

TOWN OF PROSPECT, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2021

TOWN OF PROSPECT, CONNECTICUT

TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>		<u>Page Number</u>
Independent Auditor's Report		1-3
Management's Discussion and Analysis		4a-4i
Basic Financial Statements:		
Government-Wide Financial Statements:	<u>Exhibit</u>	
Statement of Net Position	A	5
Statement of Activities	B	6
Fund Financial Statements:		
Balance Sheet – Governmental Funds	C	7
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) – Governmental Funds	D	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities	E	9
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance – Budgetary Basis – Budget and Actual – General Fund	F	10
Statement of Fiduciary Net Position – Fiduciary Funds	G	11
Notes to the Financial Statements		12-35
Required Supplementary Information:		
Schedule of Town's Proportionate Share of Net Pension Liability (Asset) – Connecticut Municipal Employee's Retirement System	RSI-1	36
Schedule of Employer Contributions – Connecticut Municipal Employee's Retirement System	RSI-2	37
Schedule of Changes in Net OPEB Liability and Related Ratios – Other Post Employee Benefits	RSI-3	38

TABLE OF CONTENTS

Supplemental and Combining Non-Major Fund Statements and Schedules:	<u>Schedule</u>	<u>Page Number</u>
General Fund:		
General Fund Revenues and Other Financing Sources – Budget and Actual (Non-GAAP Budgetary Basis)	1	39
General Fund Expenditures, Encumbrances and Other Financing Uses – Budgetary Basis – Budget and Actual	2	40-41
Non-Major Governmental Funds:		
Combining Balance Sheet	3	42-43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)	4	44-45
Other Schedules:		
Schedule of Changes in Fund Balance – By Project – Capital and Nonrecurring Funds	5	46-47
Schedule of Property Taxes Levied, Collected and Outstanding	6	48-49
Schedule of Debt Limitation	7	50-51

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INDEPENDENT AUDITOR'S REPORT

Town Council
Town of Prospect
Prospect, CT 06708

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Prospect, Connecticut, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Prospect, Connecticut's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, each major fund and the aggregate remaining fund information of the Town of Prospect, Connecticut as of June 30, 2021, and the respective changes in the financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Prospect, Connecticut's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in aggregate, that raise substantial doubt about the Town of Prospect, Connecticut's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3a through 3e and the required supplementary information relating to pension on pages 41-45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Prospect, Connecticut's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules, the statement of changes in fund balance – by project, the schedule of property taxes levied, collected and outstanding, and the schedule of debt limitation are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules described in the above paragraph are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022, on our consideration of the Town of Prospect, 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 Town of Prospect, 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 Town of Prospect, Connecticut's internal control over financial reporting and compliance.

CLERMONT & ASSOCIATES, LLC
Waterbury, Connecticut



November 14, 2022

Management's Discussion and Analysis

Introduction

This Annual Financial Report incorporates financial reporting requirements of the Governmental Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that we, as managers of the Town of Prospect, focus on our most important, or "major" funds, including the general fund.

Fund statements measure and report the "operating results" of many funds by measuring cash on hand and other assets that can easily be converted to cash. These statements show the short-term performance of individual funds using the same measures governments use when financing current operations. On the other hand, if we charge a fee to users for services, fund information will continue to be based on accrual accounting. Showing budgetary compliance has always been an important part of governmental accountability. Our financial statements include the *original* budget as well as the final amended budget.

Our hope is to provide you, the reader, with an objective and readable analysis of our financial performance for the year. Taken together, the following statements should enable you to assess whether Prospect's financial position has improved or deteriorated as a result of the year's operations. The annual report includes government-wide financial statements prepared on the accrual basis for all of your government's activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter).

In summary, the government-wide financial statements will help you:

- Assess the finances of the Town of Prospect in its entirety, including the year's operating results;
- Determine whether our overall financial position improved or deteriorated;
- Evaluate whether our current-year revenues were sufficient to pay for current-year services;
- See the costs of providing you the services you have requested of us;
- See how we finance the programs you have asked for – through user fees and other program revenues - versus general tax revenues;
- Understand the extent to which your government has invested in capital assets, including roads, bridges, water mains, schools, parks, and other infrastructure assets;
- Make better comparisons between governments.

The Annual Financial Report includes the following information and financial statements as defined by GASB Statement 34:

- ✱ **Management Discussion and Analysis (MD&A)** – An introduction to the basic financial statements and an analytical overview of the government's financial activities. The MD&A provides an objective and easily readable analysis of the Town's financial activities based on currently known facts, decisions, or conditions. The MD&A
 - ❑ Includes comparisons of the current year to the prior year based on government-wide information;
 - ❑ Provides an analysis of our overall financial position and the results of operations to assist you in assessing whether our financial position has improved or deteriorated as a result of the year's activities;
 - ❑ Analyzes significant changes in fund and major budget variances;
 - ❑ Describes capital asset and long-term debt activity during the year;
 - ❑ Concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on our financial position or the results of our operations.

- ✱ **Basic Financial Statements**
 - **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the Town of Prospect's finances, in a manner similar to private-sector business.
 - The Government-Wide Financial Statements include a *statement of net position* that presents information on all of the Town of Prospect's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Prospect is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. These statements report all assets, liabilities, revenues, expenses, and gains and losses of the government. Both government-wide financial statements distinguish functions of the Town of Prospect that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Town of Prospect conducts no business-type activities. The governmental activities of the Town include general government, public safety, public works, parks and recreation, health and human services, education, other expenditures, and payment of interest on long-term debt. Thus, the government-wide financial statements include only the Town of Prospect itself (known as the *primary government*);
 - Fiduciary activities whose resources are not available to finance our governmental programs are excluded from these statements.

Capital assets, including infrastructure, are reported along with depreciation expense in the statement of activities. Net position is reported as capital assets net of related debt (net investment in capital assets), restricted, and unrestricted. Permanent endowments or permanent fund principal amounts included in restricted net position are shown as either expendable or nonexpendable.

Expenses are presented reduced by program revenues, resulting in a measurement of "net (expense) revenue" for each of the government's functions. Program expenses include all direct expenses. General revenues such as taxes and special and extraordinary items are reported separately, ultimately arriving at the change in net position for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

- **Fund Financial Statements** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Prospect, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.
- **Governmental fund** financial statements include financial data for the general fund, special revenue funds and capital projects and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental activities* in the government-wide financial statements with similar information presented for *governmental funds* in the long-term impact of the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The Town of Prospect maintains four major governmental funds (general fund, capital and non-recurring fund, town aid roads, and housing rehabilitation fund), five non-major special revenue funds, and three non-major capital projects funds, all of which are governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the three other major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. Prospect adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

- *Fiduciary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fund financial statements are presented for primary government funds. Governmental fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. A summary reconciliation of the fund and government-wide statements accompanies the fund financial statements.

Separate columns are shown for each major governmental fund and for consolidated non-major governmental funds. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental funds and at least 5 percent of the aggregate amount for all governmental funds. In addition to funds that meet the major fund criteria, any other governmental fund that the government's officials believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

Governmental fund balances are segregated into nonspendable, restricted, committed, assigned, and unassigned categories as described in Note 1D to the financial statements.

We present separate fiduciary fund statements used to report assets held in a trustee or agency capacity for others and which cannot be used for our own programs. We must show a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary fund statements also disclose interfund loans, interfund services provided and used, and interfund transfers.

➤ Notes to the Financial Statements

- Consist of notes that provide information essential to your understanding of the data provided in the government-wide and fund financial statements.

➤ Required Supplementary Information (RSI)

- Connecticut Municipal Employees Retirement System:
Schedule of the Town's Proportionate Share of the Net Pension Liability
- Schedule of Town Contributions
- Schedule of Changes in Net OPEB Liability and Related Ratios

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

We hope the financial reporting model will serve as a comprehensive way to demonstrate our stewardship in the long term in addition to the way we currently demonstrate our management in the short term and through the budgetary process.

