual**  
**For The Year Ended June 30, 2019**

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Education	\$ 61,711,327	\$ -	\$ 61,711,327	\$ 61,711,327	\$ -
Debt service:					
Bond redemption	3,103,933	-	3,103,933	3,075,546	28,387
Water Pollution Control Board	2,046,683	-	2,046,683	2,028,750	17,933
Pension obligation bonds	3,485,470	-	3,485,470	3,485,470	-
Interest on bonds	1,655,263	-	1,655,263	1,655,262	1
Miscellaneous borrowing cost	20,000	-	20,000	13,299	6,701
Equipment financing notes	1,908,001	-	1,908,001	1,547,844	360,157
Total debt service	12,219,350	-	12,219,350	11,806,171	413,179
Total expenditures	119,727,611	-	119,727,611	116,590,803	3,136,808
Other financing uses:					
Transfers to other funds:					
Capital nonrecurring fund	1,920,073	-	1,920,073	1,920,073	-
Special education grants	167,709	-	167,709	167,709	-
School cafeteria fund	120,964	-	120,964	120,964	-
Total other financing uses	2,208,746	-	2,208,746	2,208,746	-
Total expenditures and other financing uses	<u>\$ 121,936,357</u>	<u>\$ -</u>	<u>\$ 121,936,357</u>	<u>\$ 118,799,549</u>	<u>\$ 3,136,808</u>

(Concluded)

**Borough of Naugatuck, Connecticut****Notes to Required Supplementary Information  
June 30, 2019****Budgets and Budgetary Accounting**

The Borough adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. The operating budget, which is prepared by function and department, includes proposed expenditures and the means of financing them.

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

- The Borough does not recognize as revenue or expenditures payments made for the State Teachers' pension and OPEB by the State of Connecticut on the Borough's behalf.

Not later than 15 days before the end of the fiscal period, the Board of Finance and Board of Mayor and Burgesses hold a public hearing on the proposed operating budget.

Not later than 5 days following the public hearing at a joint meeting of the Board of Finance and Board of Mayor and Burgesses, the adjusted budget is legally adopted.

The Board of Finance is authorized to transfer budgeted amounts within departments.

The Board of Finance is also authorized to approve additional appropriations up to \$2,000. Amounts over \$2,000 must be approved jointly by the Board of Finance and Board of Mayor and Burgesses with a 2/3 vote.

There were no additional appropriations approved during the fiscal year.

Formal budgetary integration is employed as a management control device during the year.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

The Board of Education is authorized under state law to make any transfers required within their budget at their discretion. Additionally, as required by the charter, these transfers must be reported to the Board of Mayor and Burgesses. Any additional appropriations must have Board of Education and Board of Mayor and Burgesses approval.

