

CITY OF TORRINGTON, CONNECTICUT

FINANCIAL STATEMENTS
JUNE 30, 2019

CITY OF TORRINGTON, CONNECTICUT
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Independent Auditors' Report

To the Members of the City Council
City of Torrington, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Torrington, Connecticut, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Torrington, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Torrington, 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.

Prior Period Adjustment

As discussed in Note 12 to the financial statements, during the fiscal year ended June 30, 2019, the City of Torrington, Connecticut, recorded a restatement to reclassify certain activity from its financial statements and adjust unamortized premiums. The net position of the City of Torrington, Connecticut, has been restated to reflect this adjustment. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Torrington, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019 on our consideration of the City of Torrington, Connecticut'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Torrington, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Torrington, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
December 20, 2019

**CITY OF TORRINGTON, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

This discussion and analysis of the City of Torrington, Connecticut's (the City) financial performance is provided by management to provide an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read this MD&A in conjunction with the transmittal letter and the City's financial statements, Exhibits I to IX. All amounts are expressed in thousands unless otherwise noted.

Financial Highlights

- On a government-wide basis, the City's total net position increased by \$3,930 during fiscal year 2018/2019. The net position of governmental activities decreased by \$780 while the net position of business type activities (WPCA) increased by \$4,710. The overall increase was due to positive operations in the general fund of \$1,903 and internal service fund of \$1,879. There was also a \$3,609 capital asset transfer from governmental activities to business type activities.
- Capital assets (net of depreciation) increased \$6,592 for governmental activities and decreased \$4,064 for business type activities. The largest increase was due to the WPCA Infrastructure project.
- The City's combined net position totaled (\$42,338). Governmental activities unrestricted net position of (\$132,281) resulted from a \$79,518 net investment in capital assets along with long term liabilities including OPEB and Pension obligations. Business type activities had unrestricted net position of \$4,176 and net capital asset investments of \$6,244.
- The City's governmental funds had a combined fund balance of \$30,234 at year end, an increase of \$1,572. The majority of the increase was due to an increase in the general fund.
- The unassigned balance of the General Fund for fiscal year end increased \$2,171 to \$15,907 or 12% of general fund expenditures.
- The City of Torrington's total bonded debt increased by \$5,295 to \$21,780. Bonds in the amount of \$7,850 were issued in May 2019 for various infrastructure projects.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The analysis of the City as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the City as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. The City's net position the difference between assets and liabilities is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

In the statement of net position and the statement of activities, we divide the City into two types of activities:

- *Governmental activities* - Most of the City's basic services are reported here, including education, public safety, public works, health and welfare, parks, recreation, and general administration. Property taxes, charges for services, and state and federal grants finance most of these activities.
- *Business-type activities* - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides.

Fund Financial Statements

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

- *Governmental funds (Exhibits III and IV)* - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation included with the fund financial statements.

- *Proprietary funds (Exhibits V, VI and VII)* - When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities - such as the City's Self-Insurance Internal Service Fund.
- *Fiduciary funds (Exhibits VIII and IX)* - The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 26 of this report.

Supplementary Information - The combining statements referred to earlier in connection with nonmajor governmental funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 64 through 86 of this report.

Government-Wide Financial Analysis - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, liabilities exceeded assets by \$42,338 at the close of the most recent fiscal year. Of this, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt still outstanding used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

An additional portion of the City's net position represents resources that are restricted. The remaining unrestricted balance is (\$128,105).

City's Net Position - The City's combined net position increased in fiscal year 2018/2019 \$3,932 to \$42,338. (See Table 1) Tables 1 and 2 focus on the net position of both the City's governmental and business-type activities.

TABLE 1
NET POSITION
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 60,994	\$ 47,615	\$ 6,887	\$ 6,005	\$ 67,881	\$ 53,620
Capital assets, net of accumulated depreciation	110,370	103,778	8,854	5,813	119,224	109,591
Total assets	<u>171,364</u>	<u>151,393</u>	<u>15,741</u>	<u>11,818</u>	<u>187,105</u>	<u>163,211</u>
Deferred outflows of resources	<u>4,496</u>	<u>4,383</u>	<u>95</u>	<u>44</u>	<u>4,591</u>	<u>4,427</u>
Long-term debt outstanding	187,150	191,337	5,043	5,959	192,193	197,296
Other liabilities	22,822	10,828	86	76	22,908	10,904
Total liabilities	<u>209,972</u>	<u>202,165</u>	<u>5,129</u>	<u>6,035</u>	<u>215,101</u>	<u>208,200</u>
Deferred inflows of resources	<u>18,646</u>	<u>5,589</u>	<u>287</u>	<u>117</u>	<u>18,933</u>	<u>5,706</u>
Net Position:						
Net investment in capital assets	79,518	86,389	6,244	3,003	85,762	89,392
Restricted	5	5,232			5	5,232
Unrestricted	<u>(132,281)</u>	<u>(143,599)</u>	<u>4,176</u>	<u>2,707</u>	<u>(128,105)</u>	<u>(140,892)</u>
Total Net Assets	<u>\$ (52,758)</u>	<u>\$ (51,978)</u>	<u>\$ 10,420</u>	<u>\$ 5,710</u>	<u>\$ (42,338)</u>	<u>\$ (46,268)</u>

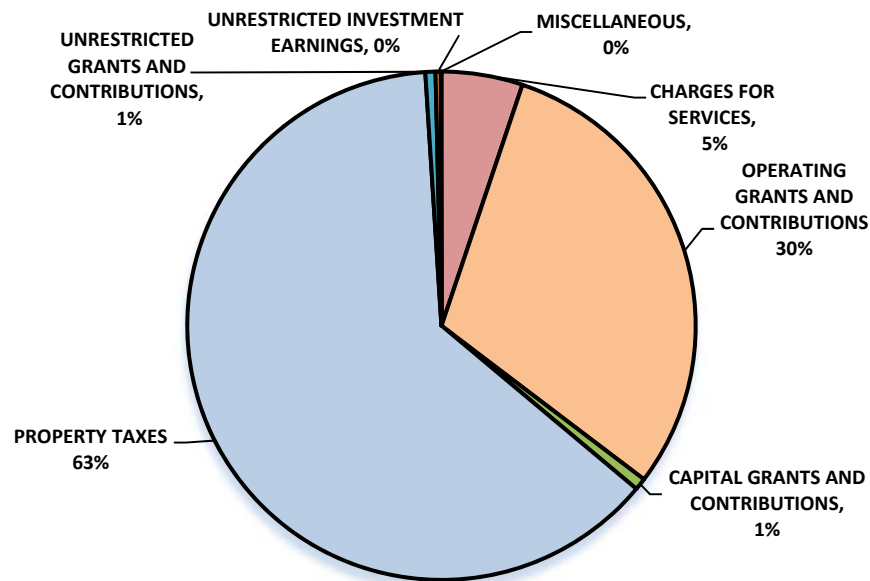
Total net position of the City's governmental activities decreased \$780 to (\$52,758). There was an increase of \$13,379 in current assets and an increase of \$6,592 in capital assets in 2018/2019. Increased asset activity, a \$7,806 increase in long term debt and liabilities and net deferred inflow/outflow of resources of (\$12,945) resulted in a \$780 net decrease in total net assets.

An increase in assets of \$3,923 along with a \$906 decrease in liabilities and net deferred inflow/outflow of resources of (\$119) resulted in a \$4,710 increase to the net position of the Water Pollution Control Authority.

Unrestricted Net Position - the portion of net position that can be used to finance day to day operations for government activities is (\$132,281). This amount is a deficit because certain long term liabilities are funded when they come due rather than when they are incurred (sick, vacation, OPEB). The unrestricted portion of net position for business type activities is \$4,176.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services:						
General government	\$ 4,237	\$ 1,524	\$	\$	\$ 4,237	\$ 1,524
Public safety	1,952	1,299			1,952	1,299
Public works	77	196			77	196
Public health and social services	433	445			433	445
Recreation	224	211			224	211
Education	626	746			626	746
Sewer			5,319	5,203	5,319	5,203
Operating grants and contributions	44,088	51,047			44,088	51,047
Capital grants and contributions	1,104	1,815		153	1,104	1,968
General revenues:						
Property taxes	91,925	89,303			91,925	89,303
Grants and contributions not restricted to specific purposes	930	1,725			930	1,725
Unrestricted investment earnings	485	110	52	11	537	121
Miscellaneous	63	225			63	225
Transfers	(2,622)				(2,622)	-
Total revenues	<u>143,522</u>	<u>148,646</u>	<u>5,371</u>	<u>5,367</u>	<u>148,893</u>	<u>154,013</u>
Program expenses:						
General government	8,833	11,897			8,833	11,897
Public safety	25,825	25,808			25,825	25,808
Public works	15,819	10,706			15,819	10,706
Public health and social services	4,477	4,467			4,477	4,467
Recreation	879	685			879	685
Education	88,058	98,242			88,058	98,242
Debt interest and costs	411	651			411	651
Sewer			3,283	3,773	3,283	3,773
Transfers			(2,622)		(2,622)	-
Total program expenses and transfers	<u>144,302</u>	<u>152,456</u>	<u>661</u>	<u>3,773</u>	<u>144,963</u>	<u>156,229</u>
Increase (Decrease) in Net Position	\$ <u>(780)</u>	\$ <u>(3,810)</u>	\$ <u>4,710</u>	\$ <u>1,594</u>	\$ <u>3,930</u>	\$ <u>(2,216)</u>

The City's total revenue decreased \$5,124 (including transfers) to \$143,522 (See Table 2). Approximately 65% of the City's revenues came from property taxes and sewer user fees totaling \$97,244. Additionally, \$7,549 (5%) of the revenue was generated by other fees charged for services. The balance is the result of State and Federal grants and other miscellaneous revenue sources. The cost of all services decreased \$11,266 (7.2%) from fiscal year 2018 to fiscal year 2019.



Governmental Activities:

The City of Torrington's governmental activities net position decreased \$780 in fiscal year 2018/2019. The decrease was the net result of the following items:

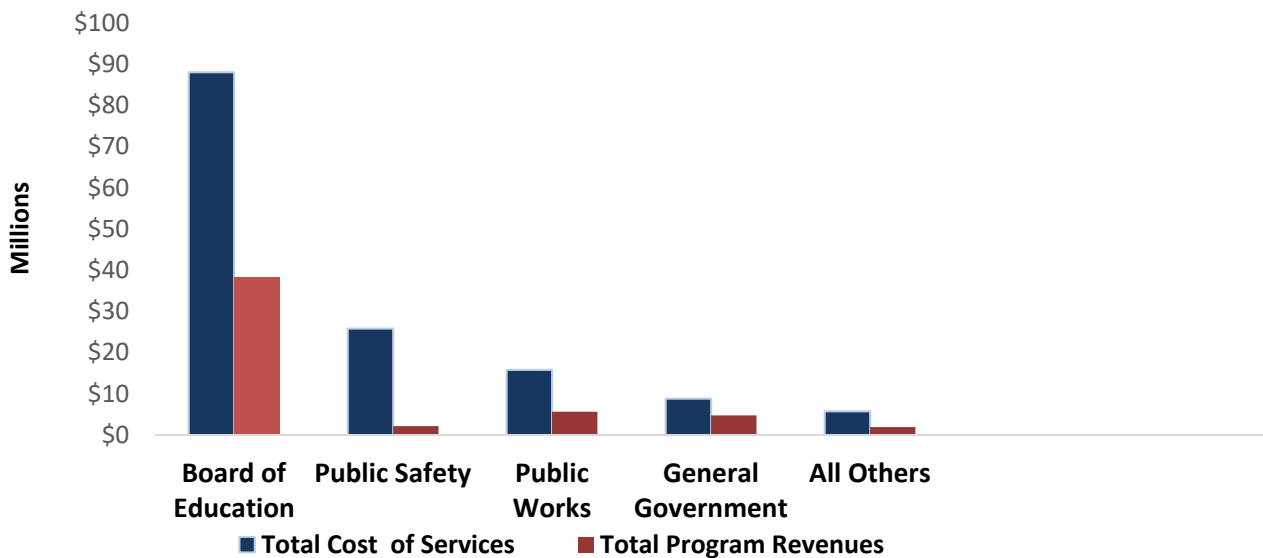
- A .95% increase in the 2017 Grand List along with a .42 mill rate increase to 46.17 mills resulted in a \$2,622 increase in property tax revenues to \$91,925.
- There was a decrease of \$6,959 in operating grants and contributions. The decrease impacted funding for general government, public safety, public health and education.
- There was a decrease of \$711 in capital grants and contributions for general government and public works projects.
- Total program expenses decreased \$8,154. There were cost decreases of \$10,184 for education, \$3,064 for general government and an increase of \$5,113 for public works. All other classifications had an aggregate reduction of \$19.

TABLE 3
GOVERNMENTAL ACTIVITIES
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
General government	\$ 8,834	\$ 11,897	\$ 4,076	\$ 9,171
Public safety	25,825	25,808	23,683	24,068
Public works	15,819	10,706	10,182	8,260
Education	88,058	98,242	49,774	49,897
All others	5,767	5,803	3,847	3,777
Totals	<u>\$ 144,303</u>	<u>\$ 152,456</u>	<u>\$ 91,562</u>	<u>\$ 95,173</u>

The total cost of governmental services decreased \$8,153 to \$144,303 in 2018/2019. The decreased cost of governmental services along with a \$4,542 decrease in various program revenues resulted in a net cost decrease of \$3,611 totaling \$91,562. (See Table 3)

Expenses and Program Revenues - Governmental Activities



Business Type Activities: WPCA business-type activities revenue increased \$4 to \$5,371. The increase was the result of a \$116 increase in sewer user fees along with a net decrease of \$112 in capital contributions and investment earnings. Expenses increased \$490 to \$3,283. There was also a capital asset transfer of \$2,622.

Sewer user fees increased from \$224 to \$262 for fiscal year 2018/2019. The residential rate was \$262.00/unit and the rate for all other users was \$262.00 per 65,000 gallons of volume of flow.

Financial Analysis of the Government's Funds

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

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, uncommitted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Fiscal year 2019 ended with the City's governmental funds reporting a combined ending fund balance of \$30,234. The unassigned portion of the combined ending fund balance was \$4,194. The unassigned balance is available for spending at the government's discretion. The remaining \$26,040 fund balance is classified as either nonspendable, restricted, committed or assigned (see page 31 of financial statements for clarification) to indicate that it is not available for new spending because it has already been committed to liquidate contracts, purchase orders or other obligations.

The General Fund is the chief operating fund of the City of Torrington. At the end of fiscal year 2019, the General Fund total fund balance increased by \$1,903 to \$16,411. The unassigned portion grew by \$2,170 from \$13,736 to \$15,906. The unassigned fund balance represents 12% (prior year 10%) of total General Fund expenditures and total fund balance represents 12.7% (prior year 10.6%) of that same amount.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. WPCA activity which is recorded in the proprietary fund portion of the financial statements has already been addressed in the business-type activities.

The activity of the Internal Service Funds (self-insured health insurance and equipment maintenance chargeback fund) is also contained in the proprietary fund financial statements. The net position of the internal service funds increased in the amount \$679 to \$7,335.

General Fund Budgetary Highlights

On a budgetary basis, revenues and other financing sources exceeded expenditures and other financing uses by \$1,871. Revenues and transfers exceeded budgetary estimates by \$554. In addition, total expenditures and other financing uses were \$1,317 less than budgeted.

2018/2019 budget included \$704 partial funding of capital projects and reserves that had been eliminated in 2017/2018 budget.

Total intergovernmental revenue was \$182 less than budgeted primarily due to \$339 shortfalls in education revenue and unbudgeted enterprise zone revenue of \$153.

Public Safety revenue for police outside duty exceeded budget estimates by \$800.

Investment income of \$361 was \$261 greater than estimated.