As management of the Town of Prospect, we offer readers of the Town's financial statements this narrative overview and analysis of our financial activities for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished elsewhere in this report.

Financial Highlights

- The assets of the Town of Prospect exceeded its liabilities at the close of the most recent year by \$20,366,177 (net position). Of this amount, \$1,013,898 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$160,187 primarily due to a decrease in fund balances of \$55,562.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,381,560 a net decrease of \$55,562 in comparison with the prior year. Of the total fund balance, \$2,557,657, or 58.4%, is available for spending at the government's discretion (unassigned fund balance).
- The fund balance for the general fund increased \$514,476 from \$2,751,966 to \$3,266,442. The June 30, 2020 balance is 10.14% of total general fund expenditures of \$32,209,277. Of this fund balance, \$250,000 is committed to balance the next year budget, \$20,618 is assigned for various other purposes, and the remainder of \$3,046,274 is unassigned.
- Prospect's total bonded debt increased by \$495,000. \$900,000 of bond anticipation notes were issued for the 2019 Road Safety program.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the Town of Prospect, assets exceeded liabilities by \$20,366,177 at the close of the most recent fiscal year.

Table 1. Net Position

	Total Primary Government 2021	Total Primary Government 2020
Current and Other Assets.....	\$ 7,854,444	6,174,025
Capital Assets, net of depreciation	21,488,098	21,908,380
Total Assets.....	29,342,542	28,082,405
Deferred Outflows of Resources.....	318,166	372,354
Long-Term Obligations Outstanding	\$ 7,358,092	7,234,266
Other Liabilities.....	2,379,848	854,316
Total Liabilities.....	9,737,940	8,088,582
Deferred inflows of Resources.....	\$ 211,646	
Net Position:		
Net Investment in Capital Assets	\$ 17,427,916	18,158,859
Restricted.....	273,267	1,193,420
Unrestricted.....	2,009,939	1,013,898
Total Net Position.....	\$ 19,711,122	20,366,177

By far the largest portion of the Town's net position, \$19,711,122, or 88.4%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. Prospect uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town'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.

Restricted net position consists of \$157,526 of the Housing Rehabilitation Fund, and \$115,741 other grants and contributions which may be used to carry out the objectives of that program,

Unrestricted net position of \$3,648,451 (assigned and unassigned) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities accounted for the entire net position decrease of \$706,482 during the current fiscal year. Key elements of this decrease are as follows:

Table 2. Changes in Net Position

	Total Primary Government 2021	Total Primary Government 2020
Revenues:		
Program Revenues:		
Charges for Services.....	941,124	\$ 1,002,609
Operating Grants and Contributions.....	4,863,025	5,052,829
Capital Grants and Contributions	241,906	198,172
General Revenues:		
Property Taxes.....	27,779,233	26,993,097
Grants and Contributions not Restricted to Specific Purpose..	288,317	160,585
Investment Earnings.....	8,700	17,258
Other General Revenues.....	92,610	227,632
Total Revenues	34,214,915	\$ 33,652,182
Program Expenses:		
General Government	2,752,222	\$ 2,942,195
Public Safety	2,816,693	2,521,675
Public Works	3,035,263	3,043,214
Parks and Recreation	743,131	916,861
Health and Human Services	469,197	442,832
Education.....	25,008,345	23,709,145
Other Expenditures.....	-	145,031
Interest on Long-Term Debt.....	96,546	91,416
Total Governmental Activities	34,921,397	33,812,369
Increase (Decrease) in Net Position	(706,482)	\$ (160,187)

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,498,579, an increase of \$65,562 in comparison with the prior year. About 70% of fund balance, \$3,169,557, constitutes *unrestricted fund balance* (assigned plus unassigned) which is available for spending at the government's discretion. The remainder of the fund balance is committed for future capital expenditures (\$126,548), committed for Open Space (\$400,313), committed for net OPEB obligations (\$50,000), or restricted for other purposes (\$273,267).

The general fund is the chief operating fund of the Town of Prospect. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,169,557. As a measure of the general fund's liquidity, it may be useful to compare the unassigned general fund balance to total general fund expenditures. Unassigned fund balance represents 9.4% of total general fund expenditures of \$33,594,868 and 36.9% of non-education expenditures of \$8,586,523.

The Town's total general fund balance decreased by \$26,717 to a total of \$3,239,725 during the current fiscal year. \$250,000 of total fund balance has been assigned to balance the FY21 general fund budget and \$50,000 has been committed to fund the OPEB liability.

General Fund Budgetary Highlights

The original budget contemplated total revenue and transfers in of \$33,977,597 and \$33,977,597 of total expenditures and transfers out. It was anticipated that \$250,000 of general fund balance would be used to balance the budget and \$112,000 would be funded through other government funds.

Actual revenues compared to the original budget were favorable by \$346,221 excluding transfers in and other financing sources.

- Tax collections overall were \$121,979 greater than anticipated at a collection rate of 100% of the original assessment and 98.96% after lawful corrections. The lawful corrections made by the assessor during the year netted to \$320,634 additional tax revenue..
- Revenue exceeded budgeted amounts for building inspections by \$63,463 and for property conveyance tax by \$59,971
- An unbudgeted refund of education funds was returned by Region 16 in the amount of \$131,758.

Capital Asset and Debt Administration

Capital Assets. The Town of Prospect's investment in capital assets for its governmental assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, water mains, and bridges. The net increase in the Town's investment in capital assets for the current fiscal year (before depreciation of \$1,524,106 and after dispositions of \$832,153) was \$1,103,824 for governmental activities. After accounting for accumulated depreciation, capital assets decreased by \$440,282 to \$21,488,098.

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

- We expended \$1,065,976 for road infrastructure which included regular road reconstruction, sidewalks, and repair.

Table 3. Capital Assets at Year-end (Net of Depreciation)

	Total Primary Government	
	2021	2020
Land	\$ 1,571,754	\$ 1,571,754
Construction in progress	12,200	12,200
Buildings and Improvements	5,475,950	5,655,606
Infrastructure	12,009,216	11,892,129
Vehicles	1,815,040	2,090,387
Furnishings and Equipment	603,938	686,304
Totals	\$21,488,098	\$21,908,380

Additional information on the Town of Prospect's capital assets can be found in Note 7 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Prospect had \$3,348,000 of bond anticipation notes outstanding. The BAN issue refinanced \$2,448,000 of existing BAN and added \$900,000 for Road Safety 2019. 100% of the Town's debt is general obligation backed by the full faith and credit of the government. See Note 8, Long-Term Debt, of this report for more information.

Prospect is a member town of Regional School District No. 16 along with the Town of Beacon Falls. As such, Region 16's \$18,880,000 of long-term debt represents overlapping debt to the Town, for which it has also pledged its full faith and credit. The State reimburses the District for principal and interest on its long-term debt at about 72% for bonds authorized prior to 1996. Prospect's share of the district's net debt is based on the average daily membership (ADM) of Prospect students attending the regional facility on October 1 of the preceding year. For the fiscal year 2021, Prospect's ADM percentage was calculated to be 65%, and the Town's share of the District net debt at the ADM rate amounts to \$12,272,000.

At June 30, 2021, the Town's net OPEB obligation is \$2,278,438 and is reflected as a long-term liability in the Statement of Net Position. The Town committed \$50,000 of the 2021 budget for future net pension obligation payments.

For fiscal year June 30, 2021, the Town implemented the accounting principles of GASB Statement #84, which requires certain funds previously reported as a fiduciary be included in the governmental funds.. as A result, the beginning balances of the government net position (Exhibit B) and the nonmajor fund balance (Exhibit D) were increased by \$51,457.

Economic Factors and Next Year's Budget

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2023 budget. One of those factors is the economy.

With the overwhelming reliance on property taxes, the Town's income stream is relatively stable, even during a recession and the COVID – 19 pandemic. However, the overreliance on one income stream may develop into higher risks for future years in the Town of Prospect.