## Borough of Naugatuck, Connecticut

## Required Supplementary Information

Firemen's Pension Fund  
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
<b><u>Schedule of Changes in Net Pension Liability and Related Ratios</u></b>						
Total pension liability:						
Service cost	\$ 528,500	\$ 549,640	\$ 859,601	\$ 781,284	\$ 702,150	\$ 671,914
Interest	2,961,057	2,929,430	2,900,555	2,820,903	2,633,972	2,514,224
Differences between expected and actual experience	2,222,514	-	(154,462)	-	909,390	-
Changes in assumptions	(196,569)	-	1,234,487	1,049,215	1,220,757	-
Benefit payments, including refunds of member contributions	(3,085,207)	(2,960,352)	(2,640,423)	(2,273,689)	(1,875,261)	(1,569,689)
Net change in total pension liability	2,430,295	518,718	2,199,758	2,377,713	3,591,008	1,616,449
Total pension liability - July 1	41,829,283	41,310,565	39,110,807	36,733,094	33,142,086	31,525,637
Total pension liability - June 30 (a)	<u>\$ 44,259,578</u>	<u>\$ 41,829,283</u>	<u>\$ 41,310,565</u>	<u>\$ 39,110,807</u>	<u>\$ 36,733,094</u>	<u>\$ 33,142,086</u>
Plan fiduciary net position:						
Contributions - employer	\$ 878,174	\$ 952,351	\$ 1,036,600	\$ 1,024,100	\$ 988,400	\$ 1,065,039
Contributions - member	118,003	125,554	178,934	224,909	253,109	190,130
Net investment income (loss)	1,881,232	3,118,524	4,799,970	(980,071)	980,242	5,512,663
Benefit payments, including refunds of member contributions	(3,085,207)	(2,960,352)	(2,640,423)	(2,273,689)	(1,875,261)	(1,569,689)
Administration expenses	(30,876)	(32,629)	(4,090)	(12,718)	(13,235)	(12,375)
Net change in plan fiduciary net position	(238,674)	1,203,448	3,370,991	(2,017,469)	333,255	5,185,768
Plan fiduciary net position - July 1	37,356,512	36,153,064	32,782,073	34,799,542	34,466,287	29,280,519
Plan fiduciary net position - June 30 (b)	<u>\$ 37,117,838</u>	<u>\$ 37,356,512</u>	<u>\$ 36,153,064</u>	<u>\$ 32,782,073</u>	<u>\$ 34,799,542</u>	<u>\$ 34,466,287</u>
Net pension liability (asset) - June 30 (a)-(b)	<u>\$ 7,141,740</u>	<u>\$ 4,472,771</u>	<u>\$ 5,157,501</u>	<u>\$ 6,328,734</u>	<u>\$ 1,933,552</u>	<u>\$ (1,324,201)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83.86%</u>	<u>89.31%</u>	<u>87.52%</u>	<u>83.82%</u>	<u>94.74%</u>	<u>104.00%</u>
Covered payroll	<u>\$ 1,678,659</u>	<u>\$ 2,379,853</u>	<u>\$ 2,288,320</u>	<u>\$ 3,635,130</u>	<u>\$ 3,478,593</u>	<u>\$ 3,544,134</u>
Net pension liability as a percentage of covered payroll	<u>425.44%</u>	<u>187.94%</u>	<u>225.38%</u>	<u>174.10%</u>	<u>55.58%</u>	<u>(37.36%)</u>
<b><u>Schedule of Investment Returns</u></b>						
Annual money weighted rate of return, net of investment expense	<u>5.11%</u>	<u>8.80%</u>	<u>14.81%</u>	<u>(2.83%)</u>	<u>2.86%</u>	<u>18.80%</u>

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

## Borough of Naugatuck, Connecticut

## Required Supplementary Information

Firemen's Pension Fund  
Schedule of Contributions  
Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contributions	\$ 878,174	\$ 878,174	\$ 922,351	\$ 1,016,600	\$ 925,647	\$ 968,400	\$ 875,900	\$ 655,600	\$ 565,951	\$ 691,200
Contributions in relation to the actuarially determined contribution	878,174	952,351	1,036,600	1,024,100	988,400	1,065,039	785,600	738,220	855,900	646,626
Contribution excess (deficiency)	\$ -	\$ 74,177	\$ 114,249	\$ 7,500	\$ 62,753	\$ 96,639	\$ (90,300)	\$ 82,620	\$ 289,949	\$ (44,574)
Covered payroll	\$ 1,678,659	\$ 2,379,853	\$ 2,288,320	\$ 3,635,130	\$ 3,478,593	\$ 3,544,134	\$ 3,391,516	\$ 3,245,470	N/A	\$ 3,191,877
Contributions as a percentage of covered payroll	52.31%	40.02%	45.30%	28.17%	28.41%	30.05%	23.16%	22.75%	N/A	20.26%

## Borough of Naugatuck, Connecticut

## Notes to Required Supplementary Information

Firemen's Pension Fund  
Schedule of Contributions  
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Changes of Benefit Terms	None	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	July 1, 2017	July 1, 2016	July 1, 2016	July 1, 2014	July 1, 2014	July 1, 2013
Actuarial methods and assumptions used to determine contribution rates:						
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Asset Valuation Method	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing
Inflation	2.75%	2.75%	2.75%	3.00%	3.00%	2.25%
Salary Increases	4.00%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.50%, average, including inflation	4.50%, average, including inflation
Investment Rate of Return	7.25%	7.25%	7.25%	7.50%	7.75%	8.00%
Mortality Rate	RP-2000 Mortality Table with separate male and female rates, with Blue Collar adjustment, separate tables for non-annuitants and annuitants, projected 2006 to the valuation date with Scale BB.	RP-2000 Mortality Table with separate male and female rates, with Blue Collar adjustment, separate tables for non-annuitants and annuitants, projected 2006 to the valuation date with Scale BB.	RP-2000 Mortality Table with separate male and female rates, with Blue Collar adjustment, separate tables for non-annuitants and annuitants, projected 2006 to the valuation date with Scale BB.	RP-2000 Mortality Table with separate male and female rates, with blue collar adjustment, combined table for non-annuitants and annuitants, projected 2006 to the valuation date with Scale AA.	RP-2000 Mortality Table with separate male and female rates, with blue collar adjustment, combined table for non-annuitants and annuitants, projected 2006 to the valuation date with Scale AA.	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected 2006 to the valuation date with Scale AA.