Public Works expenditures were \$563 less than budgeted primarily due to vacancies.

Public Safety expenditures \$40 below budget estimates were the net result of police outside duty expenses of \$379 greater than budgeted and other public safety unexpended line items of \$419.

Capital Assets and Debt Administration

Capital Assets - The City's capital assets for its governmental and business type-activities as of June 30, 2019 total \$119,224 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total net increase of \$2,546 in the City's capital assets includes asset depreciation, asset acquisition and asset disposal activity for the current year. (See Table 4)

The most significant capital asset activity included:

- Depreciation
- General Government
 - (4) Vehicles
 - Acquisition of (2) Properties
- Public Safety Additions:
 - (7) Vehicles
 - Technology Upgrades
 - Fitness Equipment
 - Various Protective Gear
- Public Works Additions:
 - (3) Vehicles
 - (2) Plow Trucks
 - (1) Playscape
 - (1) Skatepark Restoration
 - Paving of Roads and Parking Lots
- Public Health Additions:
 - (2) Delivery Vehicles
- Education Additions:
 - Technology Upgrades
 - New Vehicle
- Construction in Progress:
 - THS Elevator Upgrade
 - WPCA Plant Upgrade
 - Road Reconstruction
 - East Torrington Sewer Rehab
 - Fuessenich Park Renovation

TABLE 4
CAPITAL ASSETS AT YEAR-END (Net of Depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 3,967	\$ 3,797	\$	\$	\$ 3,967	\$ 3,797
Land improvements	5,202	5,126	19	4	5,221	5,130
Buildings	65,185	67,445	572	592	65,757	68,037
Furniture and equipment	4,887	5,236	899	1,150	5,786	6,386
Infrastructure	13,243	13,622	7,364	4,067	20,607	17,689
Construction in progress	17,886	8,552		7,087	17,886	15,639
Total	\$ 110,370	\$ 103,778	\$ 8,854	\$ 12,900	\$ 119,224	\$ 116,678

Debt - At the end of the current fiscal year, the City had bonded debt outstanding of \$21,780 and Clean Water Notes outstanding of \$2,610. (See Table 5) This amount reflects an increase of \$5,095 over fiscal year 2018. The increase was the net result of current year bond payments and a bond issue in May 2019 of \$7,850. These liabilities are backed by the full faith and credit of the City.

City's Outstanding Bond and Clean Water Fund Debt

Long-Term Debt

TABLE 5
OUTSTANDING DEBT AT YEAR-END (Net of Depreciation)
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 21,780	\$ 16,485	\$	\$	\$ 21,780	\$ 16,485
Clean Water Fund Loans			2,610	2,810	2,610	2,810
Total	\$ 21,780	\$ 16,485	\$ 2,610	\$ 2,810	\$ 24,390	\$ 19,295

On November 6, 2018 voters approved a referendum authorizing \$39,000 of bonded debt.

In April of 2019, the City was assigned an "AA-" long term rating from S&P Global Ratings for 2019 General Obligation Bonds. S&P Global Ratings also affirmed the City's AA- long term rating on the City's General Obligation debt outstanding.

The City's overall statutory debt limit of \$622,041 (not rounded) which is equal to seven times the prior year annual receipts from taxation is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate (not seasonally adjusted) for the City of Torrington is 3.9 % which is higher than the state rate of 3.6% and the national rate of 3.3 % (Source: CT DOL 2019)
- Population growth: Torrington 1.5%, State of CT .1% (Source: CERC Town Profile 2019)

These factors were considered in preparing the City's budget for the 2019/2020 fiscal year.

The total budget for fiscal year 2019/2020 is \$129,850, an increase of \$2,530 or 2% over the prior year.

Mill rate excluding motor vehicles unchanged at 46.17. Motor vehicle mill rate remained at 45.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Comptroller, 140 Main Street, Torrington, CT 06790.

CITY OF TORRINGTON, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 48,069,663	\$ 6,859,462	\$ 54,929,125
Investments	6,466,158		6,466,158
Receivables, net	5,965,237	27,367	5,992,604
Inventory	11,868		11,868
Prepaid assets	481,251		481,251
Capital assets not being depreciated	21,853,347		21,853,347
Capital assets being depreciated, net	88,516,740	8,854,368	97,371,108
Total assets	<u>171,364,264</u>	<u>15,741,197</u>	<u>187,105,461</u>
Deferred Outflows of Resources:			
Deferred charge on refunding	297,490		297,490
Deferred outflows related to Pensions	4,198,989	95,121	4,294,110
Total deferred outflows of resources	<u>4,496,479</u>	<u>95,121</u>	<u>4,591,600</u>
Liabilities:			
Accounts and other payables	11,966,831	86,351	12,053,182
Loans Payable	9,240,776		9,240,776
Unearned revenue	1,615,369		1,615,369
Noncurrent liabilities:			
Due within one year	4,118,813	152,553	4,271,366
Due in more than one year	183,031,072	4,890,070	187,921,142
Total liabilities	<u>209,972,861</u>	<u>5,128,974</u>	<u>215,101,835</u>
Deferred Inflows of Resources:			
Deferred inflow of resources related to pension	3,593,333	135,333	3,728,666
Deferred inflow of resources related to OPEB	15,052,205	151,942	15,204,147
Total deferred inflows of resources	<u>18,645,538</u>	<u>287,275</u>	<u>18,932,813</u>
Net Position:			
Net investment in capital assets	79,518,447	6,244,220	85,762,667
Restricted for:			
Trust purposes:			
Nonexpendable	3,500		3,500
Expendable	1,377		1,377
Unrestricted	(132,280,980)	4,175,849	(128,105,131)
Total Net Position	<u>\$ (52,757,656)</u>	<u>\$ 10,420,069</u>	<u>\$ (42,337,587)</u>

The accompanying notes are an integral part of the financial statements

**CITY OF TORRINGTON, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 8,834,043	\$ 4,236,903	\$ 483,933	\$ 37,525	\$ (4,075,682)	\$	\$ (4,075,682)
Public safety	25,824,155	1,951,624	117,435	72,302	(23,682,794)		(23,682,794)
Public works	15,819,214	77,161	4,937,413	622,749	(10,181,891)		(10,181,891)
Public health and social services	4,477,228	433,347	1,167,805		(2,876,076)		(2,876,076)
Recreation	878,664	223,923	93,971		(560,770)		(560,770)
Board of Education	88,058,337	625,990	37,287,377	371,130	(49,773,840)		(49,773,840)
Debt interest and costs	410,919				(410,919)		(410,919)
Total governmental activities	144,302,560	7,548,948	44,087,934	1,103,706	(91,561,972)	-	(91,561,972)
Business-type activities:							
Sewer	3,283,060	5,319,382				2,036,322	2,036,322
Total	\$ 147,585,620	\$ 12,868,330	\$ 44,087,934	\$ 1,103,706	(91,561,972)	2,036,322	(89,525,650)
General revenues:							
Property taxes					91,925,308		91,925,308
Grants and contributions not restricted to specific programs					929,794		929,794
Unrestricted investment earnings					485,326	51,914	537,240
Miscellaneous					63,086		63,086
Transfers					(2,621,588)	2,621,588	-
Total general revenues					90,781,926	2,673,502	93,455,428
Change in net assets					(780,046)	4,709,824	3,929,778
Net Position at Beginning of Year, as Restated					(51,977,610)	5,710,245	(46,267,365)
Net Position at End of Year					\$ (52,757,656)	\$ 10,420,069	\$ (42,337,587)

The accompanying notes are an integral part of the financial statements

**CITY OF TORRINGTON, CONNECTICUT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019**

	<u>General</u>	<u>Bonded Projects</u>	<u>WPCA Infrastructure Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 16,739,452	\$ 7,854,906	\$ 415,611	\$ 14,524,961	\$ 39,534,930
Investments	6,466,158				6,466,158
Receivables, net	540,493		759,955	4,510,451	5,810,899
Due from other funds				402,000	402,000
Inventories				11,868	11,868
Total Assets	<u>\$ 23,746,103</u>	<u>\$ 7,854,906</u>	<u>\$ 1,175,566</u>	<u>\$ 19,449,280</u>	<u>\$ 52,225,855</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts and claims payable	\$ 6,055,933	\$ 47,971	\$ 3,384,933	\$ 367,580	\$ 9,856,417
Performance Bonds	154,424				154,424
Deferred revenue				1,615,369	1,615,369
Due to other funds	402,000				402,000
Loans Payable			9,240,776		9,240,776
Total liabilities	<u>6,612,357</u>	<u>47,971</u>	<u>12,625,709</u>	<u>1,982,949</u>	<u>21,268,986</u>
Deferred inflows of resources:					
Unavailable revenue					
School construction payments	<u>722,461</u>				<u>722,461</u>
Fund balances:					
Nonspendable				3,591,191	3,591,191
Restricted				2,141,593	2,141,593
Committed	182,398	7,806,935		8,870,655	16,859,988
Assigned	322,024			3,125,587	3,447,611
Unassigned	<u>15,906,863</u>		<u>(11,450,143)</u>	<u>(262,695)</u>	<u>4,194,025</u>
Total fund balances	<u>16,411,285</u>	<u>7,806,935</u>	<u>(11,450,143)</u>	<u>17,466,331</u>	<u>30,234,408</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 23,746,103</u>	<u>\$ 7,854,906</u>	<u>\$ 1,175,566</u>	<u>\$ 19,449,280</u>	<u>\$ 52,225,855</u>

(Continued on next page)

CITY OF TORRINGTON, CONNECTICUT
BALANCE SHEET - GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2019

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

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

Fund balances - total governmental funds	\$ 30,234,408
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Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 241,529,904	
Less accumulated depreciation	<u>(131,159,817)</u>	
Net capital assets		110,370,087

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

School building grant receivable	722,461
Deferred outflows related to pensions	4,198,989

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

7,335,560

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

Bonds payable	(21,780,000)
Interest payable on bonds	(121,228)
Bond premiums	(1,790,154)
Deferred inflows related to pensions	(3,593,333)
Deferred inflows related to OPEB	(15,052,205)
Deferred charge on refunding	297,490
Early retirement settlements	(3,241,441)
Net pension liability	(45,017,625)
Net OPEB obligation	(109,927,982)
Heart and Hypertension	(1,323,701)
Landfill closure and postclosure	(196,000)
Compensated absences	(3,744,628)
Capital lease obligation	<u>(128,354)</u>

Net Position of Governmental Activities (Exhibit I)	\$ <u><u>(52,757,656)</u></u>
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The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Bonded Projects</u>	<u>WPCA Infrastructure Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 91,925,308	\$	\$	\$	\$ 91,925,308
Intergovernmental	32,445,576		3,717,089	10,689,705	46,852,370
Charges for services	6,252,255			1,357,714	7,609,969
Investment income	363,437	4,906		54,371	422,714
Other revenues				93,086	93,086
Total revenues	<u>130,986,576</u>	<u>4,906</u>	<u>3,717,089</u>	<u>12,194,876</u>	<u>146,903,447</u>
Expenditures:					
Current:					
General government	5,246,640			400,957	5,647,597
Public safety	17,135,190			320,961	17,456,151
Public works	7,022,265			522,724	7,544,989
Public health and social services	2,894,605			1,611,259	4,505,864
Pension and miscellaneous	15,231,192				15,231,192
Recreation	368,654			296,073	664,727
Education	78,323,176			7,930,791	86,253,967
Other	176,857				176,857
Capital outlay		47,971	12,302,324	3,078,044	15,428,339
Debt service	3,181,001				3,181,001
Total expenditures	<u>129,579,580</u>	<u>47,971</u>	<u>12,302,324</u>	<u>14,160,809</u>	<u>156,090,684</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,406,996</u>	<u>(43,065)</u>	<u>(8,585,235)</u>	<u>(1,965,933)</u>	<u>(9,187,237)</u>
Other Financing Sources (Uses):					
Issuance of bonds		7,850,000			7,850,000
Issuance of premiums				721,069	721,069
Transfers in	1,200,000		470,395	1,221,815	2,892,210
Transfers out	(704,462)				(704,462)
Total other financing sources	<u>495,538</u>	<u>7,850,000</u>	<u>470,395</u>	<u>1,942,884</u>	<u>10,758,817</u>
Net Change in Fund Balances	1,902,534	7,806,935	(8,114,840)	(23,049)	1,571,580
Fund Balances at Beginning of Year, as Restated	<u>14,508,751</u>	<u>-</u>	<u>(3,335,303)</u>	<u>17,489,380</u>	<u>28,662,828</u>
Fund Balances at End of Year	<u>\$ 16,411,285</u>	<u>\$ 7,806,935</u>	<u>\$ (11,450,143)</u>	<u>\$ 17,466,331</u>	<u>\$ 30,234,408</u>

(Continued on next page)

CITY OF TORRINGTON, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

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

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

Net change in fund balances - total governmental funds (Exhibit IV)	\$ 1,571,580
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Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	12,520,343
Depreciation expense	(5,927,189)

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources:

Change in net assets differs from the change in fund balance by the cost of the assets sold	(892)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities:

Sewer receivable - accrual basis change	(61,021)
School building grants	(760,936)
Change in deferred outflows related to pensions	145,614

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

Proceeds from bonds	(7,850,000)
Proceeds from premiums	(721,069)
Bond principal payments	2,555,000
Capital lease payments	180,515

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

Deferred amounts in refunding	(32,111)
Compensated absences	(78,491)
Bond premium amortizations	113,045
Net OPEB obligation	8,863,585
Net pension liability	882,255
Deferred inflows related to pensions	(3,346,863)
Deferred inflows related to OPEB	(9,709,834)
Landfill closure and postclosure	40,000
Early retirement settlements	149,383
Heart and hypertension	53,467
Accrued interest	(46,367)

Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities.