While the Town's spending is also relatively stable year-to-year, the Town faces increasing economic burdens from the reduction of state and federal grants including the reduction of Pilot and Education Grants. In addition, the Town weighs the risks of further unfunded mandates as well as the Town's exposure to risk's associated with the States Municipal Employee Retirement System (MERS).

These indicators along with a projected inflationary increase were taken into account when proposing the General Fund budget for 2022-23.

Requests for Information

This financial report is designed to provide a general overview of the Town of Prospect'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 Office of the Mayor, 36 Center Street, Prospect, CT 06712.

TOWN OF PROSPECT, CONNECTICUT

EXHIBIT A

STATEMENT OF NET POSITION

June 30, 2021

	Governmental Activities *
Assets:	
Cash and cash equivalents	\$ 5,758,807
Investments	333,718
Receivables, net	1,723,982
Prepaid expenses	37,937
Capital assets:	
Capital assets, not being depreciated	1,583,954
Capital assets, being depreciated, net	19,904,144
Total assets	\$ 29,342,542
Deferred outflows on resources:	
Deferred pension expenses	\$ 318,166
Total deferred outflows on resources	\$ 318,166
Liabilities:	
Accounts payable and other current liabilities	\$ 721,192
Accrued interest	83,330
Payments in advance	1,575,326
Noncurrent liabilities:	
Due within one year	589,339
Due in more than one year	6,768,753
Total liabilities	\$ 9,737,940
Deferred outflows on resources:	
Deferred pension expenses	\$ 211,646
Total deferred outflows on resources	\$ 211,646
Net position:	
Invested in capital assets, net of related debt	\$ 17,427,916
Restricted	273,267
Unrestricted	2,009,939
Total net position	\$ 19,711,122

* After internal balances have been eliminated

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

TOWN OF PROSPECT, CONNECTICUT

EXHIBIT B

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

Functions/programs	Expenses	Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
Primary government:					
Governmental activities:					
General government	\$ 2,752,222	470,256	-	-	(2,281,966)
Public safety	2,816,693	298,713	-	-	(2,517,980)
Public works	3,035,263	66,199	-	241,906	(2,727,158)
Culture and recreation	743,131	76,848	902	-	(665,381)
Health and human services	469,197	29,108	-	-	(440,089)
Education	25,008,345	-	4,862,123	-	(20,146,222)
Interest on long-term debt	96,546	-	-	-	(96,546)
Total governmental activities	\$ 34,921,397	941,124	4,863,025	241,906	(28,875,342)

General revenues:

Property taxes	\$ 27,779,233
Grants and contributions not restricted for specific programs	288,317
Unrestricted investment earnings	8,700
Other unrestricted income	92,610

\$ 28,168,860

Change in net position \$ (706,482)

Net position, beginning of year 20,417,604

Net position, end of year \$ 19,711,122

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

TOWN OF PROSPECT, CONNECTICUT

EXHIBIT C

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General	Capital & Nonrecurring	Housing Rehabilitation	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 4,668,156	139,959	157,526	793,166	5,758,807
Investments	56,850	-	-	276,868	333,718
Receivables, net	971,778	-	700,225	51,979	1,723,982
Due from other funds	131,543	113,566	-	30,934	276,043
Prepaid expenses	37,937	-	-	-	37,937
Total assets	\$ 5,866,264	253,525	857,751	1,152,947	8,130,487
Liabilities and Fund Balances					
Liabilities:					
Accounts and other payables	\$ 550,777	126,977	-	43,438	721,192
Payments in advance	1,575,326	-	-	-	1,575,326
Due to other funds	141,314	-	-	134,729	276,043
Total liabilities	\$ 2,267,417	126,977	-	178,167	2,572,561
Deferred inflows of resources:					
Unavailable receipts	\$ 359,122	-	700,225	-	1,059,347
Total deferred inflows of resources	\$ 359,122	-	700,225	-	1,059,347
Fund balances:					
Nonspendable	\$ -	-	-	-	-
Restricted	-	-	157,526	115,741	273,267
Committed	50,000	126,548	-	400,313	576,861
Assigned	20,168	-	-	458,726	478,894
Unassigned	3,169,557	-	-	-	3,169,557
Total fund balances	\$ 3,239,725	126,548	157,526	974,780	4,498,579
Total liabilities, deferred inflows of resources and fund balances	\$ 5,866,264	253,525	857,751	1,152,947	

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

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds.	21,488,098
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,059,347
Long-term liabilities , including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(7,441,422)
Pension costs , including differences between expected and actual pension experiences, change in pension assumptions and net difference between projected and actual pension earnings.	106,520
Net position of governmental activities (Exhibit A)	<u>\$ 19,711,122</u>

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

TOWN OF PROSPECT, CONNECTICUT

EXHIBIT D

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2021

	General	Capital Projects	Housing Rehabilitation	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes and assessments	\$ 27,721,338	-	-	-	27,721,338
Intergovernmental	5,150,440	-	-	241,906	5,392,346
Charges for services	491,916	-	19,997	420,100	932,013
Investment income	2,349	-	-	6,351	8,700
Miscellaneous	92,608	-	-	30,012	122,620
Total revenues	\$ 33,458,651	-	19,997	698,369	34,177,017
Expenditures:					
Current:					
General government	\$ 2,779,463	-	-	-	2,779,463
Public safety	2,008,118	-	-	219,421	2,227,539
Public works	2,042,667	-	-	253,585	2,296,252
Culture and recreation	624,610	-	-	-	624,610
Public health	358,073	-	-	52,996	411,069
Education	25,008,345	-	-	-	25,008,345
Other	87,707	-	2,129	31,582	121,418
Capital outlay	-	856,874	-	-	856,874
Debt service	685,885	-	-	-	685,885
Total expenditures	\$ 33,594,868	856,874	2,129	557,584	35,011,455
Excess (deficiency) of revenues over (under) expenditures	\$ (136,217)	(856,874)	17,868	140,785	(834,438)
Other financing sources (uses):					
Proceeds from debt obligations	\$ -	900,000	-	-	900,000
Transfer in from other funds	112,000	2,500	-	3,186	117,686
Transfer out to other funds	(2,500)	-	-	(115,186)	(117,686)
Total other financing sources (uses)	\$ 109,500	902,500	-	(112,000)	900,000
Net changes in fund balances	\$ (26,717)	45,626	17,868	28,785	65,562
Fund balances (deficits) - beginning	3,266,442	80,922	139,658	945,995	4,433,017
Fund balances (deficits) - ending	\$ 3,239,725	126,548	157,526	974,780	4,498,579

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

TOWN OF PROSPECT, CONNECTICUT

EXHIBIT E

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Differences in amounts reported for government-wide activities in the Statement of Activities are due to:

Net change in fund balances - total governmental funds (Exhibit D)	\$ 65,562
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(420,282)
Revenues previously recognized in the statement of activities that provided current financial resources in the current year.	37,898
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(123,826)
Pension expenses and credits as a result of changes in assumptions and expectation are recognized in the government-wide financial statements but are not included in the fund financial statements.	<u>(265,834)</u>
Change in net position of governmental activities (Exhibit B)	\$ <u><u>(706,482)</u></u>