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.



## Borough of Naugatuck, Connecticut

## Required Supplementary Information

Employee's Pension Fund  
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
<b>Schedule of Changes in Net Pension Liability and Related Ratios</b>						
Total pension liability:						
Service cost	\$ 1,904,078	\$ 2,523,889	\$ 2,426,816	\$ 2,204,399	\$ 2,201,496	\$ 2,127,000
Interest	9,806,366	10,144,867	9,911,060	9,654,950	9,158,335	8,834,440
Changes in benefit terms	-	-	-	-	2,267,177	-
Differences between expected and actual experience	3,087,882	(9,859,657)	-	-	2,451,313	-
Changes in assumptions	1,594,447	7,351,004	-	3,458,280	2,608,643	-
Benefit payments, including refunds of member contributions	(9,880,040)	(9,216,140)	(8,589,383)	(8,198,938)	(7,929,977)	(7,109,921)
Net change in total pension liability	6,512,733	943,963	3,748,493	7,118,691	10,756,987	3,851,519
Total pension liability - July 1	138,209,723	137,265,760	133,517,267	126,398,576	115,641,589	111,790,070
Total pension liability - June 30 (a)	<u>\$ 144,722,456</u>	<u>\$ 138,209,723</u>	<u>\$ 137,265,760</u>	<u>\$ 133,517,267</u>	<u>\$ 126,398,576</u>	<u>\$ 115,641,589</u>
Plan fiduciary net position:						
Contributions - employer	\$ 4,477,400	\$ 5,155,791	\$ 3,516,640	\$ 4,177,500	\$ 4,557,044	\$ 4,616,760
Contributions - member	565,678	727,234	663,530	680,554	672,250	646,463
Net investment income (loss)	5,774,561	8,526,731	14,079,745	(2,360,461)	2,721,009	15,323,438
Benefit payments, including refunds of member contributions	(9,880,040)	(9,216,140)	(8,589,383)	(8,198,938)	(7,929,977)	(7,190,247)
Administration expenses	(36,101)	(42,926)	(44,775)	(40,035)	(40,939)	(53,218)
Net change in plan fiduciary net position	901,498	5,150,690	9,625,757	(5,741,380)	(20,613)	13,343,196
Plan fiduciary net position - July 1	109,023,272	103,872,582	94,246,825	99,988,205	100,008,818	86,665,622
Plan fiduciary net position - June 30 (b)	<u>\$ 109,924,770</u>	<u>\$ 109,023,272</u>	<u>\$ 103,872,582</u>	<u>\$ 94,246,825</u>	<u>\$ 99,988,205</u>	<u>\$ 100,008,818</u>
Net pension liability (asset) - June 30 (a)-(b)	<u>\$ 34,797,686</u>	<u>\$ 29,186,451</u>	<u>\$ 33,393,178</u>	<u>\$ 39,270,442</u>	<u>\$ 26,410,371</u>	<u>\$ 15,632,771</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>75.96%</u>	<u>78.88%</u>	<u>75.67%</u>	<u>70.59%</u>	<u>79.11%</u>	<u>86.48%</u>
Covered payroll	<u>\$ 11,603,989</u>	<u>\$ 18,862,747</u>	<u>\$ 18,137,256</u>	<u>\$ 17,439,670</u>	<u>\$ 16,768,913</u>	<u>\$ 18,579,111</u>
Net pension liability as a percentage of covered payroll	<u>299.88%</u>	<u>154.73%</u>	<u>184.11%</u>	<u>225.18%</u>	<u>157.50%</u>	<u>84.14%</u>
<b>Schedule of Investment Returns</b>						
Annual money weighted rate of return, net of investment expense	<u>5.39%</u>	<u>9.10%</u>	<u>14.02%</u>	<u>(2.38%)</u>	<u>2.74%</u>	<u>17.79%</u>