679,940

Change in Net Position of Governmental Activities (Exhibit II)	\$ <u>(780,046)</u>
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The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Business-Type Activities WPCA Enterprise Fund	Governmental Activities Internal Service Funds
Assets:		
Cash and cash equivalents	\$ 6,859,462	\$ 8,534,733
Due from other funds		
Receivables, net	27,367	154,338
Prepaid expenses		481,251
Capital assets, net of accumulated depreciation	8,854,368	
Total assets	<u>15,741,197</u>	<u>9,170,322</u>
Deferred Outflows of Resources:		
Deferred outflows of resources related to pensions	<u>95,121</u>	
Liabilities:		
Current liabilities:		
Accounts and other payables	86,351	1,834,762
Notes payable	141,553	
Compensated absences	11,000	
Total current liabilities	<u>238,904</u>	<u>1,834,762</u>
Noncurrent liabilities:		
Bonds and notes payable	2,468,595	
Compensated absences	253,099	
Net pension liability	1,057,992	
Net OPEB liability	1,110,384	
Total noncurrent liabilities	<u>4,890,070</u>	<u>-</u>
Total liabilities	<u>5,128,974</u>	<u>1,834,762</u>
Deferred Inflows of Resources:		
Deferred outflows of resources related to pensions	135,333	
Deferred outflows of resources related to OPEB	151,942	
Total deferred outflows of resources	<u>287,275</u>	<u>-</u>
Net Position:		
Net investment in capital assets	6,244,220	
Unrestricted	<u>4,175,849</u>	<u>7,335,560</u>
Total Net Position	<u>\$ 10,420,069</u>	<u>\$ 7,335,560</u>

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities WPCA Enterprise Fund	Governmental Activities Internal Service Funds
Operating Revenues:		
Charges for services	\$ 4,591,836	\$ 24,195,583
Other	727,546	567,112
Total operating revenues	<u>5,319,382</u>	<u>24,762,695</u>
Operating Expenses:		
Payroll and employee benefits	1,276,887	851,092
Repairs and maintenance	104,004	287,320
Materials and supplies	134,739	30,932
Utilities	433,662	434,996
Other operating expense	468,571	3,311
Insurance and program services	114,773	21,337,716
Depreciation	694,423	
Total operating expenses	<u>3,227,059</u>	<u>22,945,367</u>
Operating Income	2,092,323	1,817,328
Nonoperating Revenue (Expense):		
Interest expense	(56,001)	
Income on investments	51,914	62,612
Income Before Transfers and Capital Contributions	2,088,236	1,879,940
Contributions and Transfers:		
Capital contributions	3,609,336	
Transfers Out	<u>(987,748)</u>	<u>(1,200,000)</u>
Change in Net Assets	4,709,824	679,940
Net Position at Beginning of Year, as Restated	<u>5,710,245</u>	<u>6,655,620</u>
Net Position at End of Year	\$ <u><u>10,420,069</u></u>	\$ <u><u>7,335,560</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities WPCA Enterprise Fund	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities:		
Cash received from customers	\$ 4,592,418	\$ 24,767,395
Cash payments to employees for services	(1,989,178)	
Cash payments to supplies for goods and services	(1,281,580)	
Cash received from other sources	727,546	
Cash payments for insurance claims and premiums		(22,961,811)
Net cash provided by (used in) operating activities	<u>2,049,206</u>	<u>1,805,584</u>
Cash Flows from Noncapital Financing Activities:		
Transfers out	<u>(987,748)</u>	<u>(1,200,000)</u>
Cash Flows from Capital Financing Activities:		
Acquisitions of capital assets	(126,414)	
Clean water fund loan proceeds	(200,116)	
Interest paid	<u>(56,001)</u>	
Net cash provided by (used in) capital financing activities	<u>(382,531)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest received on investments	<u>51,914</u>	<u>62,612</u>
Net Increase in Cash and Cash Equivalents	730,841	668,196
Cash and Cash Equivalents at Beginning of Year	<u>6,128,621</u>	<u>7,866,537</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,859,462</u>	<u>\$ 8,534,733</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	\$ 2,092,323	\$ 1,817,328
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	694,423	
(Increase) decrease in accounts receivable	61,603	(111,701)
(Increase) decrease in prepaid expenses		(2,084)
Increase (decrease) in due to other funds		55
Increase (decrease) in accounts payable	9,985	457,998
Increase (decrease) in compensated absences	20,360	
Increase (decrease) in net pension and OPEB liabilities	(617,878)	
Increase (decrease) in deferred revenue	(61,021)	
Increase (decrease) in due from other funds	<u>(150,589)</u>	<u>(356,012)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,049,206</u>	<u>\$ 1,805,584</u>

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Pension and OPEB Trust Funds	Custodial Funds
Assets:		
Cash and cash equivalents	\$ 210,905	\$ 423,375
Investments:		
Government Agency Bond funds	187	
Mutual funds - fixed income	104,777,385	
Receivables:		
Other	19,169	
Total Assets	<u>105,007,646</u>	<u>423,375</u>
Liabilities:		
Accounts and other payables	<u>34,908</u>	
Net Position:		
Held in Trust for Pension Benefits	104,972,738	
Restricted for student groups and related organizations		<u>423,375</u>
Total Net Position	\$ <u>104,972,738</u>	\$ <u>423,375</u>

The accompanying notes are an integral part of the financial statements

**CITY OF TORRINGTON, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019**

	Pension and OPEB Trust Funds	Custodial Funds
Additions:		
Contributions:		
Employer	\$ 10,777,923	\$
Employee	1,092,491	
Total contributions	<u>11,870,414</u>	<u>-</u>
Charges for services		<u>676,295</u>
Investment income:		
Interest and dividends	19,888	
Net appreciation in fair value of investments	<u>6,723,071</u>	
Net investment income	<u>6,742,959</u>	<u>-</u>
Total additions	<u>18,613,373</u>	<u>676,295</u>
Deductions:		
Benefits payments and withdrawals	14,165,187	
Administration	102,302	
Student activities		<u>671,395</u>
Total deductions	<u>14,267,489</u>	<u>671,395</u>
Net Increase	4,345,884	4,900
Net Position at Beginning of Year	<u>100,626,854</u>	<u>418,475</u>
Net Position at End of Year	<u>\$ 104,972,738</u>	<u>\$ 423,375</u>

The accompanying notes are an integral part of the financial statements

CITY OF TORRINGTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City was incorporated as a City in 1740 and chartered as a City in 1923. The City covers an area of 40 square miles and is located in Litchfield County. The City is governed under the provision of its charter and the Connecticut General Statutes. The City operates under a Mayor and a City Council that consists of six members.

The City provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education and general administrative services to its residents. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments 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 funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

CITY OF TORRINGTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental fund:

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

The *Bonded Projects Fund* is used to account for capital projects that are funded by government obligation bonds.

The *WPCA Infrastructure Projects* is used to account for major projects for the City's sewer infrastructure.

The City reports the following major proprietary fund:

The *Water Pollution Control Authority (WPCA)* fund is used to account for activities that are funded by charging rates designed to cover the operations of the WPCA, including related capital assets.

Additionally, the City reports the following fund types:

The *Internal Service Funds* account for employee health insurance as well as maintenance provided to departments of the City and Board of Education.

The *Pension and OPEB Trust Funds* account for the activities of the City's defined benefit pension and OPEB plans, which accumulates resources for pension benefit payments to qualified employees upon retirement.

Custodial Funds account for monies held as a custodian for outside groups and agencies.

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

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

CITY OF TORRINGTON, CONNECTICUT NOTES TO FINANCIAL STATEMENTS

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 City's enterprise funds, and of the City's internal service funds, are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Deposits and Investments

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

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

Investments for the City are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade receivables are shown net of an allowance for uncollectibles.

Property taxes become an enforceable lien and are assessed on property as of October 1; however, the legal right to attach property does not exist until July 1. Property assessments are made at 70% of the market value. Real estate and personal property taxes are due in two installments on July 1 and the following January 1. Motor vehicle taxes are billed and due July 1 and motor vehicle supplement taxes are billed and due January 1. Certificates of continuing lien are filed against the real estate represented by delinquent real estate taxes within the year in which the tax is due. Taxes not paid within 30 days of the due date are subject to an interest charge of one and one-half percent per month.

F. Inventories and Prepaid Items

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

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

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset lives are not capitalized.

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	20
Building and building improvements	25-50
Infrastructure	10-65
Machinery and equipment	5-20
Licensed vehicles	8

Property, plant and equipment owned by the City's proprietary funds (WPCA) are recorded at acquisition cost, or if contributed property, at fair market value at the time of contribution.

Depreciation has been calculated on each class of depreciable property using the straight-line method, over the estimated useful lives ranging from 5 to 50 years.

H. Deferred Outflows/Inflows of Resources

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

CITY OF TORRINGTON, CONNECTICUT NOTES TO FINANCIAL STATEMENTS

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The City reports advance property tax collections and deferred inflows of resources related to pensions and OPEB in the government-wide statement of net position. A deferred inflow of resources related to pension and OPEB results from changes in the City's proportionate share in liability. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). For governmental funds, the City reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from grants receivable. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

I. Compensated Absences

Employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Unused sick leave may be accumulated for future absences in accordance with employee contracts and employment policies but does not vest until the employee reaches retirement age. Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or expected to be paid with available resources. The liability for the remainder of the vacation and sick leave including an estimate of the nonvested portion, expected to be paid in the future from governmental funds, is accounted for within the liabilities section of the government-wide financial statements. The vesting method using historical data used to calculate the liability.

Vested sick leave and accumulated vacation leave of the City's proprietary fund is recorded as an expense and liability within the fund, as the benefits accrue to employees.

J. Net Pension Liability

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

K. Net Other Post-Employment Benefit (OPEB) Liability

The net OPEB liability is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The OPEB plan's fiduciary net position is determined using the same valuation methods that are used by the OPEB plan for purposes of preparing its statement of fiduciary net position. The net OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

L. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type 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 any significant applicable bond premium or discount.

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

M. Fund Equity

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

Net Investment in Capital Assets

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

Restricted

Net position is restricted because it is externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The City currently has no assets under restriction.

Unrestricted

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

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

Nonspendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (City Council).

Assigned Fund Balance

This balance represents amounts constrained for the intent to be used for a specific purpose by a governing board or a body or official that has been delegated authority to assign amounts by the City Charter.

CITY OF TORRINGTON, CONNECTICUT NOTES TO FINANCIAL STATEMENTS

Unassigned Fund Balance

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

N. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

General budget policies are as follows:

The City adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. On or before February 15 of each year, every department, board or commission of the City shall furnish to the City Council an estimate of the amount of money required for its business for the ensuing year. On or before March 20 of each year, the Board of Finance reviews the budgets submitted by the City Council. The Board of Education shall submit its proposed budget to the Board of Finance on or before the 15th day of April.

The Board of Finance/City Council held public hearings on the budget in May to obtain taxpayer comments. In mid-May, a joint meeting of the City Council and Board of Finance is held to make final recommendations on the budget. Prior to June 1, the Board of Finance votes final approval of the proposed budget and adopts the budget ordinance.

- Upon request by the City Council, the Board of Finance may authorize the transfer of any unencumbered appropriation from one department to another during the year. The Board of Finance may approve additional appropriations up to \$100,000. Additional appropriations of over \$100,000 must be approved by voter referendum whenever there is no offsetting revenue source to the appropriation so that it falls below this threshold. There were no additional appropriations for the fiscal year ended June 30, 2019.
- Formal budgetary integration is employed as a management control device during the year.
- The Board of Education, which is not a separate legal entity but a function of the City, is authorized under State law to make any transfers required within its budget at its discretion. Any additional appropriations must have Board of Education and Board of Finance approval.

B. Deficit Fund Equity and Accumulated Deficits

The WPCA Infrastructure Projects Fund and City Hall Renovations Fund had an accumulated deficit of \$11,450,143 and \$262,695, respectively at June 30, 2019. The fund balance deficits will be funded with permanent financing of ongoing projects.

The Maintenance Fund had a net asset deficit of \$361,467 as of June 30, 2019, which will be funded by future General Fund contributions.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

Deposits

Deposit Custodial Credit Risk

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$61,051,957 of the City’s bank balance of \$62,304,122 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 54,821,761
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>6,230,196</u>
Total Amount Subject to Custodial Risk	<u><u>\$ 61,051,957</u></u>

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

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2019, the City's cash equivalents amounted to \$2,853,016. All cash equivalents are invested in Bank of America Money Market Fund, which is not rated.

Investments

As of June 30, 2019, the City had the following investments:

Investment Type	Credit Rating	Fair Value	Investment Maturities (Years)		
			Less Than 1	1-10	More Than 10
Interest-bearing investments:					
Certificate of deposits		\$ 6,466,158	\$ 6,466,158	\$	\$
US Government backed funds	Aaa	187		187	
Other investments:					
Mutual funds	N/A	104,777,385			
Total Investments		\$ 111,243,730			

Interest Rate Risk

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

Credit Risk - Investments

As indicated above, State Statutes limit the investment options of cities and towns. The City investment policy states that assets shall be invested in a manner consistent with generally accepted fiduciary standards. Assets are to be diversified in order to minimize the impact of large losses in individual investments. Investments held by the City are mutual fund type investments, which are not rated.

Concentration of Credit Risk

The City's investment policy does not limit an investment in any one issuer in excess of five percent of the City's total investments.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the City or that sells investments to or buys them for the City), the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The City has the following recurring fair value measurements as of June 30, 2019:

	June 30, 2019	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level:	\$	\$	\$	\$
U.S. Government securities	187		187	
Mutual funds	<u>104,777,385</u>	<u>104,777,385</u>		
Total investments by fair value level	104,777,572	<u>\$ 104,777,385</u>	<u>\$ 187</u>	<u>\$ -</u>
Other investments				
Certificate of deposits	<u>6,466,158</u>			
Total	<u>\$ 111,243,730</u>			

4. RECEIVABLES

Receivables as of year-end for the City's individual major funds and nonmajor, internal service and fiduciary funds in the aggregate are as follows:

	General	WPCA Infrastructure Projects	WPCA	Nonmajor and Other	Total
Receivables:					
Accounts	\$ 284,133	\$	\$ 27,367	\$ 239,992	\$ 551,492
Intergovernmental	256,360	759,955		868,143	1,884,458
Loans				3,575,823	3,575,823
Gross receivables	<u>540,493</u>	<u>759,955</u>	<u>27,367</u>	<u>4,683,958</u>	<u>6,011,773</u>
Net Total Receivables	<u>\$ 540,493</u>	<u>\$ 759,955</u>	<u>\$ 27,367</u>	<u>\$ 4,683,958</u>	<u>\$ 6,011,773</u>

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,797,034	\$ 170,000	\$	\$ 3,967,034
Construction in progress	<u>8,551,573</u>	<u>13,401,143</u>	<u>4,066,403</u>	<u>17,886,313</u>
Total capital assets not being depreciated	<u>12,348,607</u>	<u>13,571,143</u>	<u>4,066,403</u>	<u>21,853,347</u>
Capital assets being depreciated:				
Land improvements	10,044,181	426,055		10,470,236
Building and system	102,388,046	240,630	96,340	102,532,336
Machinery and equipment	32,055,405	1,592,828	659,212	32,989,021
Infrastructure	<u>72,928,874</u>	<u>756,090</u>		<u>73,684,964</u>
Total capital assets being depreciated	<u>217,416,506</u>	<u>3,015,603</u>	<u>755,552</u>	<u>219,676,557</u>
Less accumulated depreciation for:				
Land improvements	4,918,045	350,559		5,268,604
Building and system	34,943,213	2,499,932	96,340	37,346,805
Machinery and equipment	26,819,036	1,941,385	658,320	28,102,101
Infrastructure	<u>59,306,994</u>	<u>1,135,313</u>		<u>60,442,307</u>
Total accumulated depreciation	<u>125,987,288</u>	<u>5,927,189</u>	<u>754,660</u>	<u>131,159,817</u>
Total capital assets being depreciated, net	<u>91,429,218</u>	<u>(2,911,586)</u>	<u>892</u>	<u>88,516,740</u>
Governmental Activities Capital Assets, Net	<u>\$ 103,777,825</u>	<u>\$ 10,659,557</u>	<u>\$ 4,067,295</u>	<u>\$ 110,370,087</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets being depreciated:				
Land improvements	\$ 686,400	\$ 17,686	\$	\$ 704,086
Buildings and improvements	1,104,750	2,320		1,107,070
Machinery and equipment	11,800,269	106,408		11,906,677
Infrastructure	<u>7,579,715</u>	<u>3,609,336</u>		<u>11,189,051</u>
Total capital assets being depreciated	<u>21,171,134</u>	<u>3,735,750</u>	<u>-</u>	<u>24,906,884</u>
Less accumulated depreciation for:				
Land improvements	682,676	2,079		684,755
Buildings and improvements	512,496	22,469		534,965
Machinery and equipment	10,650,559	357,111		11,007,670
Infrastructure	<u>3,512,362</u>	<u>312,764</u>		<u>3,825,126</u>
Total accumulated depreciation	<u>15,358,093</u>	<u>694,423</u>	<u>-</u>	<u>16,052,516</u>
Total capital assets being depreciated, net	<u>5,813,041</u>	<u>3,041,327</u>	<u>-</u>	<u>8,854,368</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,813,041</u>	<u>\$ 3,041,327</u>	<u>\$ -</u>	<u>\$ 8,854,368</u>

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Governmental Activities:

General Government	\$ 507,754
Public Safety	1,033,234
Public Works	1,885,080
Health	67,534
Recreation	27,605
Education	<u>2,405,982</u>
	<u>\$ 5,927,189</u>

Business-Type Activities:

Water	<u>\$ 694,423</u>
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Construction Commitments

The status of appropriation for current capital projects as of June 30, 2019 is presented below:

	<u>Project Authorization</u>	<u>Expenditures</u>	<u>Balance</u>
City Hall Renovations	\$ 14,982,597	\$ 14,430,887	\$ 551,710
Roads, Sidewalks, Drainage	38,000,000	130,668	37,869,332
Animal Control Facility	1,000,000	8,782	991,218
Middle School Roof and Windows	1,400,000		1,400,000

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables generally represent temporary balances arising from reimbursement type transactions.