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

TOWN OF PROSPECT, CONNECTICUT

EXHIBIT F

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNASSIGNED FUND BALANCE -
 BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 27,599,359	27,599,359	27,721,338	121,979
Intergovernmental	5,100,624	5,100,624	5,150,440	49,816
Charges for services	292,900	292,900	491,916	199,016
Investment income	14,000	14,000	2,349	(11,651)
Other revenues	105,547	105,547	92,608	(12,939)
Total revenues	\$ 33,112,430	33,112,430	33,458,651	346,221
Expenditures:				
Current:				
General government	\$ 2,797,636	2,912,597	2,779,463	133,134
Public safety	2,132,531	2,109,887	2,008,118	101,769
Public works	2,151,315	2,127,323	2,042,667	84,656
Culture and recreation	769,801	762,015	624,610	137,405
Health and welfare	410,137.00	419,940	358,073	61,867
Education	24,876,587	24,876,587	25,008,345	(131,758)
Other	154,423	156,423	84,707	71,716
Debt services	685,167	685,167	685,885	(718)
Total expenditures	\$ 33,977,597	34,049,939	33,591,868	458,071
Revenues over (under) expenditures	\$ (865,167)	(937,509)	(133,217)	804,292
Other financing sources (uses):				
Transfer from other funds	\$ 127,000	127,000	112,000	(15,000)
Transfer to other funds	-	-	(55,500)	(55,500)
Proceeds from surplus	738,167	810,509	250,000	(560,509)
Total other financing sources (uses)	\$ 865,167	937,509	306,500	(631,009)
Revenues over expenditures and other financing sources (uses)	\$ -	-	173,283	173,283
Net change in unassigned fund balance			\$ 173,283	
Unassigned fund balance, July 1, 2020			2,996,274	
Unassigned fund balance, June 30, 2021			\$ 3,169,557	

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

TOWN OF PROSPECT, CONNECTICUT**EXHIBIT G****STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2021**

		<u>Custodial Funds</u>
Assets:		
Cash and cash equivalents	\$	<u>5,785</u>
Total assets	\$	<u><u>5,785</u></u>
Net position:		
Held in trust for benefits of contractors	\$	<u>5,785</u>
Total net position	\$	<u><u>5,785</u></u>

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

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Town of Prospect, Connecticut (the Town) was incorporated in 1827, under the provisions of the State of Connecticut's General Statutes, as amended. The Town is governed by Charter, last revised in November 2000, and operates under a Mayor/Town Council form of government. The Town provides services as authorized by its Charter including public safety (police and fire), highways and streets, sanitation health and human services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements exclude certain agencies from its financial report for which it may exhibit some limited form of oversight responsibilities. These agencies and the reasons for exclusion are summarized below:

Regional Board of Education – The Town of Prospect elects four of the eight board members of the Region 16 School District. Personnel, management, and finances are controlled by the Regional School District. The Town's control over finances is limited to approval of annual budget.

Prospect Fire Department – The Prospect Fire Department is incorporated as a separate entity. The Town's control over finances is limited to approval of annual contributions of cash and equipment.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting board for governmental accounting financial reporting principles. These principles require that the Town report government-wide and fund financial statements.

The following is a summary of the Town's more significant accounting principles.

Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. *Government activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately than *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 segment of, 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*.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary fund and fiduciary fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity, or internal balances, has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the business-type funds and the various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Fund financial statements

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

The 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. Expenditures are generally recorded when a liability has occurred, as under accrual accounting. However, expenditures related to long-term liabilities, such as debt service payments and compensated absences, are recorded only when payment is due.

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real estate taxes are payable in two installments (July 1 and January 1). Personal property taxes are payable annually (July 1) and motor vehicle taxes are due in one single payment on July 1. Liens are filed on delinquent real estate taxes within one year. Revenues from property taxes are recognized when they become available. Available means due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers property tax revenue to be available if they are collected within 60 days of the end of the fiscal year.

Those revenues susceptible to accrual are property taxes, special assessments, and interest revenue. Fines, permits, and charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

Intergovernmental revenue grants and similar items are recognized as soon as all eligible requirements imposed by the provider have been met and are collected soon enough to pay liabilities of the current period. For this purpose, grants may be recognized and received after 60 days of the fiscal year end.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

The Town reports the following major governmental funds:

The **general fund** is the general operating fund of the Town's government. All unrestricted resources, except those required to be accounted for in other funds, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt and capital improvement costs of the Town, which were not paid through a special fund.

The **capital and nonrecurring fund** is used to account for resources used for capital expenditures or for the acquisition or construction of capital facilities, improvements, and equipment. Sources of revenue include current tax revenues and government grants.

The **housing and rehabilitation fund** accounts for a program to provide long-term loans to eligible recipients and was funded by the U.S. Department of Housing and Urban Development program.

Additionally, the Town reports the following fund type:

The **custodial fund** is used to account for assets held by the Town as an agent on behalf of others. These funds are held on-behalf of contractors in the form of performance bonds.

Assets, Liabilities and Net Assets or Equity

Cash and cash equivalents

The Town considers cash on hand, deposits, and short-term investments, with an original maturity of three months or less from the date of acquisition.

Receivables and payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion of interfund loans) or "advances to/from other funds" (noncurrent portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable funds to indicate that they are not available for appropriation and are not expendable as financial resources.

All trade and property tax receivables, including those for Sewer Authority funds (W.P.C.A.), are shown net of an allowance for uncollectible accounts. Trade account receivables allowance for uncollectible accounts is estimated based on the inherent risk associated with the accounts.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Property taxes

Property taxes on real estate, motor vehicles and personal property are assessed on the Town's grand list as of October 1 of the previous year and billed on the following July 1 and January 1. The billings are considered due on those dates; however, the actual due dates are 31 days after the tax bill date. On these days, (February 1 and August 1) the unpaid bill is considered delinquent at which time the applicable property is subject to lien and penalties, and interest is assessed. Property tax assessments are made at 70% of the assessed value for all taxable real estate and personal property located within the Town of Prospect on October 1.

Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the net assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives with a capitalization threshold of \$5,000:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	5-40
Land improvements	50
Infrastructure (including sewer system)	30-50
Machinery and equipment	5-20

Capital assets are reported as expenditures and no depreciation expense is reported in the governmental fund financial statements.

Deferred outflows/inflows of resources

The statement of net position (Exhibit A) reports a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until a future period. The Town reports borrowing costs as well as a deferred charge on refunding as a result from the differences in the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the related debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs, and the net difference between projected and actual pension investment earnings.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2021**

The Statement of Net Position (Exhibit A) and the Balance Sheet for the governmental funds (Exhibit C) report a separate section for deferred inflows of resources. This separate financial element represents the addition of net position or fund balance that applies to future periods and will not be recognized as revenue until that time. The Town reports advance tax collections in the Statement of Net Position and the Balance Sheet for the governmental funds. The Town reports a deferred inflow of resources related to pensions in the Statement of Net Position.

A deferred inflow of resources related to pension results from differences between expected and actual experience. These amounts are deferred and included in pension expense in a systematic and rational manner. The government funds report unavailable revenue, which arises only under the modified accrual basis of accounting because it does not meet the measurable and available criteria for the recognition in the current period.

Compensated absences

Under the terms of its various union contracts, Town employees are granted vacation and sick time in varying amounts based on length of service. Certain employees may also carry over a limited number of unused vacation days to subsequent years based on the terms of an employment or union contract. In the event of termination, these employees are reimbursed for accumulated vacation. The Town recognizes a liability in the Government-Wide financial statements for the vested portion, as well as the unvested portion to the extent expected to be paid, as compensated absences.

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.

Long-term obligations

The Government-Wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payables are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the terms of the related debt.

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 the debt issued is reported as other financial 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 withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Fund equity and net position

In the Government-Wide financial statements, net position is classified in the following categories:

Investment in capital assets, net of related debt - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

The ***unrestricted net position*** represents the net position of the Town which is not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified into five separate categories. The five categories and their general meanings are as follows:

Nonspendable are those net assets that are not in expendable form or are legally or contractually required to be maintained.

Restricted fund balances are defined in the same manner as for the restricted government-wide net assets.

Committed fund balances are those balances that can only be used for a specific purpose as a result of constraints imposed by formal action of the government's highest level of decision-making authority. For the Town of Prospect, that was considered to be the Town Council.

Assigned fund balances are amounts that are contained by the government's intent to be used as a specific purpose.

Unassigned fund balance is defined as the residual classification for the general fund and includes those remaining balances that cannot be categorized in the above four categories.

Note 2 - Budgets and Budgetary Accounting

An annual budget is prepared and employed for management control of the general fund adopted on a basis consistent with general accepted accounting principles (modified basis).