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

## Borough of Naugatuck, Connecticut

## Required Supplementary Information

Employee's Pension Fund  
Schedule of Contributions  
Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contributions	\$ 4,477,400	\$ 4,523,400	\$ 4,607,900	\$ 4,524,800	\$ 4,304,743	\$ 4,094,700	\$ 3,936,044	\$ 3,424,600	\$ 3,009,841	\$ 1,881,600
Contributions in relation to the actuarially determined contribution	4,477,400	5,155,791	3,516,640	4,177,500	4,557,044	4,616,760	4,477,275	3,503,091	3,100,136	1,712,256
Contribution excess (deficiency)	\$ -	\$ 632,391	\$ (1,091,260)	\$ (347,300)	\$ 252,301	\$ 522,060	\$ 541,231	\$ 78,491	\$ 90,295	\$ (169,344)
Covered payroll	\$ 11,603,989	\$ 18,862,747	\$ 18,137,256	\$ 17,439,670	\$ 16,768,913	\$ 18,579,111	\$ 17,779,053	\$ 17,013,448	N/A	\$ 17,108,383
Contributions as a percentage of covered payroll	38.59%	27.33%	19.39%	23.95%	27.18%	24.85%	25.18%	20.59%	N/A	10.01%

## Borough of Naugatuck, Connecticut

## Notes to Required Supplementary Information

Employee's Pension Fund  
Schedule of Contributions  
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Changes of Benefit Terms	None	None	None	None	Benefit calculation changed from last three years gross pay to highest three years gross pay. In addition, benefit formula changed to 70% times final average earnings (FAE) plus 1% for years in excess of 20 years.	None
The actuarially determined contribution rates are calculated as of	July 1, 2017	July 1, 2016	July 1, 2015	July 1, 2014	July 1, 2014	July 1, 2012
Actuarial methods and assumptions used to determine contribution rates:						
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Asset Valuation Method	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing
Inflation	2.75%	2.75%	3.00%	3.00%	3.00%	2.25%
Salary Increases	4.00%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.50%, average, including inflation
Investment Rate of Return	7.25%	7.25%	7.25%	7.50%	7.75%	8.00%
Mortality Rate	RP-2000 Mortality Table with separate male and female rates, with Blue Collar adjustment, separate tables for non-annuitants and annuitants, projected 2006 to the valuation date with Scale BB.	RP-2000 Mortality Table with separate male and female rates, with Blue Collar adjustment, separate tables for non-annuitants and annuitants, projected 2006 to the valuation date with Scale BB.	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected 2006 to the valuation date with Scale AA.	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for non-annuitants and annuitants, projected 2006 to the valuation date with Scale AA.	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, separate tables for non-annuitants, projected 2006 to the valuation date with Scale AA.	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected 2006 to the valuation date with Scale AA.

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

## Borough of Naugatuck, Connecticut

## Required Supplementary Information

Connecticut State Teachers' Retirement System  
Last Five Years (3)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>Schedule of Proportionate Share of the Net Pension Liability</u></b>					
Borough's proportion of the net pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Borough's proportionate share of the net pension liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
State of Connecticut's proportionate share of the net pension liability associated with the Borough	<u>94,797,335</u>	<u>88,718,563</u>	<u>93,598,763</u>	<u>80,183,428</u>	<u>74,113,510</u>
Total	<u>\$ 94,797,335</u>	<u>\$ 88,718,563</u>	<u>\$ 93,598,763</u>	<u>\$ 80,183,428</u>	<u>\$ 74,113,510</u>
Borough's covered payroll	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Borough's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>57.69%</u>	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

**Schedule of Contributions**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Borough's covered payroll	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Contributions as a percentage of covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

(1) Local employers are not required to contribute to the plan.

(2) Not applicable since 0% proportional share of the net pension liability

(3) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

## Borough of Naugatuck, Connecticut

## Notes to Required Supplementary Information

**Connecticut State Teachers' Retirement System  
Schedule of Contributions  
Last Five Years (1)**

	2019	2018	2017	2016	2015
Changes of Benefit Terms	Beginning January 1, 2018, member contributions increased from 6% to 7% of salary	None	None	None	None
The actuarially determined contribution rates are calculated as of	July 1, 2018	July 1, 2016	July 1, 2016	July 1, 2014	July 1, 2014
Actuarial methods and assumptions used to determine contribution rates:					
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed
Remaining Amortization Period	17.6 years	20.4 years	20.4 years	21.4 years	22.4 years
Asset Valuation Method	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing
Inflation	2.75%	2.75%	2.75%	3.00%	3.00%
Salary Increases	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.75%-7.00%, average, including inflation	3.75%-7.00%, average, including inflation
Investment Rate of Return	8.00%	8.00%	8.00%	8.50%	8.50%
Mortality	RP-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) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale.	RP-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) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale.	RP-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) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale.	RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.	RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.