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>WPCA Infrastructure Projects</u>	<u>Nonmajor Governmental</u>	<u>Transfers Out</u>
Transfers out:				
General Fund	\$	\$	\$ 704,462	\$ 704,462
WPCA		470,395	517,353	987,748
Internal Service Fund	<u>1,200,000</u>			<u>1,200,000</u>
Total Transfers In	<u>\$ 1,200,000</u>	<u>\$ 470,395</u>	<u>\$ 1,221,815</u>	<u>\$ 2,892,210</u>

The above transfers represent normal budgetary and other recurring transfers.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

The Economic Development Fund advanced the General Fund \$670,000 to remediate a City property. The City will repay \$67,000 per year for 10 years to the Economic Development Fund. The balance at year end was \$402,000.

7. LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 16,485,000	\$ 7,850,000	\$ 2,555,000	\$ 21,780,000	\$ 2,520,000
Unamortized premium	1,182,130	721,069	113,045	1,790,154	
Total bonds payable	17,667,130	8,571,069	2,668,045	23,570,154	2,520,000
Capital lease obligation	308,869		180,515	128,354	63,400
Net pension liability	45,899,880		882,255	45,017,625	
Landfill postclosure costs	236,000		40,000	196,000	40,000
Net OPEB liability	118,791,567		8,863,585	109,927,982	
Retirement settlements	3,390,824	215,387	364,770	3,241,441	1,010,461
Heart and Hypertension	1,377,168		53,467	1,323,701	246,794
Compensated absences	3,666,137	191,798	113,307	3,744,628	238,158
Governmental Activity Long-Term Liabilities	<u>\$ 191,337,575</u>	<u>\$ 8,978,254</u>	<u>\$ 13,165,944</u>	<u>\$ 187,149,885</u>	<u>\$ 4,118,813</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Clean water fund loans	\$ 2,810,264	\$	\$ 200,116	\$ 2,610,148	\$ 141,553
Compensated absences	243,739	20,360		264,099	11,000
Net pension liability	1,000,157	57,835		1,057,992	
Net OPEB liability	1,905,018		794,634	1,110,384	
Business-Type Activities Long-Term Liabilities	<u>\$ 5,959,178</u>	<u>\$ 78,195</u>	<u>\$ 994,750</u>	<u>\$ 5,042,623</u>	<u>\$ 152,553</u>

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Bonds Payable

A summary of general obligation bonds and notes outstanding for governmental and proprietary funds at June 30, 2019 is as follows:

Description	Date of Issue	Date of Maturity	Interest Rate	Amount of Original Issue	Balance Outstanding June 30, 2019
Bonds payable:					
2019 General Obligation Bonds	05/14/19	2038	2.375-5.0%	\$ 7,850,000	\$ 7,850,000
2015 General Obligation Refunding Bonds	09/17/15	2027	3.00-4.0%	4,760,000	3,930,000
2016 General Obligation Refunding Bonds	07/07/16	2031	2.00-5.0%	12,840,000	<u>10,000,000</u>
Total Bonds Payable					<u>\$ 21,780,000</u>
Notes Payable:					
Clean Water Fund Note 695-DC	02/17/17	2037	2.00%	2,076,689	\$ 1,929,957
Clean Water Fund Notes 611-C	03/01/11	2030	2.00%	1,123,491	<u>680,191</u>
Total Notes Payable					<u>\$ 2,610,148</u>

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

The annual requirements to amortize bonds payable and clean water fund notes for governmental and proprietary funds as of June 30, 2019 are as follows:

Year Ending June 30,	General Obligation Bonds			Clean Water Fund Loans		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 2,520,000	\$ 742,780	\$ 3,262,780	\$ 141,553	\$ 50,910	\$ 192,463
2021	1,725,000	684,669	2,409,669	144,410	48,053	192,463
2022	1,745,000	614,344	2,359,344	147,325	45,138	192,463
2023	1,755,000	541,069	2,296,069	150,299	42,164	192,463
2024	1,775,000	465,019	2,240,019	153,332	39,131	192,463
2025-2029	7,960,000	1,254,295	9,214,295	814,356	147,959	962,315
2030-2034	4,110,000	305,948	4,415,948	637,029	71,905	708,934
2035-2039	<u>190,000</u>	<u>16,650</u>	<u>206,650</u>	<u>421,844</u>	<u>15,288</u>	<u>437,132</u>
Total	<u>\$ 21,780,000</u>	<u>\$ 4,624,774</u>	<u>\$ 26,404,774</u>	<u>\$ 2,610,148</u>	<u>\$ 460,548</u>	<u>\$ 3,070,696</u>

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

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

<u>Category</u>	<u>Debt Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 199,942	\$ 48,420	\$ 151,522
Schools	399,884	5,839	394,045
Sewer	333,236	10,603	322,633
Urban renewal	288,805		288,805
Pension deficit	266,589		266,589

The total overall statutory debt limit for the City is equal to seven times annual receipts from taxation, \$622,041.

The City has debt authorized and unissued bonds as of June 30, 2019 as follows:

<u>Project</u>	<u>Amount of Total Debt Authorized</u>	<u>Bonds and Notes Issued</u>	<u>Paydowns/ Grants</u>	<u>Authorized But Unissued Debt</u>
Infrastructure Improvements	\$ 1,800	\$ 1,475	\$ 180	\$ 145
Torrington Elementary School	25,750	9,020	16,134	596
City Hall/ City Barn	14,983	12,840	849	1,294
Sewer Improvements	72,260	50,310	15,486	6,464
East River Basin Sewers	4,100	2,038	533	1,529
Pavement Management Program	38,000	7,100		30,900
Animal Shelter Facility	1,000	750		250
	<u>\$ 157,893</u>	<u>\$ 83,533</u>	<u>\$ 33,182</u>	<u>\$ 41,178</u>

Interim Financing - Clean Water Fund Loans

On October 28, 2018, the City signed a project loan and project grant agreement with the State of Connecticut to finance the construction of a Pollution Abatement Facility. Total project costs are estimated at \$66,066,270 of which \$50,310,084 will be funded through advanced loans from the State to be permanently financed at completion of the project with an interest rate of 2%. All interim loan financing will be based on project costs incurred to date and will be recorded as loans payable within the WPCA Infrastructure Fund. As of June 30, 2019, the project was advanced \$9,240,776.

Landfill Post-Closure Costs

State and federal laws and regulations require landfill closures to meet certain standards. The City landfill has been closed. Estimated remaining monitoring costs for the next 12 years at approximately \$40,000 per year are \$196,000. This amount is based on estimates, which are subject to change due to inflation, technology or applicable laws and regulations. The estimated liability is recorded within the City's debt.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Capital Leases

The City entered into a capital lease for the purchase of fire breathing apparatus. This lease is included within the City's capital assets as of June 30, 2019. The total cost of the leases was \$311,381. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, were as follows:

Year Ending June 30,

2020	\$ 66,545
2021	66,545
Less amounts representing interest	<u>(4,736)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 128,354</u>

A summary of assets acquired through capital leases is as follows as of June 30, 2019:

Cost	\$ 352,066
Accumulated depreciation	<u>(113,164)</u>
Net Leased Equipment	<u>\$ 238,902</u>

Retirement Settlements

This amount represents scheduled payouts as well as eligible payouts to Board of Education retirees who have and are expected to take advantage of the City's retirement program. The amount is based on percentages applied to salaries after an employee meets certain age and years of service requirements.

8. RISK MANAGEMENT

The City is exposed to various risks of loss including torts; public official liabilities; police liability; heart and hypertension claims; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss except medical benefits. The City established an internal service fund, health insurance fund, to account for and finance the retained risk of loss for the City's medical benefits claims.

A third party administers the medical insurance plan for which the City pays a fee. The medical insurance fund provides coverage for most City employees. The City purchases individual stop loss coverage for claims over \$250,000. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no reduction in insurance coverage from that in the prior year.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Changes in the balances of claims liabilities during the fiscal years ended June 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Unpaid claims, July 1	\$ 1,050,640	\$ 1,268,710
Incurred claims (including IBNR)	21,588,968	18,979,811
Claim payments	<u>(21,359,324)</u>	<u>(19,197,881)</u>
Unpaid Claims, June 30	<u>\$ 1,280,284</u>	<u>\$ 1,050,640</u>

The claim reserves reported are based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

9. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description and Benefits Provided

The City is the administrator of two single-employer, contributory, defined benefit pension plans. Plan provisions are established and amended by the plans' Boards of Trustees. The plans cover substantially all full-time employees except professional personnel at the Board of Education. The pension plans are part of the City's financial reporting entity and are accounted for in the pension trust funds as the Police and Firemen's Retirement, and the Municipal Employees' Retirement. Separate financial statements are not issued.

Management of the plans rests with the Board of Trustees. The Police and Firemen's Retirement Plan Board of Trustees consists of the mayor, city treasurer, the four members of the board of public safety, one member of the regular fire department to be chosen biennially by the members of the regular fire department and one member of the police department to be chosen biennially by the members of the regular police department. The Municipal Employees' Retirement Plan Board of Trustees is made up of ten members consisting of the mayor, city treasurer, the six members of the board of councilmen, one street department employee and one city hall employee, which are chosen biennially by the employees participating in the benefits.

Police and Firemen's Retirement

The City is the administrator of a single-employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees. The PERS is considered to be part of the City's financial reporting entity and is included in the City's financial reports as a pension trust fund. The Plan provides normal retirement, death, and disability benefits through a single-employer contributory defined benefit plan. All regular employees of the Police Department and regular employees of the Fire Department hired before June 8, 2009 are participants of the Plan. The retirement benefit is calculated at 2% of the member's highest 1-year compensation during the final

CITY OF TORRINGTON, CONNECTICUT NOTES TO FINANCIAL STATEMENTS

5 years of employment multiplied by years of service. Effective September 8, 2000, all police members who have not yet reached the 25th anniversary of date of hire shall have years of service (including any buyback service) maximized at 27 years. In addition, effective September 8, 2005, the benefit for police members shall be based on a salary that is the average annual compensation during the 3-year period immediately preceding separation from service. Also, effective September 8, 2000, police members may buy back City service, for benefit accrual purposes only, during the year following September 8, 2000 or during the first year of employment for police hired after that date subject to the restrictions in the Plan. Normal Retirement Age is 55 with 10 years of service or following the completion of 25 years of continuous service. Participants are 100% vested in their accrued benefit after 5 years of service. Benefits and contributions are established by the City and may be amended by the City. The City has not given any post-retirement benefit increase. Effective May 5, 2008, participants are required to contribute 8% of their gross pay and the yearly credit was raised to 2.5% up to a maximum of 27 years of credited service.

The retirement age assumption for public safety employees is the earlier of (a) 25 years of service but not before age 53 (fire) and age 57 to the earlier of 25 years of service but not before 51 (police) and age 57.

Effective May 5, 2008 for police members, the percentage for the yearly credit is 2.5% as shown above; however, the service is maximized at 27 years, a 10-years of service requirement was added to the disability benefit, and they must contribute 8% of compensation for a maximum of 27 years. For the period May 5, 2008 through May 4, 2011, no more than 5 police members may retire annually under this provision.

Effective September 4, 2015, employees shall pay an employee contribution of four (4%) of pay after attaining 25 and before 27 years of service.

Commencing July 1, 2017, overtime earning of the retiree in excess of a cap calculated by multiplying a Police Lieutenant's annual base pay existing in the year of retirement by 52%.

Municipal Employees' Retirement

The City is the administrator of a single-employer public employee retirement system (PERS) established and administered by the City to provide pension benefits for its employees. The PERS is included in the City's financial reports as a pension trust fund. The Plan provides normal retirement, early retirement, termination and death benefits through a single employer contributory defined benefit plan. All members of Public Works Employees' and City Hall and School Maintenance and Custodial Employees' Local #1579 and their supervisory employees hired prior to September 2, 2008 are members of the Plan. New employees are no longer eligible for this plan. The retirement benefit for all aforementioned employees other than supervisory employees is calculated at 2% of the participant's average monthly earnings during the final 3 years of employment multiplied by years of service with a minimum annual benefit of \$240 per year of service, maximum 35 years. Benefits for supervisory employees are based the highest of the last 3 years of annual gross earnings. Normal Retirement Age is age 65 or following age 60 with 25 years of service. Participants are 100% vested in their accrued benefit after 5 years of continuous service as long as their employee contributions remain in the fund upon termination. Member's contributions are returnable on termination or death while active or retired (less any benefits paid) provided in each case that no death benefits are otherwise payable. Benefits and contributions are established by the City and may be amended by the City. The City has not given any post-retirement benefit increases.

The July 1, 2018 actuarial valuation reflects changes in mortality tables and investment rate of return from 7.25% to 7.00%.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

The membership of the plan consisted of the following at July 1, 2018, the date of the latest actuarial valuation:

	<u>Police and Firemen</u>	<u>Municipal Employees</u>
Retirees, disabled employees and beneficiaries currently receiving benefits	173	137
Terminated plan members entitled to benefits but not yet receiving them	4	10
Current active members	<u>93</u>	<u>88</u>
Total Members	<u><u>270</u></u>	<u><u>235</u></u>

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

Financial statements are prepared using the accrual basis of accounting for the three defined benefit pension plans. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

Method Used to Value Investments

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

C. Funding Policy

Police and Firemen's Retirement

Member contributions of 8% of gross weekly earnings are required. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined through biennial valuations.

Municipal Employees' Retirement

Member contributions of 5% of gross weekly earnings are required. The City is required to contribute the remaining amounts necessary to finance the benefits for its employees as determined through biennial valuations.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

D. Investments

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees by a majority vote of its members. It is the policy of the Trustees to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Trustees' adopted asset allocation policy as of June 30, 2019:

Asset Class	Target Allocation	
	Municipal Employees	Police and Firemen
US Large Cap Equities	36.66 %	36.66 %
US Mid/Small Cap Equities	5.84	5.84
Developed International Equities	17.50	17.50
Intermediate Corporate Fixed Income	30.15	30.15
International Bonds	4.85	4.85
Real Estate	5.00	5.00
Total	100.00	100.00

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.73% for the Municipal Employees' Plan and 6.53% for the Police and Firemen's Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

E. Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2019, were as follows:

	Municipal Employees	Police and Firemen
Total pension liability	\$ 50,424,464	\$ 100,248,318
Plan fiduciary net position	<u>41,607,860</u>	<u>62,989,305</u>
Net Pension Liability	<u>\$ 8,816,604</u>	<u>\$ 37,259,013</u>
Plan fiduciary net position as a percentage of the total pension liability	82.52%	62.83%

The Municipal Employees Plan is split between governmental activities and business-type activities as \$7,758,612 and \$1,057,992 respectively.

CITY OF TORRINGTON, CONNECTICUT NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.6%
Salary increases	2.60-6.60%, depending on age and includes inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality Rates were based on Rp-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2018.