The Town established its budget in accordance with provisions of the Connecticut General Statutes and the Town Charter. Transfers and supplemental appropriations were approved during the year in accordance with provisions of the Town Charter and are reported in the financial budget.

The Town Council is empowered to appropriate up to an amount equal to 2.5 percent of the amount to be raised by taxation in the annual budget for the current fiscal year as adopted, if approved by a majority of Council. Total supplemental appropriations in any one fiscal year in excess of 2.5 percent require a Town meeting approval.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Supplemental appropriations may be drawn from the unreserved surplus or any available un-appropriated and unencumbered general fund cash balance. In the absence of a balance in the unreserved surplus or of an available un-appropriated and unencumbered general fund cash balance to meet such appropriations, as determined by the Council, additional means of financing shall be determined by the Council in a manner consistent with the provisions of the Connecticut General Statutes and the Town Charter.

For the purposes of meeting a public emergency threatening the lives, health or property of citizens, emergency appropriations, the total amount of which shall not exceed five percent (5%) of the current tax levy in any one fiscal year, may be made upon the recommendation of the Mayor and the majority vote of the available membership of Council. In the absence of the Mayor, the Council may act alone.

Special Revenue Funds

The Town does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets carry over until completion of the grants and, therefore, may comprise more than one fiscal year.

Capital Projects Funds

Legal authorization for expenditures of the Capital Projects Funds is provided by the related bond ordinances and/or intergovernmental grant agreements or Connecticut State Statutes. Capital appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned.

Note 3 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The details of the components included in Exhibit C are as follows:

Capitalized assets are expensed in the fund financial statements in the period the expense is incurred while the expense is incurred over the useful life of the related asset in the government-wide financial statements:

Land	\$	1,571,754
Construction in progress		12,200
Net capital assets being depreciated		<u>19,904,144</u>
Net adjustment to increase fund balance to arrive at net position of governmental activities	\$	<u>21,488,098</u>

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The detail of this difference is as follows:

Debt	\$ (4,060,182)
Accrued interest	(83,330)
Net pension obligation	(919,511)
Net OPEB Liability	(2,278,438)
Compensated absences	<u>(99,961)</u>
Net adjustment to reduce fund balance to arrive at net position of governmental activities	\$ <u>(7,441,422)</u>

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This amount includes the following:

Delinquent property tax and interest	\$ 359,122
Long-term notes receivable	<u>700,225</u>
Net adjustment to increase fund balance to arrive at net position of governmental activities	\$ <u>1,059,347</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as a depreciation expense." The details of this difference are as follows:

Acquisitions	\$ 1,103,824
Depreciation	<u>(1,524,106)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>(420,282)</u>

Revenues previously recognized in the statement of activities that provide current financial resources in the current year include the following:

Net change of delinquent taxes	\$ 57,895
Payments on long-term notes	<u>(19,997)</u>
Total previously recognized revenues	\$ <u>37,898</u>

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

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

New borrowings	\$	(900,000)
Payments on borrowing		589,339
Net change in net pension obligation		(38,661)
Net change in net OPEB obligation		229,457
Net change in compensated absences		<u>(3,961)</u>
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>(123,826)</u>

Note 4 - Deposits and Investments

Deposits

As of June 30, 2021, total deposits of 5,764,592 represent cash and cash equivalents of \$5,758,807 as reported on the statement of net position and \$5,785 reported on the statement of fiduciary net assets.

Custodial credit risk on deposits – Custodial credit risk is the possibility that in the event of a bank failure, the Town deposits may not be returned. The Town Charter does not specifically authorize or prohibit the types of investments or deposits that may be made. The treasurer is generally restricted to investing funds in accordance with the Connecticut General Statutes (Section 7-402). Deposits may be placed with any "qualifying public depository," as defined by state statute, which has its main place of business in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

Concentration of credit risk – Concentration of credit risk attributed to the magnitude of a government's deposit in a single financial institution. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

The carrying amount of the Town's cash deposits with financial institutions was \$5,770,377 and the bank balance was \$5,518,531. Of the bank balances, \$557,466 was covered by Federal Depository Insurance and \$4,409,212 is unissued and uncollateralized. All of the deposits were maintained in institutions considered to be qualified public depositories and are protected under the provisions of Section 36a-33 of the Connecticut General Statutes, which provide for protection against loss in excess of any deposit insurance by providing individual bank collateral pledge requirements tiered to risk-based capital ratios.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Investments

The Town's investments consist of the following at June 30, 2021:

	<u>Governmental</u>
Certificates of deposit	\$ 142,113
U.S. government bonds	103,200
Fixed income annuity	85,519
Equities	2,886
Total	\$ <u>333,718</u>

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States or may be invested in any state to other tax-exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of certain funds, such as the municipal pension funds, do not specify permitted investments. Therefore, investments of such funds are generally controlled by laws applicable to fiduciaries and regulations applicable to those funds.

Credit Risk – The Town has no formal investment policy that would limit its investment choices due to credit risk other than the State Statutes.

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

Investments

The Town is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: *Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.*

Level 2: *Inputs and information other than quoted market indices included in Level 1 are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:*

- a. Quoted prices for similar assets or liabilities in active markets;*
- b. Quoted prices for identical or similar assets in markets that are not active;*
- c. Observable inputs other than quoted prices for the assets or liabilities;*
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.*
- e.*

Level 3: *Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.*

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances

Investments are summarized as follows:

	Fair Value	Maturities (in years)			
		<1	1-5	6-10	>10
Fixed income	\$ 245,313	245,313	-	-	-
U.S. Treasuries	103,200	103,200	-	-	-
Equity	2,886	2,886	-	-	-
	<u>\$ 351,399</u>	<u>351,399</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 5 - Receivables

Receivables

The receivables reported in the Statement of Net Position and Governmental Funds Balance Sheet consists of the following:

Current receivables:	
Property taxes	\$ 430,124
Interest and fees on delinquent taxes	24,283
Accounts receivable	157,446
Government grants	552,710
Other receivables:	
Loans	<u>700,225</u>
Gross receivables	\$ 1,864,788
Less: allowance	<u>(140,806)</u>
Total receivables (net)	<u>\$ 1,723,982</u>

Deferred payments and unavailable receipts

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the fiscal year, \$359,122 of delinquent taxes and interest, and \$700,225 of outstanding loans were unavailable to liquidate current liabilities. \$1,575,326 of advanced payments were received and unearned.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Note 6 - Inter-fund Receivables, Payables and Transfers

Inter-fund Receivables and Payables

Inter-fund receivables and payables at June 30, 2021 consisted of the following:

Receivable Fund	Payable Fund	Amount
General fund	Other governmental funds	\$ 131,543
Other governmental funds	Other governmental funds	3,186
Capital	General fund	113,566
Nonmajor funds	General fund	27,748
Total		\$ 276,043

Inter-fund Transfers

The Town made the following transfers between funds during the fiscal year:

General fund to capital and non-recurring fund	\$ 2,500
Nonmajor funds to general fund	112,000
Nonmajor funds (W.P.C.A.) fund to nonmajor fund (W.P.C.A. capital)	3,186
Total	\$ 117,686

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,571,754	-	-	1,571,754
Construction in progress	12,200	-	-	12,200
Total capital assets, not being deprec.	\$ 1,583,954	-	-	1,583,954
Capital assets being depreciated:				
Buildings and improvements	\$ 8,982,757			8,982,757
Infrastructure	25,578,133	1,065,976	832,153	25,811,956
Vehicles	5,251,981	5,313	-	5,257,294
Furniture and equipment	2,627,727	32,535	-	2,660,262
Total capital assets being depreciated	\$ 42,440,598	1,103,824	832,153	42,712,269
Less: accumulated depreciation:				
Buildings and improvements	\$ 3,327,151	179,656	-	3,506,807
Infrastructure	13,686,004	948,889	832,153	13,802,740
Vehicles	3,161,594	280,660	-	3,442,254
Furniture and equipment	1,941,423	114,901	-	2,056,324
Total accumulated depreciation	\$ 22,116,172	1,524,106	832,153	22,808,125
Net capital assets, being depreciated	\$ 20,324,426	(420,282)	-	19,904,144
Total capital assets, governmental	\$ 21,908,380	(420,282)	-	21,488,098