(1) This schedule is intended to present information for 10 years. Additional years will be presented as they become available.

## Borough of Naugatuck, Connecticut

Other Post-Employment Benefit (OPEB) Plan  
Last Three Years (1)

	2019	2018	2017
<b><u>Schedule of Changes in Net OPEB Liability and Related Ratios</u></b>			
Total OPEB liability:			
Service cost	\$ 4,646,045	\$ 4,605,763	\$ 5,908,859
Interest	8,932,280	8,517,397	7,482,937
Differences between expected and actual experience	(2,302,940)	11,825	468,243
Changes of benefit terms	(3,814,981)	-	-
Changes of assumptions	(7,192,838)	(5,752,320)	(32,399,364)
Benefit payments, including refunds of member contributions	<u>(6,686,429)</u>	<u>(7,025,378)</u>	<u>(7,160,727)</u>
Net change in total OPEB liability	(6,418,863)	357,287	(25,700,052)
Total OPEB liability - July 1	<u>193,687,693</u>	<u>193,330,406</u>	<u>219,030,458</u>
Total OPEB liability - June 30 (a)	<u>\$ 187,268,830</u>	<u>\$ 193,687,693</u>	<u>\$ 193,330,406</u>
Plan fiduciary net position:			
Contributions - employer	\$ 6,861,429	\$ 7,350,378	\$ 7,585,727
Net investment income	584,748	394,011	698,742
Benefit payments, including refunds of member contributions	(6,686,429)	(7,025,378)	(7,160,727)
Administration expenses	<u>(35,754)</u>	<u>(5,186)</u>	<u>-</u>
Net change in plan fiduciary net position	723,994	713,825	1,123,742
Plan fiduciary net position - July 1	<u>9,138,746</u>	<u>8,424,921</u>	<u>7,301,179</u>
Plan fiduciary net position - June 30 (b)	<u>\$ 9,862,740</u>	<u>\$ 9,138,746</u>	<u>\$ 8,424,921</u>
Net OPEB liability - June 30 (a)-(b)	<u>\$ 177,406,090</u>	<u>\$ 184,548,947</u>	<u>\$ 184,905,485</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>5.27%</u>	<u>4.72%</u>	<u>4.36%</u>
Covered payroll	<u>\$ 42,929,422</u>	<u>\$ 49,189,795</u>	<u>\$ 47,873,280</u>
Net pension liability as a percentage of covered payroll	<u>413.25%</u>	<u>375.18%</u>	<u>386.24%</u>
<b><u>Schedule of Investment Returns</u></b>			
Annual money weighted rate of return, net of investment expense	<u>6.30%</u>	<u>6.16%</u>	<u>10.00%</u>

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

## Borough of Naugatuck, Connecticut

## Required Supplementary Information

Other Post-Employment Benefit (OPEB) Plan  
Schedule of Contributions  
Last Ten Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 12,679,000	\$ 12,576,000	\$ 13,498,000	\$ 13,287,000	\$ 14,636,200	\$ 14,372,300	\$ 14,507,500	\$ 14,238,500	\$ 15,118,900	\$ 14,858,100
Contributions in relation to the actuarially determined contribution	<u>6,861,429</u>	<u>7,350,378</u>	<u>7,585,727</u>	<u>8,471,200</u>	<u>6,227,100</u>	<u>5,080,300</u>	<u>5,872,200</u>	<u>6,099,700</u>	<u>3,798,200</u>	<u>5,139,200</u>
Contribution excess (deficiency)	<u>\$ (5,817,571)</u>	<u>\$ (5,225,622)</u>	<u>\$ (5,912,273)</u>	<u>\$ (4,815,800)</u>	<u>\$ (8,409,100)</u>	<u>\$ (9,292,000)</u>	<u>\$ (8,635,300)</u>	<u>\$ (8,138,800)</u>	<u>\$ (11,320,700)</u>	<u>\$ (9,718,900)</u>
Covered payroll	<u>\$ 42,929,422</u>	<u>\$ 49,189,795</u>	<u>\$ 47,873,280</u>	<u>\$ 54,406,000</u>	<u>\$ 53,905,000</u>	<u>\$ 52,815,200</u>	<u>\$ 49,972,600</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contributions as a percentage of covered payroll	<u>15.98%</u>	<u>14.94%</u>	<u>15.85%</u>	<u>15.57%</u>	<u>11.55%</u>	<u>9.62%</u>	<u>11.75%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