The actuarial assumptions used in the July 1, 2018 valuation were based on a review of available experience. No experience study could be performed due to insufficient credible data.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap Equities	4.50 %
US Mid/Small Cap Equities	5.00
Developed International Equities	5.25
Intermediate Corporate Fixed Income	2.50
International Bonds	1.50
Real Estate	4.50

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City 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.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Police and Firemen's Retirement Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2018	\$ 98,259,752	\$ 60,148,364	\$ 38,111,388
Changes for the year:			
Service cost	1,941,156		1,941,156
Interest on total pension liability	7,049,160		7,049,160
Differences between expected and actual experience	(3,641,245)		(3,641,245)
Changes in assumptions	2,581,740		2,581,740
Employer contributions		4,139,371	(4,139,371)
Member contributions		683,800	(683,800)
Net investment income		4,019,188	(4,019,188)
Benefit payments, including			
refund to employee contributions	(5,942,245)	(5,942,245)	-
Administrative expenses		(59,216)	59,216
Other changes		43	(43)
Net changes	1,988,566	2,840,941	(852,375)
Balances as of June 30, 2019	\$ 100,248,318	\$ 62,989,305	\$ 37,259,013

Municipal Employees' Retirement Plan

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of June 30, 2018	\$ 49,161,237	\$ 40,372,588	\$ 8,788,649
Changes for the year:			
Service cost	901,057		901,057
Interest on total pension liability	3,522,098		3,522,098
Differences between expected and actual experience	(1,408,862)		(1,408,862)
Changes in assumptions	1,212,207		1,212,207
Employer contributions		1,249,364	(1,249,364)
Member contributions		288,210	(288,210)
Net investment income		2,703,655	(2,703,655)
Benefit payments, including refund to employee			
contributions	(2,963,273)	(2,963,273)	-
Administrative expenses		(42,869)	42,869
Other changes		185	(185)
Net changes	1,263,227	1,235,272	27,955
Balances as of June 30, 2019	\$ 50,424,464	\$ 41,607,860	\$ 8,816,604

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate:

		1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Municipal Employees:				
City's Net Pension Liability	\$	14,179,912	\$ 8,816,604	\$ 4,237,888
Police and Firemen:				
City's Net Pension Liability	\$	48,842,135	\$ 37,259,013	\$ 27,575,403

F. Financial Information for the Separate Plans

	Police and Firemen	Municipal Employees	OPEB Trust Fund	Total
Assets:				
Cash and cash equivalents	\$ 79,257	\$ 129,923	\$ 1,725	\$ 210,905
Investments	62,919,538	41,484,130	373,904	104,777,572
Receivables	<u>11,412</u>	<u>7,757</u>		<u>19,169</u>
Total assets	63,010,207	41,621,810	375,629	105,007,646
Liabilities:				
Accounts and other payables	<u>20,902</u>	<u>13,950</u>	<u>56</u>	<u>34,908</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 62,989,305</u>	<u>\$ 41,607,860</u>	<u>\$ 375,573</u>	<u>\$ 104,972,738</u>

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

	Police and Firemen	Municipal Employees	OPEB Trust Fund	Total
Contributions:				
Employer	\$ 4,139,371	\$ 1,249,364	\$ 5,389,188	\$ 10,777,923
Employee	683,800	288,210	120,481	1,092,491
Total contributions	<u>4,823,171</u>	<u>1,537,574</u>	<u>5,509,669</u>	<u>11,870,414</u>
Investment income:				
Interest and dividends			19,888	19,888
Net appreciation in fair value of investments	<u>4,019,231</u>	<u>2,703,840</u>		<u>6,723,071</u>
Total investment income	<u>4,019,231</u>	<u>2,703,840</u>	<u>19,888</u>	<u>6,742,959</u>
Total additions	<u>8,842,402</u>	<u>4,241,414</u>	<u>5,529,557</u>	<u>18,613,373</u>
Deductions:				
Benefit payments and withdrawals	5,942,245	2,963,273	5,259,669	14,165,187
Administration	<u>59,216</u>	<u>42,869</u>	<u>217</u>	<u>102,302</u>
Total deductions	<u>6,001,461</u>	<u>3,006,142</u>	<u>5,259,886</u>	<u>14,267,489</u>
Net increase	2,840,941	1,235,272	269,671	4,345,884
Net Assets Held in Trust for Pension				
Benefits at Beginning of Year	<u>60,148,364</u>	<u>40,372,588</u>	<u>105,902</u>	<u>100,626,854</u>
Net Assets Held in Trust For Pension				
Benefits at End of Year	<u>\$ 62,989,305</u>	<u>\$ 41,607,860</u>	<u>\$ 375,573</u>	<u>\$ 104,972,738</u>

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

For the year ended June 30, 2019, the City recognized pension expense for the municipal employee plan and police and firemen plan of \$1,721,735 and \$6,096,482, respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Police and Firemen	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 737,444	\$ 2,600,889
Changes of assumptions	2,746,647	
Net difference between projected and actual earning on pension plan investments	<u>17,345</u>	
Total	<u>\$ 3,501,436</u>	<u>\$ 2,600,889</u>

**CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS**

	Municipal Employees			
	Government Activities		Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 905,790	\$	\$ 123,516
Changes of assumptions	697,553		95,121	
Net difference between projected and actual earning on pension plan investments		86,654		11,817
Total	\$ 697,553	\$ 992,444	\$ 95,121	\$ 135,333

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

Year Ending June 30	Police and Firemen	Municipal Employees	Total
2020	\$ 1,489,826	\$ 60,012	\$ 1,549,838
2021	(495,854)	(404,279)	(900,133)
2022	(153,198)	(24,861)	(178,059)
2023	59,773	34,025	93,798

H. Connecticut's Teachers Retirement System - Pension

Plan Description

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

Benefit Provisions

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

Normal Retirement

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

Early Retirement

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

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Disability Retirement

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

Contributions

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

Employer (School Districts)

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

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

Employees

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

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

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

At June 30, 2019, the City reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the City 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 City were as follows:

City's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the City		<u>93,038,640</u>
Total	\$	<u><u>93,038,640</u></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 June 30, 2018. At June 30, 2019, the City has no proportionate share of the net pension liability.

For the year ended June 30, 2019, the City recognized pension expense and revenue of \$10,441,943 in Exhibit II for on-behalf amounts for the benefits provided by the State.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

I. 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 increase	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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

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

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

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

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%.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

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%
Core fixed income	7.0%	1.3%
Inflation linked bond fund	3.0%	1.0%
Emerging market bond	5.0%	3.7%
High yield bonds	5.0%	3.9%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Liquidity fund	6.0%	0.4%
Total	100.0%	

J. Discount Rate

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

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

The City'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.

L. Other Information

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

10. OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The City, in accordance with various collective bargaining agreements, is committed to providing health and other benefits to certain eligible retirees and their spouses. The City's Post-Retirement Medical Program (RMP) covers City, Board of Education, Police and Fire employees. Retired program members and beneficiaries currently receiving benefits are required to contribute specified percentages towards the cost of receiving those benefits under the City's self-insured medical benefits program. The percentage contribution of the employees and retirees for these benefits vary and are detailed with the City's various bargaining agreements. The City does not issue a separate stand-alone financial statement for this program.

At July 1, 2018, plan membership consisted of the following:

	Post- Retirement Medical Program
Inactive plan members or beneficiaries currently receiving benefits	352
Active plan members	<u>853</u>
Total members	<u><u>1205</u></u>

B. Funding Policy

The City's pays for postemployment benefits are accounted for as a pay-as-you-go basis. The City has established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The contribution requirement of the plan members and the City have also negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums.

The City's funding strategy for postemployment obligations are based upon characteristics of benefits on nine distinct groups of employees established within their respective collective bargaining units and/or contracts and include the following:

- City Hall employees and Public Works Employees contribute an average 12% of the contribution for medical and dental coverage to age 65 with none at ages 65 and older. They are eligible to receive medical coverage under various CIGNA medical plans and an Anthem dental plan to age 65. At age 65, if eligible, they are enrolled in an Anthem Medicare supplemental plan. They also receive life insurance benefits of \$10,000 - \$15,000 at no cost to the retiree.
- Police and Fire employees who meet certain criteria for retirement are eligible to receive medical coverage under various CIGNA medical plans and an Anthem dental plan to age 65. At age 65, if eligible, they are enrolled in an Anthem Medicare supplemental plan. They also receive life insurance benefits of \$3,000 at no cost to the retiree. Eligibility for normal retirement or early retirement is age 55 with 10 years of service or they qualify under disability retirement.

CITY OF TORRINGTON, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

- City supervisory employees who meet certain criteria for retirement are eligible to receive medical coverage under various medical plans, dependent on whether they are under or over age 65, dental coverage only until they reach age 65. They also receive life insurance benefits after retirement of up to \$30,000 at no cost to the employee. Eligibility for normal retirement or early retirement is age 55 with 10 years of service or they qualify under disability retirement.
- Teachers are eligible for medical and dental coverage if they retire under the State Teacher's Plan and must contribute 100% of the cost for this coverage.
- BOE Cafeteria employees are eligible for medical and dental coverage if they retire at age 60 with 10 years of service or qualify under disability retirement and must contribute 100% of the cost for this coverage.
- BOE Custodians who retire age 55 with 20 years or qualify under disability retirement can receive dental coverage to age 65 and medical coverage for ages 65 and over and must contribute 7% of the contribution. They may also receive life insurance benefits of \$5,000.
- BOE Nurses and paraprofessionals who retire age 60 with 10 years of service or qualify under disability retirement can receive medical benefits with a 25% contribution rate up to age 65 with their spouse at 100%, dental coverage at 25% of the contribution only until they reach the age of 65 and life insurance benefits of \$5,000.

C. Investments

Investment Policy

OPEB Benefits Plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB Committee. It is the policy of the OPEB Committee to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Net OPEB Liability of the City

The City's net OPEB liability was measured as of June 30, 2019. The components of the net OPEB liability of the City at June 30, 2019 were as follows:

Total OPEB liability	\$ 111,413,939
Plan fiduciary net position	<u>375,573</u>
Net OPEB Liability	<u>\$ 111,038,366</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.34%

The City recorded the net OPEB liability within the governmental activities and business type activities as \$109,927,982 and \$1,110,384, respectively.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

The total OPEB liability at June 30, 2019 was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary increases	Graded by age
Investment rate of return	3.51%
Healthcare cost trend rates	7.00% for 2018, decreasing .05% per year, to an ultimate rate of 4.75% for 2022 and later

Mortality rates for healthy participants were based on the RP-2000 Combined Healthy Mortality Table for males and females, projected forward 19 years using scale AA, with a two-year age setback. Mortality rates for disabled participants were based on RP-2000 Combined Healthy Mortality Table for males and females, projected forward 19 years using scale AA, with an eight-year set forward.

The plan has not had a formal actuarial experience study performed.

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 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 allocation and best estimates of arithmetic real rates of return for each major asset as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap	31.50 %	4.50 %
U.S. Mid/Small Cap	13.50	5.00
Developed International Equities	20.00	5.25
Intermediate Corporate Fixed Income	21.35	2.50
Intermediate Government Fixed Income	13.65	1.50
Total	100.00	

E. Discount Rate

The discount rate used to measure the total OPEB liability was 3.51%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances as of June 30, 2018	\$ 120,802,487	\$ 105,902	\$ 120,696,585
Changes for the year:			
Service cost	4,880,939		4,880,939
Interest on total pension liability	4,763,139		4,763,139
Differences between expected and actual experience	(12,098,577)		(12,098,577)
Changes in assumptions	(1,674,380)		(1,674,380)
Employer contributions		5,389,188	(5,389,188)
Member contributions		120,481	(120,481)
Net investment income		19,888	(19,888)
Benefit payments, including			
refund to employee contributions	(5,259,669)	(5,259,669)	-
Administrative expenses		(217)	217
Net changes	(9,388,548)	269,671	(9,658,219)
Balances as of June 30, 2019	\$ 111,413,939	\$ 375,573	\$ 111,038,366

G. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City's 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 2.51%	Current Discount Rate 3.51%	1% Increase 4.51%
City's Net OPEB Liability	\$ 128,579,110	\$ 111,038,366	\$ 97,029,892

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

H. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

		Healthcare Cost Trend Rates		
		6.00% Decreasing to 3.60%	7.00% Decreasing to 4.60%	8.00% Decreasing to 5.60%
City's Net OPEB Liability	\$	95,437,593	\$ 111,038,366	\$ 130,899,611

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

For the year ended June 30, 2019, the City recognized OPEB expense of \$5,507,071. At June 30, 2019, the City reported deferred inflows of resources related to OPEB from the following sources:

	Governmental Activities	Business-Type Activities
	Deferred Inflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,880,741	99,805
Changes of assumptions	5,161,530	52,137
Net difference between projected and actual earning on pension plan investments	9,934	
Total	\$ <u>15,052,205</u>	\$ <u>151,942</u>

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

Year Ending June 30

2020	\$ (4,007,858)
2021	(4,007,858)
2022	(4,007,855)
2023	(2,650,844)
2024	(529,732)

State Teachers Retirement Plan

J. Plan Description

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

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

K. Benefit Provisions

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

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

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

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplement Plans. Effective July 1, 2018, the System added a Medicare Advantage Plan option. Active members, retirees and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits) under the Medicare Advantage Plan. Retired members who choose to enroll in the Medicare Supplement Plan are responsible for the full difference in the premium cost between the two plans. Additionally, effective July 1, 2018, retired members who cancel their health care coverage or elect to not enroll in a CTRB sponsored health care coverage option must wait two years to re-enroll.

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 Supplement Plans, as long as they do not remarry.

CITY OF TORRINGTON, CONNECTICUT NOTES TO FINANCIAL STATEMENTS

L. Eligibility

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

Credited Service

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

Normal Retirement

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

Early Retirement

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

Proratable Retirement

Age 60 with 10 years of Credited Service.

Disability Retirement

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

Termination of Employment

Ten or more years of Credited Service.

M. Contributions

State of Connecticut

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

Employer (School Districts)

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

Employees

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

CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2019, the City reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the City 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 City was as follows:

City's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the City	<u>18,599,006</u>
Total	\$ <u>18,599,006</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 June 30, 2018. At June 30, 2019, the City has no proportionate share of the net OPEB liability.

For the year ended June 30, 2019, the City recognized OPEB expense and revenue of \$(6,178,579) in Exhibit II.

O. 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 costs trend rate	
Pre-Medicare	5.95% decreasing to 4.75% by 2025
Medicare	5.00% decreasing to 4.75% by 2028
Salary increases	3.25-6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Year fund net position will be depleted	2019

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

CITY OF TORRINGTON, CONNECTICUT NOTES TO FINANCIAL STATEMENTS

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.27%).

P. 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 employee contributions will be made at the current member contribution rate and that contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members. No future State contributions were assumed to be made. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination.

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

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

R. Other Information

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

**CITY OF TORRINGTON, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS**

11. FUND BALANCE CLASSIFICATIONS

The components of fund balance for the governmental funds at June 30, 2019 are as follows:

	<u>General Fund</u>	<u>Bonded Projects</u>	<u>WPCA Infrastructure Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Inventory	\$	\$	\$	\$ 11,868	\$ 11,868
Loans receivable				3,575,823	3,575,823
Trust purposes				3,500	3,500
Restricted for:					
Trust purposes				1,377	1,377
Grants				2,140,216	2,140,216
Committed to:					
Revaluation	182,398				182,398
Education				542,946	542,946
Capital projects		7,806,935		8,327,709	16,134,644
Assigned to:					
Education	197,467				197,467
General government	19,019			521,501	540,520
Public safety	105,538			791,296	896,834
Public works				1,100,936	1,100,936
Health and social services				169,099	169,099
Recreation				542,755	542,755
Unassigned	15,906,863		(11,450,143)	(262,695)	4,194,025
Total Fund Balances	\$ <u>16,411,285</u>	\$ <u>7,806,935</u>	\$ <u>(11,450,143)</u>	\$ <u>17,466,331</u>	\$ <u>30,234,408</u>

Encumbrances outstanding at year end of \$322,024 are reported as assigned fund balance.