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2021

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General government	\$ 76,837
Public safety	284,659
Public works	985,961
Recreation	118,521
Health and social services	58,128
Total depreciation expense	\$ 1,524,106

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2021 was as follows:

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Due Within 1 year
Short-term debt, expected to be refinanced:					
Bond anticipation notes	\$ 2,898,000	900,000	450,000	3,348,000	498,000
Capital leases	851,521	-	139,339	712,182	139,339
Total long-term debt	\$ 3,749,521	900,000	589,339	4,060,182	589,339
Net pension liability	\$ 795,267	42,732	-	837,999	-
Unfunded MERS pens.	85,583	-	4,071	81,512	-
Net OPEB obligation	2,507,895	-	229,457	2,278,438	-
Compensated absences	96,000	3,961	-	99,961	-
Total long-term liabilities	\$ 7,234,266	946,693	822,867	7,358,092	589,339

Short-Term, Debt Expected to be Refinanced – Bond Anticipation

The following bond anticipation notes are included in long-term obligations intends to refinance the notes until maturity.

Project	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Due Within 1 year
Road safety 2014	\$ 125,000	-	75,000	50,000	50,000
Road safety 2015	300,000	-	75,000	225,000	75,000
Community school purch	148,000	-	75,000	73,000	73,000
Road safety 2017	600,000	-	75,000	525,000	75,000
Road safety 2018	825,000	-	75,000	750,000	75,000
Road safety 2019	900,000	-	75,000	825,000	75,000
Road safety 2020	-	785,000	-	785,000	70,000
Fire Dept. radio repeater	-	115,000	-	115,000	5,000
	\$ 2,898,000	900,000	450,000	3,348,000	498,000

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Overlapping debt

The Town is contingently liable for its pro-rata share of Regional School District No. 16 general obligation school bonds. The District's operating budget provides for annual retirement of principal and interest. At June 30, 2021, the District had \$18,880,000 of long-term bonded debt. The Town's share is based on student enrollment attending the regional facility on October 1 of the preceding year and is calculated at 65% for the fiscal year ending June 30, 2021. The overlapping debt to the Town is calculated to be \$12,272,000.

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts for the immediately preceding fiscal year, as defined in the Statute, or \$193,992,974. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal, and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2021.

Capital Lease

The Town has entered into various lease agreements as lessee for financing the acquisition of equipment. The leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date in the government-wide financial statements. The assets acquired through the capital leases are as follows:

Pierce tanker fire truck, 3.27%, 8 years to March 2022	\$	416,179
Pierce velocity pumper fire truck, 4.82% 10 years to July 2028		815,109
Dump body truck, 3.40%, 6 years to August 2025		207,986
Total equipment	\$	1,439,274
Less: accumulated depreciation		385,270
Net book value	\$	1,054,004

The annual requirement to amortize the leases as of June 30, 2021 is as follows:

Year Ended June 30,	Present Value of Minimum Lease Payment	Interest	Total Minimum Lease Payments
2022	\$ 140,567	30,983	171,550
2023	86,623	25,557	171,550
2024	90,324	21,856	112,180
2025	94,187	17,992	112,180
2026	98,215	14,811	112,180
2027-2029	202,266	18,951	222,063
Total	\$ 712,182	130,150	901,703

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2021**

Note 9 - Commitments and Contingencies

Risk Management

The Town is exposed to various risks of loss including torts, theft of, damage to, and destruction of assets; error and omissions; injuries to employees; employee health; and natural disasters. The Town generally obtains commercial insurance for these risks. For all types of commercial coverage, settled claims have not exceeded coverage in any of the past three years.

The Town is a member of the Connecticut Interlock Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention.

The Town of Prospect is currently involved as a defendant in various types of litigation involving the Town, its officers, employees, boards, and commissions. The probabilities of adverse decisions in these matters and the amounts of potential losses that may result are not presently determinable. However, the Town is of the opinion that the liability in these cases, if any, will not materially adversely affect the financial statements for these contingencies.

The Town experienced unauthorized externally generated automated clearing house ACH withdrawals in its payroll checking account. The bank was able to recover some of the funds withdrawn by reversing transactions that were within sixty days of the date that they were notified of the unauthorized withdrawals. Law enforcement has arrested one suspect and there is an ongoing investigation under way.

As of June 30, 2021, it is the opinion of management that this amount will be recoverable through a combination of involved third parties and/or an insurance claim.

The Town received federal and state grants for specific purposes and is subject to review and audit by the grantor agency for compliance and disallowed expenses under the grant. Management believes that such disallowances, if any, will not be material to the financial position of the Town.

The spread of the COVID-19 virus has caused business disruption throughout the United States and in the State of Connecticut specifically through the State of Connecticut Executive Orders. While disruption is expected to be temporary, there is a considerable uncertainty concerning the duration and financial impact of this disruption. Although the Town does not expect this matter to negatively impact its financial condition, results of operation, or cash flow, the extent of the financial impact and duration cannot be reasonably estimated.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2021**

Note 10 - Employee Retirement Plans

Defined Contribution Money Purchase Pension Plan

The Town of Prospect maintains a defined contribution money purchase pension plan for all full-time employees of the Town (excluding union employees, who are covered separately as discussed below), including elected officials. Contributions to the Plan are made annually at the discretion of the retirement board (8% of eligible wages for the year ended June 30, 2020). Participating employees are not required to make any contributions to the Plan. However, each employee may make voluntary contributions in an amount no less than 2% or more than 10% of gross pay.

For the year ended June 30, 2021, the Town contributed \$67,252 on covered payroll of \$840,648.

The Town of Prospect also offers an IRS Section 457 Deferred Compensation Program to its employees. At June 30, 2021, net assets of the Town of Prospect Profit Sharing Plan and Trust totaled \$1,489,278 and net assets of the Deferred Compensation Program totaled \$696,860.

Connecticut Municipal Employees' Retirement System – Defined Benefit Plan

Plan description

The Town's full-time employees participate in Connecticut's Municipal Employees' Retirement System (CMERS), a cost-sharing multiple-employer Public Employee Retirement System (PERS) established by the State of Connecticut and administered by the State Retirement Commission to provide retirement, disability, and death benefits to the employees and beneficiaries of participating municipalities. Title 7, Chapter 113 of the General Statutes of Connecticut, which can be amended by legislative action, establishes PERS benefits, member contribution rates and other plan provisions.

CMERS is considered to be a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 165 Capitol Avenue, Hartford, Connecticut 06106, by calling 860-702-3480, or by visiting the State's website www.ct.gov.

Summary of significant accounting policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and expense information about CMERS net position and additions to/deductions from CMERS net position have been determined on the same basis they are reported by CMERS. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Benefit provisions

General Employees: Employees are eligible to retire at age 55 with 5 years of continuous service, or 15 years of active aggregate service. Employees under the age of 55 are eligible to retire with 25 years of service.

Police Officers and Firefighters: Compulsory retirement age for police and fire members is age 65.

Normal Retirement: Members not covered by social security receive a benefit of 2% of average final compensation times years of service. Members covered by social security receive a benefit of 1.5% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint times years of service.

The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include workers' compensation and social security benefits.

Early Retirement: Employees are eligible after 5 years of active continuous service or 15 years of active aggregate service. The benefit is calculated based on average final compensation and service to date of termination. Deferred to normal retirement age or an actuarially reduced allowance may begin at the time of separation.