## Borough of Naugatuck, Connecticut

## Notes to Required Supplementary Information

Other Post-Employment Benefit (OPEB) Plan  
Schedule of Contributions  
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Changes of Benefit Terms	None	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	July 1, 2016	July 1, 2016	July 1, 2014	July 1, 2014	July 1, 2012	July 1, 2012
Actuarial methods and assumptions used to determine contribution rates:						
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Projected unit credit	Projected unit credit	Projected unit credit
Amortization Method	Level percent	Level percent	Level percent	Level dollar	Level dollar	Level dollar
Asset Valuation Method	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
Inflation rate	2.75%	2.75%	2.75%	N/A	2.25%	N/A
Salary Increases	3.75%	3.75%	N/A	N/A	N/A	N/A
Healthcare Inflation rate - Initial	7.75%, reducing by 0.5% for each year to a final of 4.75% for 2020 and later. Dental 4.75%.	7.75%, reducing by 0.5% for each year to a final of 4.75% for 2020 and later. Dental 4.75%.	7.75%, reducing by 0.5% for each year to a final of 4.75% for 2020 and later. Dental 4.75%.	8.00%, reducing by 0.5% for each year to a final of 5.00% for 2020 and later. Dental 5.00%.	8.00%, reducing by 0.5% for each year to a final of 5.00% for 2020 and later. Dental 5.00%.	9.00%
Healthcare and dental Inflation rate - Ultimate	4.75%	4.75%	4.75%	5.00%	5.00%	5.00%
Investment Rate of Return	6.50%	6.50%	4.38%	5.00%	5.00%	5.00%
Mortality Rate	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment (for Borough and Board of Education) and blue collar adjustment (for Police and Fire), combined table for non-annuitants and annuitants, projected to the valuation date with Scale BB (Prior Scale AA).	RP-2000 Mortality Table with separate male and female rates, with no collar adjustment (for Borough and Board of Education) and blue collar adjustment (for Police and Fire), combined table for non-annuitants and annuitants, projected to the valuation date with Scale BB (Prior Scale AA).	RP-2000 Mortality Table separate male and female rates, with no white collar adjustment and blue collar adjustment, projected to the valuation date with a Scale BB.	RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.	RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.	RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.



## Borough of Naugatuck, Connecticut

## Required Supplementary Information

**Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan  
Last Two Years (3)**

	<u>2019</u>	<u>2018</u>
<b><u>Schedule of Proportionate Share of the Net OPEB Liability</u></b>		
Borough's proportionate share of the net OPEB liability	<u>0.00%</u>	<u>0.00%</u>
Borough's proportionate share of the collective net OPEB liability	\$ -	\$ -
State of Connecticut's proportionate share of the net OPEB liability associated with the Borough	<u>18,950,590</u>	<u>22,835,165</u>
Total	<u>\$ 18,950,590</u>	<u>\$ 22,835,165</u>
Borough's covered payroll	<u>(2)</u>	<u>(2)</u>
Borough's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>1.49%</u>	<u>1.79%</u>
<b><u>Schedule of Contributions</u></b>		
Contractually required contribution	(1)	(1)
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
Borough's covered payroll	<u>(2)</u>	<u>(2)</u>
Contributions as a percentage of covered payroll	<u>0.00%</u>	<u>0.00%</u>

(1) Local employers are not required to contribute to the plan

(2) Not applicable since 0% proportional share of the net OPEB liability

(3) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

## Borough of Naugatuck, Connecticut

**Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan**  
**Notes to Required Supplementary Information**  
**Schedule of Contributions**  
**Last Two Years (1)**

	<b>2019</b>	<b>2018</b>
Changes of Benefit Terms	None	None
The actuarially determined contribution rates are calculated as of	July 1, 2018	July 1, 2016
Actuarial methods and assumptions used to determine contribution rates:		
Actuarial Cost Method	Entry age	Entry age
Amortization Method	Level percentage, open	Level percentage, open
Amortization Period	30 years	30 years
Asset Valuation Method	Fair Value	Fair Value
Inflation	2.75%	2.75%
Healthcare Inflation Rate	Initial 7.25% decreasing to 5.00% (ultimate) by 2022	Initial 7.25% decreasing to 5.00% (ultimate) by 2022
Salary Increases	3.25% to 6.50%, including inflation	3.25% to 6.50%, including inflation
Investment Rate of Return	3.00%	4.25%
Mortality Rate	RP-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) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale.	RP-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) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale.

(1) These schedules are intended to present information for 10 years. Additional years will be presented as they become available.