12. RECLASSIFICATION AND RESTATEMENT

The following restatements were recorded to the beginning net position and fund balances as follows:

	<u>General Fund</u>	<u>WPCA Infrastructure Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>WPCA Enterprise Fund</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Fund Balance/Net position at June 30, 2018, as previously reported	\$ 14,164,554	\$	\$ 15,831,062	\$ 13,008,873	\$ (59,018,765)	\$ 13,008,873
Adjustments:						
Reclassify fund types within the financial statements	344,197	(3,335,303)	1,658,298	(7,298,628)	7,298,628	(7,298,628)
Restate unamortized premiums					(257,473)	
Fund Balance/Net Position Balance at July 1, 2018, as Restated	\$ <u>14,508,751</u>	\$ <u>(3,335,303)</u>	\$ <u>17,489,360</u>	\$ <u>5,710,245</u>	\$ <u>(51,977,610)</u>	\$ <u>5,710,245</u>

13. CONTINGENT LIABILITIES

The City is a party to various legal proceedings which involve claims against the City. In those cases where a loss is probable and measurable, a liability has been recorded. It is the opinion of City management and the City attorney that the ultimate resolution of remaining litigation will not have a material effect on the financial position of the City.

CITY OF TORRINGTON, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Property Taxes:				
Property taxes	\$ 90,446,684	\$ 90,446,684	\$ 90,458,496	\$ 11,812
Motor vehicle supplemental tax	1,429,550	1,429,550	1,466,812	37,262
Total property taxes	91,876,234	91,876,234	91,925,308	49,074
Intergovernmental:				
Federal and State Grants:				
Pequot fund grant	196,642	196,642	196,642	-
Stabilization grant	72,539	72,539	72,539	-
In lieu of taxes	460,400	460,400	462,496	2,096
Disabled persons	8,000	8,000	8,362	362
MRSA Motor Vehicle	187,506	187,506	187,506	-
MRSA bonded distribution	605,345	605,345	605,345	-
Additional veterans' grants	35,000	35,000	36,107	1,107
Enterprise zones			153,646	153,646
Torrington High School	270,473	270,473	270,473	-
Southwest school	298,309	298,309	298,309	-
Vogel elementary school	192,155	192,155	192,155	-
Total federal and state grants	2,326,369	2,326,369	2,483,580	157,211
Board of Education Grants:				
Special education	2,024,793	2,024,793	1,862,203	(162,590)
Education cost sharing	23,933,343	23,933,343	23,756,999	(176,344)
Nonpublic health and welfare	33,484	33,484	33,153	(331)
Total Board of Education grants	25,991,620	25,991,620	25,652,355	(339,265)
Total Intergovernmental	28,317,989	28,317,989	28,135,935	(182,054)
General Government:				
Telephone access lines	80,000	80,000	78,493	(1,507)
Street lights	1,045	1,045	1,045	-
Group insurance workers comp	588,316	588,316	413,676	(174,640)
Insurance refund	75,760	75,760	134,843	59,083
Probate	23,569	23,569	21,203	(2,366)
New buildings and alterations	200,000	200,000	184,594	(15,406)
Plumbing fees	25,000	25,000	19,746	(5,254)
Electrical permit fees	75,000	75,000	51,435	(23,565)

(Continued on next page)

CITY OF TORRINGTON, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance - Positive (Negative)
	Original	Final	Actual	
General Government Continued:				
Roofing permit fees	\$ 27,000	\$ 27,000	\$ 31,133	\$ 4,133
Sign and billboard permits	2,000	2,000	2,389	389
Demolition and removal	2,500	2,500	1,170	(1,330)
Heating permit fees	58,000	58,000	61,365	3,365
Certificate of occupancy	15,000	15,000	14,935	(65)
Planning and zoning fees	30,000	30,000	29,661	(339)
Credit card fees	600	600	1,056	456
Conveyance tax	250,000	250,000	288,720	38,720
Marriage licenses and permits	3,000	3,000	7,180	4,180
Copying and certification fees	31,000	31,000	36,305	5,305
Hunting and fishing	10,000	10,000	8,183	(1,817)
Notary	1,000	1,000	1,975	975
Dog fees	14,000	14,000	20,459	6,459
Recording fees	190,000	190,000	188,969	(1,031)
Vital statistics	95,000	95,000	99,555	4,555
MIRA fees (formerly CRRA)	30,000	30,000	36,499	6,499
City real estate revenue	17,000	17,000	17,231	231
Miscellaneous	104,500	104,500	106,292	1,792
State mandated fees	343,000	343,000	325,756	(17,244)
Auction proceeds			1,290	1,290
Total general government	2,292,290	2,292,290	2,185,158	(107,132)
Public Safety:				
Parking authority	80,000	80,000	71,623	(8,377)
Canine - Hotchkiss trust	2,500	2,500	2,500	-
Fire - outside duty	500	500	20,923	20,423
Fire workers com/insurance payroll	87,000	87,000	123,700	36,700
Police tickets and permits	199,663	199,663	174,526	(25,137)
Police works comp and insurance	116,000	116,000	197,154	81,154
Police - outside duty	500,000	500,000	1,304,092	804,092
Miscellaneous	20,000	20,000	118,209	98,209
Total public safety	1,005,663	1,005,663	2,012,727	1,007,064
Public Works:				
Workers comp and insurance	5,000	5,000	37,985	32,985
Engineering	250	250	139	(111)
Street department miscellaneous fees	10,000	10,000	14,472	4,472
Landfill - tire income			850	850
Miscellaneous charges	4,000	4,000	6,460	2,460
Recycling income			618	618
Sidewalk repair fees	50,000	50,000		(50,000)
Free-waste receptacles	12,500	12,500	16,619	4,119
Total public works	81,750	81,750	77,143	(4,607)
Investment Income	100,000	100,000	360,914	260,914
Recreation:				
Swimming fees	15,000	15,000	10,778	(4,222)

(Continued on next page)

CITY OF TORRINGTON, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Education:				
Workers comp and insurance	\$ 1,831,156	\$ 1,831,156	\$ 1,966,449	\$ 135,293
Use of Prior Year Fund Balance	<u>600,000</u>	<u>600,000</u>		<u>(600,000)</u>
Total revenues	126,120,082	126,120,082	126,674,412	554,330
Other Financing Sources:				
Operating transfer in	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>-</u>
Total Revenue and Other Financing Sources	<u>\$ 127,320,082</u>	<u>\$ 127,320,082</u>	127,874,412	<u>\$ 554,330</u>
Budgetary revenues are different than GAAP revenues because:				
State of Connecticut Teachers' Retirement System to Town Teachers pension expense is not budgeted			10,441,943	
State of Connecticut Teachers' Retirement System to Town Teachers OPEB expense (revenue) is not budgeted.			(6,178,579)	
Under liquidation of prior year encumbrance is recorded as miscellaneous revenue for budgetary reporting. This amount is excluded for financial reporting purposes.				
The City does not budget for certain revenues that are credited against expenditures for budgetary reporting. These amounts are recorded as revenues and expenditures for financial statement purposes				
Revaluation fund interest income			<u>46,277</u> <u>2,523</u>	
Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit IV)			<u>\$ 132,186,576</u>	

**CITY OF TORRINGTON, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
General Government:				
Assessor	\$ 343,196	\$ 345,893	\$ 327,666	\$ 18,227
Board of Assessment	5,300	5,300	2,704	2,596
Boards and agencies	312,334	300,334	303,438	(3,104)
Building	396,843	331,439	397,627	(66,188)
City real estate	226,446	275,613	51,556	224,057
City clerk	726,335	727,259	712,770	14,489
Comptroller	370,993	373,736	335,957	37,779
Corporate counsel	180,258	175,258	115,812	59,446
Mayor	235,973	235,973	201,360	34,613
Personnel	221,087	221,087	202,398	18,689
Planning and zoning	238,335	254,024	248,576	5,448
Purchasing	118,117	118,752	114,076	4,676
Registrars	168,837	168,837	154,298	14,539
Services for the elderly	332,373	334,926	315,132	19,794
Treasurer	65,650	66,635	66,477	158
Information services	717,963	717,963	649,213	68,750
Economic development	98,814	98,814	93,372	5,442
Probate	40,969	40,969	38,817	2,152
Citywide services	123,581	146,287	140,142	6,145
Total general government	4,923,404	4,939,099	4,471,391	467,708
Public Safety:				
Public safety miscellaneous	2,448,112	2,439,193	2,818,492	(379,299)
Emergency management	35,190	35,190	34,455	735
Fire	5,068,439	5,285,700	5,180,253	105,447
Fire - Volunteers	61,069	41,082	34,302	6,780
Police	8,689,047	8,810,367	8,533,448	276,919
Animal Control	282,167	272,843	233,464	39,379
Traffic management	387,576	381,972	391,899	(9,927)
Total public safety	16,971,600	17,266,347	17,226,313	40,034
Public works:				
Administration	156,357	158,289	148,398	9,891
City hall	187,170	188,314	161,189	27,125
Engineering	679,176	687,822	641,232	46,590
Landfill	1,115,250	1,115,250	1,124,099	(8,849)
San sewer / St lights	185,000	185,000	161,627	23,373
Streets	4,210,909	4,281,652	3,997,271	284,381
Parks	1,001,176	967,462	786,718	180,744
Total public works	7,535,038	7,583,789	7,020,534	563,255
Public Health and Social Services:				
Health	2,918,575	2,918,575	2,894,605	23,970

(Continued on next page)

**CITY OF TORRINGTON, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance - Positive (Negative)
	Original	Final		
Employee Benefits and insurance:				
Pension and benefits	\$ 14,016,379	\$ 13,691,781	\$ 13,643,690	\$ 48,091
Insurance	1,629,334	1,629,334	1,587,502	41,832
Total employee benefits and insurance	15,645,713	15,321,115	15,231,192	89,923
Recreation	393,539	371,599	368,654	2,945
Tax collector contract	608,932	608,932	557,647	51,285
Board of Education	74,149,114	74,149,114	74,133,664	15,450
Second Part Budget:				
Contingency	246,003	233,348	172,339	61,009
Debt Service:				
Bond redemption	2,555,000	2,555,000	2,555,000	-
Interest	627,501	627,501	626,001	1,500
Total debt service	3,182,501	3,182,501	3,181,001	1,500
Total expenditures	126,574,419	126,574,419	125,257,340	1,317,079
Other Financing Uses:				
Operating Transfers Out:				
Capital reserve	21,000	21,000	21,000	-
Other Capital Projects	277,345	277,345	277,345	-
Other Special Revenue	447,318	447,318	447,318	-
Total other financing uses	745,663	745,663	745,663	-
Total Expenditures and Other Financing Sources	\$ 127,320,082	\$ 127,320,082	126,003,003	\$ 1,317,079
Budgetary expenditures are different than GAAP expenditures because:				
State of Connecticut Teachers' Retirement System to Town Teachers pension expense is not budgeted			10,441,943	
State of Connecticut Teachers' Retirement System to Town Teachers OPEB expense (revenue) is not budgeted.			(6,178,579)	
Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes.			56,551	
Accrued payroll adjustment not budgeted			(86,200)	
The City does not budget for accrued payroll services or early retirement settlements at year end. The accrued liabilities are charged to the subsequent year's budget. These amounts are recorded as a current year expenditure for financial statement purposes.			(116,997)	
Revaluation Fund Transfer combined and eliminated for financial reporting purposes			164,321	
Total Expenditures and Other Financing Sources as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit IV)			\$ 130,284,042	

CITY OF TORRINGTON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - MUNICIPAL EMPLOYEES
LAST SIX FISCAL YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total pension liability:						
Service cost	\$ 1,202,952	\$ 847,373	\$ 832,714	\$ 903,306	\$ 874,813	\$ 901,057
Interest	3,262,727	3,388,757	3,319,339	3,447,081	3,415,694	3,522,098
Differences between expected and actual experience		(2,700,565)		(587,142)		(1,408,862)
Changes of assumptions		(2)		63,642		1,212,207
Benefit payments, including refunds of member contributions	(2,404,584)	(2,455,752)	(2,436,843)	(2,557,951)	(2,734,956)	(2,963,273)
Net change in total pension liability	2,061,095	(920,189)	1,715,210	1,268,936	1,555,551	1,263,227
Total pension liability - beginning	43,480,634	45,541,729	44,621,540	46,336,750	47,605,686	49,161,237
Total pension liability - ending	45,541,729	44,621,540	46,336,750	47,605,686	49,161,237	50,424,464
Plan fiduciary net position:						
Contributions - employer	1,562,782	2,130,792	1,521,271	1,360,145	1,216,031	1,249,364
Contributions - member	382,126	362,688	353,195	334,994	311,644	288,210
Net investment income	5,031,302	728,798	(256,752)	4,225,538	3,072,208	2,703,655
Benefit payments, including refunds of member contributions	(2,404,584)	(2,455,752)	(2,436,843)	(2,557,951)	(2,734,956)	(2,963,273)
Administrative expense	(28,368)	(36,205)	(25,797)	(25,163)	(34,764)	(42,869)
Other			9,258	(61,594)		185
Net change in plan fiduciary net position	4,543,258	730,321	(835,668)	3,275,969	1,830,163	1,235,272
Plan fiduciary net position - beginning	30,828,545	35,371,803	36,102,124	35,266,456	38,542,425	40,372,588
Plan fiduciary net position - ending	35,371,803	36,102,124	35,266,456	38,542,425	40,372,588	41,607,860
Net Pension Liability - Ending	\$ <u>10,169,926</u>	\$ <u>8,519,416</u>	\$ <u>11,070,294</u>	\$ <u>9,063,261</u>	\$ <u>8,788,649</u>	\$ <u>8,816,604</u>
Plan fiduciary net position as a percentage of the total pension liability	77.67%	80.91%	76.11%	80.96%	82.12%	82.52%
Covered-employee payroll	\$ 7,675,621	\$ 7,508,384	\$ 7,180,419	\$ 6,941,007	\$ 7,149,237	\$ 5,743,293
Net pension liability as a percentage of covered-employee payroll	132.50%	113.47%	154.17%	130.58%	122.93%	153.51%

CITY OF TORRINGTON, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - POLICE AND FIRE EMPLOYEES
LAST SIX FISCAL YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total pension liability:						
Service cost	\$ 1,723,995	\$ 1,562,617	\$ 1,629,262	\$ 1,777,628	\$ 1,884,618	\$ 1,941,156
Interest	5,749,660	5,915,425	6,279,584	6,453,191	6,835,726	7,049,160
Changes of benefit terms				(127,841)		
Differences between expected and actual experience		2,967,870		2,581,055		(3,641,245)
Changes of assumptions				3,158,910		2,581,740
Benefit payments, including refunds of member contributions	<u>(4,599,662)</u>	<u>(5,622,992)</u>	<u>(5,692,476)</u>	<u>(5,689,529)</u>	<u>(5,723,688)</u>	<u>(5,942,245)</u>
Net change in total pension liability	2,873,993	4,822,920	2,216,370	8,153,414	2,996,656	1,988,566
Total pension liability - beginning	<u>77,196,399</u>	<u>80,070,392</u>	<u>84,893,312</u>	<u>87,109,682</u>	<u>95,263,096</u>	<u>98,259,752</u>
Total pension liability - ending	<u>80,070,392</u>	<u>84,893,312</u>	<u>87,109,682</u>	<u>95,263,096</u>	<u>98,259,752</u>	<u>100,248,318</u>
Plan fiduciary net position:						
Contributions - employer	3,397,552	3,926,071	3,795,161	3,599,764	4,128,371	4,139,371
Contributions - member	701,624	712,134	715,430	709,907	689,105	683,800
Net investment income (loss)	7,807,382	1,178,199	(485,726)	6,165,567	4,395,741	4,019,188
Benefit payments, including refunds of member contributions	<u>(4,599,662)</u>	<u>(5,622,992)</u>	<u>(5,692,476)</u>	<u>(5,689,529)</u>	<u>(5,723,688)</u>	<u>(5,942,245)</u>
Administrative expense	<u>(33,907)</u>	<u>(45,702)</u>	<u>(36,760)</u>	<u>(43,794)</u>	<u>(49,604)</u>	<u>(59,216)</u>
Other		<u>(1)</u>	<u>13,871</u>	<u>44,709</u>		<u>43</u>
Net change in plan fiduciary net position	7,272,989	147,709	(1,690,500)	4,786,624	3,439,925	2,840,941
Plan fiduciary net position - beginning	<u>46,191,617</u>	<u>53,464,606</u>	<u>53,612,315</u>	<u>51,921,815</u>	<u>56,708,439</u>	<u>60,148,364</u>
Plan fiduciary net position - ending	<u>53,464,606</u>	<u>53,612,315</u>	<u>51,921,815</u>	<u>56,708,439</u>	<u>60,148,364</u>	<u>62,989,305</u>
Net Pension Liability - Ending	<u>\$ 26,605,786</u>	<u>\$ 31,280,997</u>	<u>\$ 35,187,867</u>	<u>\$ 38,554,657</u>	<u>\$ 38,111,388</u>	<u>\$ 37,259,013</u>
Plan fiduciary net position as a percentage of the total pension liability	66.77%	63.15%	59.61%	59.53%	61.21%	62.83%
Covered-employee payroll	\$ 9,349,008	\$ 10,060,356	\$ 8,797,081	\$ 9,031,565	\$ 9,302,512	\$ 8,407,304
Net pension liability as a percentage of covered-employee payroll	284.58%	310.93%	399.99%	426.89%	409.69%	443.17%