Disability Retirement: Employees are eligible for service-related disability benefits from being permanently or totally disabled from engaging in the service of the municipality provided such disability has arisen out of and in the course of employment with the municipality. Disability due to hypertension or heart disease, in the case of police officers and firefighters, who began employment prior to July 1, 1996, is presumed to have been suffered in the line of duty. Benefits are calculated based on compensation and service to the date of the disability with a minimum benefit of 50% of compensation at the time of disability. Non-service-related disability benefits are provided to employees with 10 years of service and being permanently or totally disabled from engaging in gainful employment in the service of the municipality. Disability benefits are calculated based on compensation and service to the date of the disability.

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

Contribution requirements

Employer: The Town, as a participating municipality, makes annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of CMERS not met by member contributions. There is also an annual administrative fee per active and retired members.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

For the year ended June 30, 2021, the Town's required contribution to CMERS was \$70,841, calculated at 13.73% of \$515,958 covered payroll. The annual prior service amortization payment for thirty years is \$7,093 (effective July 1, 2006). A balance of \$85,583 is included in the Town's long-term debt as of June 30, 2021.

Employee: Plan members not covered by social security are required to contribute 5% of compensation. Employees covered by social security are required to contribute 2.25% of compensation up to the Social Security taxable wage base plus 5% of compensation, if any, in excess of such base.

Pension liabilities (assets), pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The changes in assumptions that affected the measurement of the total pension liability since the prior measurement date, were updating rates of inflation, real investment return mortality, withdrawal, disability, retirement, and salary increase to reflect actual and anticipated experience more closely.

The Town recognized its proportionate share of the collective pension expense in the government-wide statement of activities in the amount of \$837,999 for the year ended June 30, 2021. The Town's proportionate share of the State's liability was .213393%.

At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to CMERS pension benefits as follows:

	Deferred Outflows of Resources	Deferred inflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 87,941	-
Changes of assumptions	137,976	-
Change in proportional share	36,729	8,961
Net difference between employers expected and actual experience	55,520	107,134
	<u>\$ 318,166</u>	<u>116,095</u>

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2021

Net deferred outflows and inflows of resources for pensions is amortized and recognized as an increase/decrease to the net pension expense/liability each year as follows:

Year Ended June 30,	
2020	\$ 93,581
2021	105,120
2022	(3,230)
2023	6,600
2024	-
Thereafter	-
	<u>\$ 202,071</u>

Actuarial assumptions

The total pension liability is based upon the June 30, 2019 actuarial valuation. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2017. The key actuarial assumptions used in the valuation were as follows:

Inflation	2.5%
Salary increase	3.50-10.00%, including inflation
Long-term investment rate of Return	7.00%, net of pension plan investment expense, including inflation

For the period after retirement and for dependent beneficiaries, mortality rates were based on the RP-2014 Combined Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for General Employees and the RP-2014 Blue Collar Mortality Table adjusted to 2006 and projected to 2015 with Scale MP-2017 and projected to 2022 with Scale BB for Police and Fire. For disabled retirees, the RP-2014 Disabled Mortality Table projected with Scale BB to 2020 was used. The static projection produces sufficient margin in the mortality rates to reflect future improvement in our judgment.

Future Cost of Living adjustments (COLA) for members who retire on or after January 1, 2002, are 60% of the annual increase in the CPI up to 6%. The minimum annual COLA is 2.5%, and the maximum is 6%.

Long-term rate of return

The long-term expected rate of return on pension plan investments was determined using statistical 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 most recent best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	20.0%	5.3%
Developed market international	11.0%	5.1%
Emerging market international	9.0%	7.4%
Core fixed income	16.0%	1.6%
Inflation linked bond fund	5.0%	1.3%
Emerging market debt	5.0%	2.9%
High yield bonds	6.0%	3.4%
Real estate	10.0%	4.7%
Private equity	10.0%	7.3%
Alternative investments	7.0%	3.2%
Liquidity fund	1.0%	0.9%
Total	100.0%	

Discount rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarial determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Town calculated using the discount rate of 7.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability	\$ 1,133,257	795,267	510,594

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Other Post Employment Benefits

Plan Description - The Town provides healthcare insurance benefits for eligible retirees and their spouses through the Town's group health insurance plan, which covers both active and retired members. Benefit provisions are established by various collective bargaining and employment agreements with the Town.

Membership in the plan consisted of the following at June 30, 2020:

Active plan members	19
Retirees receiving benefits	<u>3</u>
Total	<u>22</u>

Total OPEB Liability

The Town's total OPEB liability was \$2,507,895 as of June 30, 2021 and was determined by a valuation as of June 30, 2021 with a measurement date of June 30, 2021.

Schedule of Funding Progress - There is no requirement for funding the Retiree Health Plan and the plan has not been funded. The Town is establishing a formal funding plan and a trust. An initial contribution in the amount of \$50,000 has been budgeted for the year ending June 30, 2021.

Net Other Post Employment Benefit (OPEB) Liability of the Town

As permitted by Statement No. 75 of the Governmental Accounting Standards Board, the total OPEB liability was determined using the alternative measurement method. This approach includes the same broad measurement steps as an actuarial valuation projecting benefit payment, discounting projected benefit payments to a present value, and attributing the present value of projected benefit payments to periods using an actuarial cost method. However, it permits simplification of certain assumptions.

The net OPEB liability for the fiscal year ended June 30, 2021 is calculated as follows:

Service cost	\$	164,082
Interest on net OPEB obligations		<u>87,776</u>
Net change	\$	251,858
Benefit payments		<u>(22,401)</u>
Increase in net OPEB obligations	\$	229,457
Net OPEB liability – beginning of year		<u>2,507,895</u>
Net OPEB liability – end of year	\$	<u><u>2,737,352</u></u>

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

The plan fiduciary net position as a percentage of the total OPEB liability is 0%.

Three-year trend information

Fiscal year ended	Annual OPEB Cost	Actual Contributions	Percentage if Annual OPEB Cost Contributed	Net OPEB Liability
6/30/2021	\$ 251,858	22,401	0%	2,737,352
6/30/2020	275,464	22,464	0%	2,507,895
6/30/2019	236,321	26,669	0%	2,225,895

The covered payroll (annual payroll of active employees covered by the plan) was \$1,166,528, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 215.0%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Alternative Measurement Report Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The following simplifying assumptions were made:

Retirement age for active employees - Active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Future Retiree Coverage - 75% of eligible employees are assumed to elect coverage at retirement (consistent with current participation of active employees).

Mortality - Life expectancy by gender comes from the *Life Expectancy Table* from the National Center for Health Statistics updated in 2015.

Turnover - The probability of remaining employed until retirement age from current and entry age comes from The U.S. Office of Personnel Management Civil Service Retirement and Disability Fund Annual Report fiscal year ended September 30, 2016.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Health insurance premiums - 2020 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums is 5.5%.

Discount rate - 3.5%.

Payroll growth rate - The expected long-term payroll growth rate was assumed to be 2.25%.

The following changes of assumptions were effective as of July 1, 2019:

- The expected long-term payroll growth rate was increased from 2.00% to 2.25%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1- percentage-point higher (4.5%) than the current discount rate:

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	\$ 2,126,626	1,915,186	1,718,234

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	Healthcare trend -1%	Health Cost Trend Assumed	Healthcare trend +1%
Total OPEB liability	\$ 1,689,435	1,915,186	2,182,853

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$253,000 on the government-wide statement of activities. At June 30, 2021, the Town reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2021

Note 11 - Fund Balances

Governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	<u>General Fund</u>	<u>Capital and Nonrecurring</u>	<u>Housing Rehab.</u>	<u>Nonmajor Funds</u>
Restricted:				
Grant requirements	\$ -	-	157,526	115,741
Committed:				
Net OPEB liability	50,000	-	-	-
Capital projects	-	126,548	-	-
Land acquisition/open sp.	-	-	-	400,313
Total	\$ 50,000	126,548	-	400,313

The Town has implemented the provisions of GASB 84 in the accompanying financial statements under a retrospective basis. Accordingly, an adjustment has been recorded to increase the governmental net position in the amount of \$51,457 with corresponding decreases in the fiduciary net position. An adjustment was also made to increase the fund balance of the nonmajor funds at June 30, 2020.