CITY OF TORRINGTON, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLANS
LAST TEN FISCAL YEARS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Municipal Employees:										
Actuarially determined contribution	\$ 1,125,528	\$ 1,125,528	\$ 1,374,634	\$ 1,374,634	\$ 1,775,712	\$ 1,756,607	\$ 1,349,133	\$ 1,185,738	\$ 1,195,733	\$ 1,241,462
Contributions in relation to the actuarially determined contribution	<u>1,237,993</u>	<u>1,271,233</u>	<u>1,444,183</u>	<u>1,447,879</u>	<u>1,562,782</u>	<u>2,130,792</u>	<u>1,521,271</u>	<u>1,360,145</u>	<u>1,216,031</u>	<u>1,249,364</u>
Contribution Deficiency (Excess)	\$ <u>(112,465)</u>	\$ <u>(145,705)</u>	\$ <u>(69,549)</u>	\$ <u>(73,245)</u>	\$ <u>212,930</u>	\$ <u>(374,185)</u>	\$ <u>(172,138)</u>	\$ <u>(174,407)</u>	\$ <u>(20,298)</u>	\$ <u>(7,902)</u>
Covered-employee payroll	\$ 8,178,483	\$ 8,178,483	\$ 8,481,377	\$ 8,481,377	\$ 7,675,621	\$ 7,508,384	\$ 7,180,419	\$ 6,941,007	\$ 7,149,237	\$ 5,743,293
Contributions as a percentage of covered-employee payroll	15.14%	15.54%	17.03%	17.07%	20.36%	28.38%	21.19%	19.60%	17.01%	21.75%
Police and Firemen:										
Actuarially determined contribution	\$ 2,801,257	\$ 2,801,257	\$ 3,308,035	\$ 3,357,655	\$ 3,827,288	\$ 3,861,898	\$ 3,690,619	\$ 3,452,634	\$ 4,124,871	\$ 4,124,871
Contributions in relation to the actuarially determined contribution	<u>2,801,257</u>	<u>2,813,257</u>	<u>3,325,432</u>	<u>3,322,432</u>	<u>3,397,552</u>	<u>3,926,071</u>	<u>3,795,161</u>	<u>3,599,764</u>	<u>4,128,371</u>	<u>4,139,371</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>(12,000)</u>	\$ <u>(17,397)</u>	\$ <u>35,223</u>	\$ <u>429,736</u>	\$ <u>(64,173)</u>	\$ <u>(104,542)</u>	\$ <u>(147,130)</u>	\$ <u>(3,500)</u>	\$ <u>(14,500)</u>
Covered-employee payroll	\$ 9,579,705	\$ 9,579,705	\$ 9,912,397	\$ 10,061,083	\$ 9,349,008	\$ 10,060,356	\$ 8,797,081	\$ 9,031,565	\$ 9,302,512	\$ 8,407,304
Contributions as a percentage of covered-employee payroll	29.24%	29.37%	33.55%	33.02%	36.34%	39.03%	43.14%	39.86%	44.38%	49.24%

Valuation date: July 1, 2018
Measurement date: June 30, 2019
Actuarially determined contribution rates are calculated as of June 30, two years prior to the beginning of the plan year

Methods and assumptions used to determine contribution rates:
Actuarial cost method Entry Age Normal
Amortization method Closed level dollar period of 24 years as of July 1, 2018
Asset valuation method 4-year smoothed market
Inflation 2.60%
Investment rate of return 7.00%
Mortality RP-2014 Adjusted to 2006 Total dataset Mortality Table projected to valuation date with Scale MP-2018

**CITY OF TORRINGTON, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - PENSION PLANS
LAST SIX FISCAL YEARS**

	2014	2015	2016	2017	2018	2019
Municipal Employees:						
Annual money-weighted rate of return, net of investment expense	16.13%	2.06%	-0.72%	11.84%	7.95%	6.73%
Police and Firemen:						
Annual money-weighted rate of return, net of investment expense	16.42%	2.22%	-0.92%	11.80%	7.53%	6.53%

CITY OF TORRINGTON, CONNECTICUT
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT PLAN
LAST FIVE FISCAL YEARS*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
City's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%	0.00%	0.00%
City's proportionate share of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the City	<u>74,613,949</u>	<u>80,724,853</u>	<u>107,322,905</u>	<u>101,727,133</u>	<u>93,038,640</u>
Total	<u>\$ 74,613,949</u>	<u>\$ 80,724,853</u>	<u>\$ 107,322,905</u>	<u>\$ 101,727,133</u>	<u>\$ 93,038,640</u>
City's covered-employee payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 27,348,514
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	61.51%	59.50%	52.26%	55.69%	57.69%

Notes to Schedule

Changes in benefit terms	Beginning January 1, 2018, member contributions increased from 6% to 7% of salary.
Changes of assumptions	During 2016, rates of withdrawal, disability, retirement, mortality and assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five-year period ended June 30, 2015.
Actuarial cost method	Entry age
Amortization method	Level percent of salary, closed
Single equivalent amortization period	17.6 years
Asset valuation method	4-year smoothed market
Investment rate of return	8.00%, net of investment related expense

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

CITY OF TORRINGTON, CONNECTICUT
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT PLAN
LAST TWO FISCAL YEARS*

	<u>2018</u>	<u>2019</u>
City's proportion of the net OPEB liability (asset)	0.00%	0.00%
City's proportionate share of the net OPEB liability (asset)	\$ -	\$ -
State's proportionate share of the net OPEB liability (asset) associated with the City	<u>26,183,415</u>	<u>18,599,006</u>
Total	<u>\$ 26,183,415</u>	<u>\$ 18,599,006</u>
City's covered-employee payroll	\$ N/A	\$ 27,348,514
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	1.79%	1.49%

Notes to Schedule

Changes in benefit terms	Effective July 1, 2018, Medicare Advantage Plan was added to available options, changed the base plan to the Medicare Advantage Plan for the purposes of determining retiree subsidies and/or cost sharing amounts, and introduced a two-year waiting period for re-enrollment in a System-sponsored Plan for those who cancel their coverage or choose not to enroll after the effective date.
Changes of assumptions	<p>The expected rate of return on assets was changed from 2.75% to 3.00% to better reflect the anticipated returns on cash and other high quality short-term fixed income investments.</p> <p>Based on the procedure described in GASB 75, the discount rate used to measure Plan obligations for financial accounting purposes as of June 30, 2018 was updated to equal the Municipal Bond Index Rate as of June 30, 2018. The System selected the 3.87% discount rate used to measure the Total OPEB Liability as of the June 30, 2018 measurement date.</p> <p>Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on July 1, 2018.</p> <p>The assumed age-related annual percentage increases in expected annual per capita health care claim costs were updated to better reflect the expected differences between the Medicare Supplement and Medicare Advantage Plan amounts as part of the plan change that became effective on July 1, 2018.</p> <p>Long-term health care cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods.</p> <p>The percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a System-sponsored health care plan option in the future, was updated to better reflect anticipated plan experience.</p> <p>The percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options, as well as the portion who are expected to migrate to the Medicare Advantage Plan over the next several years, were updated to better reflect anticipated plan experience after the plan change that became effective on July 1, 2018.</p> <p>The post-disability mortality table was updated to extend the period of projected mortality improvements from 2017 to 2020. This change was made to better reflect anticipated post-disablement plan experience.</p> <p>The percentages of deferred, vested members who will become ineligible for future health care benefits because they are expected to withdraw their contributions from the System was updated to better reflect anticipated plan experience.</p>
Actuarial cost method	Entry age
Amortization method	Level percent of payroll
Remaining amortization period	30 years, open
Asset valuation method	Market value of assets
Investment rate of return	4.25%, net of investment related expense including price inflation

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

CITY OF TORRINGTON, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - OPEB PLAN
LAST THREE FISCAL YEARS*

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total OPEB liability:			
Service cost	\$ 4,889,457	\$ 5,121,706	\$ 4,880,939
Interest	4,190,877	4,379,890	4,763,139
Differences between expected and actual experience	391,596	(347,698)	(12,098,577)
Changes of assumptions		(6,435,473)	(1,674,380)
Benefit payments, including refunds of member contributions	<u>(4,379,819)</u>	<u>(3,834,905)</u>	<u>(5,259,669)</u>
Net change in total OPEB liability	5,092,111	(1,116,480)	(9,388,548)
Total OPEB liability - beginning	<u>116,826,856</u>	<u>121,918,967</u>	<u>120,802,487</u>
Total OPEB liability - ending	<u>121,918,967</u>	<u>120,802,487</u>	<u>111,413,939</u>
Plan fiduciary net position:			
Contributions - employer	4,306,115	3,767,666	5,389,188
Contributions - TRB subsidy	123,704	117,239	120,481
Net investment income	1,417	4,533	19,888
Benefit payments, including refunds of member contributions	<u>(4,379,819)</u>	<u>(3,834,905)</u>	<u>(5,259,669)</u>
Administrative expense		<u>(48)</u>	<u>(217)</u>
Net change in plan fiduciary net position	51,417	54,485	269,671
Plan fiduciary net position - beginning	<u>51,417</u>	<u>51,417</u>	<u>105,902</u>
Plan fiduciary net position - ending	<u>51,417</u>	<u>105,902</u>	<u>375,573</u>
Net OPEB Liability - Ending	<u>\$ 121,867,550</u>	<u>\$ 120,696,585</u>	<u>\$ 111,038,366</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.04%	0.09%	0.34%
Covered-employee payroll	\$ 53,620,900	\$ 56,167,900	\$ 51,432,973
Net OPEB liability as a percentage of covered-employee payroll	227.28%	214.89%	215.89%

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

CITY OF TORRINGTON, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB PLAN
LAST TEN FISCAL YEARS

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 6,856,800	\$ 6,996,500	\$ 7,445,000	\$ 7,603,000	\$ 7,999,900	\$ 8,175,400	\$ 10,828,600	\$ 11,094,900	\$ 11,455,900	\$ 11,703,600
Contributions in relation to the actuarially determined contribution	<u>1,882,700</u>	<u>2,439,200</u>	<u>3,006,900</u>	<u>3,278,900</u>	<u>2,962,800</u>	<u>3,460,800</u>	<u>3,283,900</u>	<u>4,306,115</u>	<u>3,767,666</u>	<u>5,389,188</u>
Contribution Deficiency (Excess)	<u>\$ 4,974,100</u>	<u>\$ 4,557,300</u>	<u>\$ 4,438,100</u>	<u>\$ 4,324,100</u>	<u>\$ 5,037,100</u>	<u>\$ 4,714,600</u>	<u>\$ 7,544,700</u>	<u>\$ 6,788,785</u>	<u>\$ 7,688,234</u>	<u>\$ 6,314,412</u>
Covered-employee payroll	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ 53,620,900	\$ 56,167,900	\$ 51,432,973
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.03%	6.71%	10.48%
Valuation date:	July 1, 2018									
Measurement date:	June 30, 2019									
Changes in benefit terms	None									
Changes in assumptions	Since the last actuarial valuation inflation, payroll growth, investment rate of return, and healthcare rates were adjusted as disclosed below. Mortality tables were also updated.									
Actuarial cost method	Entry Age Normal									
Amortization method	Level percent of salary, open									
Amortization period	30 years									
Inflation	2.60%									
Payroll growth	4.60%									
Investment rate of return	7.00%									
Healthcare costs trends	7.00% in 2016 reducing by .5% each year to a find 4.60% per year for 2023 and later									
Retirement age	25 years of service with varying retirement rates									
Post-retirement mortality	RP-2014 Adjusted to 2006 Total Dataset projected to valuation date with the Scale MP-2018									

CITY OF TORRINGTON, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS - OPEB PLAN
LAST THREE FISCAL YEARS

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Annual money-weighted rate of return, net of investment expense	2.83%	7.16%	5.95%

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

**CITY OF TORRINGTON, CONNECTICUT
GENERAL FUND
REPORT OF TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2019**

Total Rate Bill on Grant List on October 1, 2017	\$ 90,457,959
Add:	
Supplemental motor vehicle tax	<u>1,466,812</u>
Received from tax collector during the year ended June 30, 2019	91,924,771
Deduct:	
Lawful corrections and abatements	<u>537</u>
Net Revenues from Taxation	<u><u>\$ 91,925,308</u></u>

CITY OF TORRINGTON, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue Funds					
	National School Lunch Program	Nutrition Program	Town Aid Roads	Small Cities Block Grants	Federal and State Educational Grants	COE Memorial Park
ASSETS						
Cash	\$ 285,342	\$ 179,708	\$ 759,148	\$ 274,328	\$ 645,621	\$ 688,156
Receivables:						
Loans				3,526,823		
Intergovernmental	257,604	105,503			154,453	
Other						
Advance to other funds						
Due from other funds						
Inventory	11,868					
Total Assets	<u>\$ 554,814</u>	<u>\$ 285,211</u>	<u>\$ 759,148</u>	<u>\$ 3,801,151</u>	<u>\$ 800,074</u>	<u>\$ 688,156</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$	\$ 18,344	\$ 68,261	\$ 4,250	\$ 54,818	\$ 1,692
Due to other funds						
Unearned revenue					300,164	
Total liabilities	<u>-</u>	<u>18,344</u>	<u>68,261</u>	<u>4,250</u>	<u>354,982</u>	<u>1,692</u>
Fund balances:						
Nonspendable	11,868			3,526,823		
Restricted		266,867	690,887	270,078	445,092	
Committed	542,946					
Assigned						686,464
Unassigned						
Total fund balances	<u>554,814</u>	<u>266,867</u>	<u>690,887</u>	<u>3,796,901</u>	<u>445,092</u>	<u>686,464</u>
Total Liabilities and Fund Balances	<u>\$ 554,814</u>	<u>\$ 285,211</u>	<u>\$ 759,148</u>	<u>\$ 3,801,151</u>	<u>\$ 800,074</u>	<u>\$ 688,156</u>

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CITY OF TORRINGTON, CONNECTICUT
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue Funds						Capital Projects
	Elderly and Social Services	Culture and Recreation	Public Works	Public Safety	Economic Development	Other Special Revenue Funds	Sanitary Sewer Capital Improvement Program
ASSETS							
Cash	\$ 159,879	\$ 472,764	\$ 1,610,052	\$ 80,344	\$ 287,526	\$ 525,757	\$ 3,906,833
Receivables:							
Loans		49,000					
Intergovernmental	13,184	93,088	113,692	24,687			63,601
Other				2,884			
Advance to other funds					402,000		
Due from other funds							
Inventory							
Total Assets	<u>\$ 173,063</u>	<u>\$ 614,852</u>	<u>\$ 1,723,744</u>	<u>\$ 107,915</u>	<u>\$ 689,526</u>	<u>\$ 525,757</u>	<u>\$ 3,970,434</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	\$ 2,997	\$ 23,092	\$ 73,827	\$ 2,845		\$ 1,289	\$ 14,106
Due to other funds							
Unearned revenue	967	5	1,218,507	238	20,000	2,967	63,601
Total liabilities	<u>3,964</u>	<u>23,097</u>	<u>1,292,334</u>	<u>3,083</u>	<u>20,000</u>	<u>4,256</u>	<u>77,707</u>
Fund balances:							
Nonspendable		49,000					
Restricted							
Committed							3,892,727
Assigned	169,099	542,755	431,410	104,832	669,526	521,501	
Unassigned							
Total fund balances	<u>169,099</u>	<u>591,755</u>	<u>431,410</u>	<u>104,832</u>	<u>669,526</u>	<u>521,501</u>	<u>3,892,727</u>
Total Liabilities and Fund Balances	<u>\$ 173,063</u>	<u>\$ 614,852</u>	<u>\$ 1,723,744</u>	<u>\$ 107,915</u>	<u>\$ 689,526</u>	<u>\$ 525,757</u>	<u>\$ 3,970,434</u>

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CITY OF TORRINGTON, CONNECTICUT
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Capital Projects						Permanent Fund Captain Bessie	Interfund Eliminations	Total Nonmajor Governmental Funds
	Vehicle Replacement Fund	Capital Reserve Fund	Torrington School	BOE Capital Reserve	City Hall Renovations	Other Capital Projects			
ASSETS									
Cash	\$ 911,166	\$ 1,316,905	\$ 631	\$ 364,734	\$	\$ 2,051,190	\$ 4,877	\$	\$ 14,524,961
Receivables:									
Loans									3,575,823
Intergovernmental				103,031		2,901			868,143
Other									66,485
Advance to other funds									402,000
Due from other funds						262,695		(262,695)	-
Inventory									11,868
Total Assets	\$ 911,166	\$ 1,316,905	\$ 631	\$ 467,765	\$ -	\$ 2,316,786	\$ 4,877	\$ (262,695)	\$ 19,449,280
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 73,452	\$ 26,029	\$	\$ 473	\$	\$ 2,105	\$	\$	\$ 367,580
Due to other funds					262,695			(262,695)	-
Unearned revenue						8,920			1,615,369
Total liabilities	73,452	26,029	-	473	262,695	11,025	-	(262,695)	1,982,949
Fund balances:									
Nonspendable							3,500		3,591,191
Restricted				467,292			1,377		2,141,593
Committed	837,714	1,290,876	631			2,305,761			8,870,655
Assigned									3,125,587
Unassigned					(262,695)				(262,695)
Total fund balances	837,714	1,290,876	631	467,292	(262,695)	2,305,761	4,877	-	17,466,331
Total Liabilities and Fund Balances	\$ 911,166	\$ 1,316,905	\$ 631	\$ 467,765	\$ -	\$ 2,316,786	\$ 4,877	\$ (262,695)	\$ 19,449,280

CITY OF TORRINGTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds					
	National School Lunch Program	Nutrition Program	Town Aid Roads	Small Cities Block Grants	Federal and State Educational Grants	COE Memorial Park
Revenues:						
Charges for services	\$ 596,235	\$ 300,951	\$	\$ 80,584	\$ 29,395	\$ 132,396
Intergovernmental	1,658,408	817,377	457,571	42,261	5,687,640	165,550
Investment income		1,732	4,108	442		4,289
Other revenues					60,228	
Total revenues	<u>2,254,643</u>	<u>1,120,060</u>	<u>461,679</u>	<u>123,287</u>	<u>5,777,263</u>	<u>302,235</u>
Expenditures:						
General government				84,086		
Public safety						157,470
Public works			160,348			
Public health and social services		1,248,622				
Recreation						
Education	2,280,139				5,640,652	
Capital outlay						
Total expenditures	<u>2,280,139</u>	<u>1,248,622</u>	<u>160,348</u>	<u>84,086</u>	<u>5,640,652</u>	<u>157,470</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(25,496)</u>	<u>(128,562)</u>	<u>301,331</u>	<u>39,201</u>	<u>136,611</u>	<u>144,765</u>
Other Financing Sources (Uses):						
Premium on bonds issued		17,759				
Operating transfers in		(40,000)				
Operating transfers out		(22,241)				
Total other financing sources (uses)	<u>-</u>	<u>(22,241)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(25,496)	(150,803)	301,331	39,201	136,611	144,765
Fund Balances at Beginning of Year, as Restated	<u>580,310</u>	<u>417,670</u>	<u>389,556</u>	<u>3,757,700</u>	<u>308,481</u>	<u>541,699</u>
Fund Balances at End of Year	<u>\$ 554,814</u>	<u>\$ 266,867</u>	<u>\$ 690,887</u>	<u>\$ 3,796,901</u>	<u>\$ 445,092</u>	<u>\$ 686,464</u>

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CITY OF TORRINGTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds						Capital Projects
	Elderly and Social Services	Culture and Recreation	Public Works	Public Safety	Economic Development	Other Special Revenue Funds	Sanitary Sewer Capital Improvement Program
Revenues:							
Charges for services	\$	\$	\$	\$	\$	\$	\$
Intergovernmental	622,205	213,145	261,923	156,330		5,008	32,263
Investment income		125,126	191	725		78,385	24,412
Other revenues	102	583				359	
Total revenues	<u>622,307</u>	<u>338,854</u>	<u>262,114</u>	<u>157,055</u>		<u>116,508</u>	<u>56,675</u>
Expenditures:							
General government	208,534	52,739		5,321	1,750	48,527	
Public safety				156,152		7,339	
Public works			362,376				
Public health and social services	362,637						
Recreation		273,777				22,296	
Education	10,000						
Capital outlay				995			167,193
Total expenditures	<u>581,171</u>	<u>326,516</u>	<u>362,376</u>	<u>162,468</u>	<u>1,750</u>	<u>78,162</u>	<u>167,193</u>
Excess (Deficiency) of Revenues over Expenditures	<u>41,136</u>	<u>12,338</u>	<u>(100,262)</u>	<u>(5,413)</u>	<u>(1,750)</u>	<u>38,346</u>	<u>(110,518)</u>
Other Financing Sources (Uses):							
Premium on bonds issued							
Operating transfers in	10,326	10,437				127,000	517,353
Operating transfers out	(73,085)					(10,437)	
Total other financing sources (uses)	<u>(62,759)</u>	<u>10,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,563</u>	<u>517,353</u>
Net Change in Fund Balances	(21,623)	22,775	(100,262)	(5,413)	(1,750)	154,909	406,835
Fund Balances at Beginning of Year, as Restated	<u>190,722</u>	<u>568,980</u>	<u>531,672</u>	<u>110,245</u>	<u>671,276</u>	<u>366,592</u>	<u>3,485,892</u>
Fund Balances at End of Year	<u>\$ 169,099</u>	<u>\$ 591,755</u>	<u>\$ 431,410</u>	<u>\$ 104,832</u>	<u>\$ 669,526</u>	<u>\$ 521,501</u>	<u>\$ 3,892,727</u>

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CITY OF TORRINGTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Capital Projects								
	Vehicle Replacement Fund	Capital Reserves Fund	Torrington School	BOE Capital Reserve	City Hall Renovations	Other Capital Projects	Permanent Fund Captain Bessie	Interfund Eliminations	Total Nonmajor Governmental Funds
Revenues:									
Charges for services	\$	\$	\$	\$	\$	\$	\$	\$	\$ 1,357,714
Intergovernmental	30,568	131,920		341,131		81,047			10,689,705
Investment income	8,701	8,801				23	5		54,371
Other revenues						0			93,086
Total revenues	<u>39,269</u>	<u>140,721</u>	<u>-</u>	<u>341,131</u>	<u>-</u>	<u>81,070</u>	<u>5</u>	<u>-</u>	<u>12,194,876</u>
Expenditures:									
General government									400,957
Public safety									320,961
Public works									522,724
Public health and social services									1,611,259
Recreation									296,073
Education									7,930,791
Capital outlay	831,864	107,636		760,721	991	1,208,644			3,078,044
Total expenditures	<u>831,864</u>	<u>107,636</u>	<u>-</u>	<u>760,721</u>	<u>991</u>	<u>1,208,644</u>	<u>-</u>	<u>-</u>	<u>14,160,809</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(792,595)</u>	<u>33,085</u>	<u>-</u>	<u>(419,590)</u>	<u>(991)</u>	<u>(1,127,574)</u>	<u>5</u>	<u>-</u>	<u>(1,965,933)</u>
Other Financing Sources (Uses):									
Premium on bonds issued						721,069			721,069
Operating transfers in	406,117	21,000		886,882	39,000	196,345		(1,010,404)	1,221,815
Operating transfers out		(886,882)						1,010,404	-
Total other financing sources (uses)	<u>406,117</u>	<u>(865,882)</u>	<u>-</u>	<u>886,882</u>	<u>39,000</u>	<u>917,414</u>	<u>-</u>	<u>-</u>	<u>1,942,884</u>
Net Change in Fund Balances	<u>(386,478)</u>	<u>(832,797)</u>	<u>-</u>	<u>467,292</u>	<u>38,009</u>	<u>(210,160)</u>	<u>5</u>	<u>-</u>	<u>(23,049)</u>
Fund Balances at Beginning of Year, as Restated	<u>1,224,192</u>	<u>2,123,673</u>	<u>631</u>	<u>-</u>	<u>(300,704)</u>	<u>2,515,921</u>	<u>4,872</u>		<u>17,489,380</u>
Fund Balances at End of Year	<u>\$ 837,714</u>	<u>\$ 1,290,876</u>	<u>\$ 631</u>	<u>\$ 467,292</u>	<u>\$ (262,695)</u>	<u>\$ 2,305,761</u>	<u>\$ 4,877</u>	<u>\$ -</u>	<u>\$ 17,466,331</u>

CITY OF TORRINGTON, CONNECTICUT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2019

	<u>Self Insurance Fund</u>	<u>Maintenance Fund</u>	<u>Interfund Elimination</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 8,534,733	\$	\$	\$ 8,534,733
Due from other funds	356,012		(356,012)	-
Prepays	481,251			481,251
Receivables, net	<u>137,302</u>	<u>17,036</u>		<u>154,338</u>
Total assets	<u>9,509,298</u>	<u>17,036</u>	<u>(356,012)</u>	<u>9,170,322</u>
Liabilities:				
Current liabilities:				
Accounts and other payables	1,812,271	22,491		1,834,762
Due to other funds	<u>356,012</u>	<u>356,012</u>	<u>(356,012)</u>	<u>-</u>
Total liabilities	<u>1,812,271</u>	<u>378,503</u>	<u>(356,012)</u>	<u>1,834,762</u>
Net Position:				
Unrestricted	<u>7,697,027</u>	<u>(361,467)</u>		<u>7,335,560</u>
Total Net Position	<u>\$ 7,697,027</u>	<u>\$ (361,467)</u>	<u>\$ -</u>	<u>\$ 7,335,560</u>

CITY OF TORRINGTON, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

	Self Insurance Fund	Maintenance Fund	Total
Operating Revenues:			
Charges for services	\$ 22,597,796	\$ 1,597,787	\$ 24,195,583
Other	567,112		567,112
Total operating revenues	<u>23,164,908</u>	<u>1,597,787</u>	<u>24,762,695</u>
Operating Expenses:			
Payroll and employee benefits		851,092	851,092
Repairs and maintenance		287,320	287,320
Materials and supplies		30,932	30,932
Utilities		434,996	434,996
Other operating expense		3,311	3,311
Insurance and program services	<u>21,337,716</u>		<u>21,337,716</u>
Total operating expenses	<u>21,337,716</u>	<u>1,607,651</u>	<u>22,945,367</u>
Operating Income (Loss)	1,827,192	(9,864)	1,817,328
Nonoperating Revenue:			
Income on investments	<u>62,612</u>		<u>62,612</u>
Income (Loss) Before Transfers	1,889,804	(9,864)	1,879,940
Transfers Out	<u>(1,200,000)</u>		<u>(1,200,000)</u>
Change in Net Assets	689,804	(9,864)	679,940
Net Position at Beginning of Year	<u>7,007,223</u>	<u>(351,603)</u>	<u>6,655,620</u>
Net Position at End of Year	<u>\$ 7,697,027</u>	<u>\$ (361,467)</u>	<u>\$ 7,335,560</u>

**CITY OF TORRINGTON, CONNECTICUT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

	Self Insurance Fund	Maintenance Fund	Total
Cash Flows from Operating Activities:			
Cash received from customers	\$ 23,164,908	\$ 1,602,487	\$ 24,767,395
Cash payments for insurance claims and premiums	<u>(21,359,324)</u>	<u>(1,602,487)</u>	<u>(22,961,811)</u>
Net cash provided by operating activities	<u>1,805,584</u>	<u>-</u>	<u>1,805,584</u>
Cash Flows from Noncapital Financing Activities:			
Transfers from (to) other funds, net	<u>(1,200,000)</u>	<u>-</u>	<u>(1,200,000)</u>
Net cash used in noncapital financing activities	<u>(1,200,000)</u>	<u>-</u>	<u>(1,200,000)</u>
Cash Flows from Investing Activities:			
Interest received on investments	<u>62,612</u>	<u>-</u>	<u>62,612</u>
Net Increase in Cash and Cash Equivalents	668,196	-	668,196
Cash and Cash Equivalents at Beginning of Year	<u>7,866,537</u>	<u>-</u>	<u>7,866,537</u>
Cash and Cash Equivalents at End of Year	<u>\$ 8,534,733</u>	<u>\$ -</u>	<u>\$ 8,534,733</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 1,827,192	\$ (9,864)	\$ 1,817,328
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
(Increase) decrease in accounts receivables	(116,401)	4,700	(111,701)
(Increase) decrease in prepaid expenses	(2,084)	-	(2,084)
Increase (decrease) in accounts payable	452,889	5,109	457,998
(Increase) decrease in due from other funds	(356,012)	-	(356,012)
Increase (decrease) in due to other funds	<u>-</u>	<u>55</u>	<u>55</u>
Net Cash Provided by Operating Activities	<u>\$ 1,805,584</u>	<u>\$ -</u>	<u>\$ 1,805,584</u>

CITY OF TORRINGTON, CONNECTICUT
STATEMENT OF DEBT LIMITATION
JUNE 30, 2019
(In Thousands)

Base						\$ 88,863
	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>	
Debt limitations:						
2-1/4 times base	\$ 199,942	\$	\$	\$	\$	
4-1/2 times base		399,884				
3-3/4 times base			333,236			
3-1/4 times base				288,805		
3 times base					266,589	
	<u>199,942</u>	<u>399,884</u>	<u>333,236</u>	<u>288,805</u>	<u>266,589</u>	
Total debt limitation						
Indebtedness:						
Bonds payable	15,831	5,949				
Clean water fund loans			2,610			
Bonds authorized and unissued	32,589	596	7,993			
School construction grant receivable		(706)				
	<u>48,420</u>	<u>5,839</u>	<u>10,603</u>	<u>-</u>	<u>-</u>	
Total indebtedness						
Debt Limitation in Excess of						
Outstanding and Authorized Debt	\$ <u>151,522</u>	\$ <u>394,045</u>	\$ <u>322,633</u>	\$ <u>288,805</u>	\$ <u>266,589</u>	

Note 1: In no case shall total debt service exceed seven times annual receipts from taxation (\$622,041).