Note 12 – Subsequent Events

Management has evaluated subsequent events from the financial statement date of June 30, 2021 through November 14, 2022, which is the date these financial statements were available to be issued. All subsequent events requiring recognition or Disclosure have been incorporated into these financial statements.

TOWN OF PROSPECT, CONNECTICUT

RSI-1

SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
CONNECTICUT MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM
Last Six Fiscal Years

	2021	2020	2019	2018	2017	2016
Town's portion of the net pension liability (asset)	0.213393%	0.215472%	0.199379%	0.166945%	0.166945%	0.207775%
Town's proportionate share of the net pension liability (asset)	\$ 837,999	795,267	762,543	275,962	327,675	284,466
Town's covered-employee payroll	\$ 579,785	546,503	553,919	482,729	476,273	429,940
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	144.54%	145.52%	137.66%	57.17%	68.80%	66.16%
Plan fiduciary net position as a percentage of the total pension liability (asset)	76.51%	72.69%	73.60%	91.68%	88.29%	92.72%

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	In 2013, 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, 2012.
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Single equivalent amortization period	25 years
Asset valuation method	5-year smoothed market (20% write up)

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

TOWN OF PROSPECT, CONNECTICUT

RSI-2

SCHEDULE OF EMPLOYER CONTRIBUTIONS
CONNECTICUT MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM
Last Six Fiscal Years

	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 75,645	70,841	65,030	56,672	54,200	48,927
Contributions in relation to the contractually required contribution	75,645	70,841	65,030	56,672	54,200	48,927
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Town's covered-employee payroll	\$ 579,785	546,503	553,919	482,729	476,273	429,940
Contributions as a percentage of covered employee payroll	13.05%	12.96%	11.74%	11.74%	11.38%	11.38%

Notes to Schedule

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date.

Changes in benefit terms None

Changes in assumptions In 2013, 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, 2012.

Actuarial cost method Entry age
Amortization method Level dollar, closed
Single equivalent amortization period 25 years

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

TOWN OF PROSPECT, CONNECTICUT

RSI-3

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
OTHER POST EMPLOYMENT BENEFITS (OPEB)
Last Four Fiscal Years

	2021	2020	2019	2018
Total OPEB liability:				
Service costs	\$ 164,082	196,543	164,737	80,995
Interest	87,776	78,921	71,584	2,380
Effect of economic / demographic gains or losses	-	-	-	-
Benefit payments, including refunds of member contributions	(22,401)	(22,464)	(26,669)	(20,725)
Net change in total OPEB liability	\$ 229,457	253,000	209,652	62,650
Total OPEB liability - beginning	2,507,895	2,254,895	2,045,243	1,982,593
Total OPEB liability - ended	\$ 2,737,352	2,507,895	2,254,895	2,045,243
Plan fiduciary net position:				
Contributions - employer	\$ 22,464	22,464	26,669	20,725
Contributions - member				
Net investment income (loss)				
Administrative expenses				
Benefit payments, including refunds of member contributions	(22,464)	(22,464)	(26,669)	(20,725)
Net change in plan fiduciary net position	\$ -	-	-	-
Plan fiduciary net position, beginning				
Plan fiduciary net position, ending				
Net OPEB liability - ended	\$ 2,737,352	2,507,895	2,254,895	2,045,243
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 1,343,425	1,166,528	1,096,915	1,069,551
Net OPEB liability as a percentage of covered payroll	\$ 203.8%	215.0%	205.6%	191.2%

Notes To Schedule

Changes in benefit terms
Changes in assumptions

None
None

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

TOWN OF PROSPECT, CONNECTICUT

SCHEDULE 1

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Property taxes:				
Current year's levy	\$ 26,979,359	26,979,359	27,089,179	109,820
Prior year's levy	210,000	210,000	159,584	(50,416)
Interest and penalties	70,000	70,000	153,250	83,250
Supplemental	340,000	340,000	319,325	(20,675)
Total property taxes	\$ 27,599,359	27,599,359	27,721,338	121,979
Intergovernmental grants:				
State grants for education	\$ 4,842,978	4,842,978	4,862,123	19,145
Other state grants	257,646	257,646	288,317	30,671
Total intergovernmental grants	\$ 5,100,624	5,100,624	5,150,440	49,816
Licenses, permits and fees:				
Building inspection	\$ 100,000	100,000	163,163	63,163
Vendor and other permits	600	600	850	250
Raffles and bazaar	300	300	215	(85)
Pistol permits	2,500	2,500	17,500	15,000
Fingerprinting	1,000	1,000	3,945	2,945
Planning and zoning	6,000	6,000	7,343	1,343
Zoning Board of Appeals	1,000	1,000	1,000	-
Inland wetlands	1,500	1,500	2,234	734
Town Clerk fees	70,000	70,000	125,695	55,695
Property conveyance	110,000	110,000	169,971	59,971
Total licenses, permits and fees	\$ 292,900	292,900	491,916	199,016
Investment income	\$ 14,000	14,000	2,349	(11,651)
Miscellaneous	\$ 105,547	105,547	92,608	(12,939)
Other financial resources:				
Transfer from other funds	\$ 127,000	127,000	112,000	(15,000)
General fund surplus	738,167	810,509	250,000	(560,509)
Total revenue & other financing resources	\$ 865,167	937,509	362,000	(575,509)
Total revenues & other financing resources	\$ 33,977,597	34,049,939	33,820,651	(229,288)

TOWN OF PROSPECT, CONNECTICUT

SCHEDULE 2

Page 1 of 2

GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
General government:				
Office of the Mayor	\$ 258,109	258,109	250,646	7,463
Probate Court	4,500	3,641	3,641	-
Zoning Board of Appeals	2,000	1,800	1,230	570
Elections and registrars	76,986	76,986	74,626	2,360
Auditor	18,500	22,000	21,575	425
Assessor	109,616	109,616	109,537	79
Board of Assessment Appeals	410	100	-	100
Tax Collector	106,998	106,998	105,428	1,570
Treasurer	10,000	10,434	7,500	2,934
Legal fees	100,000	170,209	158,133	12,076
Town Clerk	115,074	131,228	128,038	3,190
Planning and Zoning Commission	6,700	6,700	4,837	1,863
Economic development	150	150	-	150
Advertising and printing	27,600	20,600	16,156	4,444
Social security	241,000	234,054	227,198	6,856
Automated processing of records	70,000	71,000	70,991	9
Building Department	76,034	78,149	76,105	2,044
Water Pollution Authority	7,400	7,670	7,589	81
Municipal organization fees	11,315	11,315	11,300	15
Town Council	16,650	18,100	18,100	-
Town buildings	629,633	667,798	644,395	23,403
Unemployment compensation tax	3,000	306	162	144
Benefits - Town employees	766,763	767,094	716,327	50,767
Postage	22,500	22,500	20,728	1,772
Anti-blight commission	1,350	1,350	510	840
Conservation commission	50	50	-	50
Inland wetlands	3,350	2,692	2,077	615
Land Use Inspector	102,648	102,648	102,634	14
Historic preservation	9,300	9,300	-	9,300
Total general government	\$ 2,797,636	2,912,597	2,779,463	133,134
Public safety:				
Fire protection	\$ 470,058	473,058	471,866	1,192
Fire Marshal	59,418	58,718	56,239	2,479
Hydrants	163,593	163,593	152,690	10,903
Police	1,019,457	1,000,034	915,690	84,344
Insurance	336,496	336,496	335,675	821
Emergency management	4,930	2,030	-	2,030
Household hazardous waste	10,000	7,379	7,379	-
911 services	68,579	68,579	68,579	-
Total public safety	\$ 2,132,531	2,109,887	2,008,118	101,769

TOWN OF PROSPECT, CONNECTICUT

SCHEDULE 2
Page 2 of 2GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2021.

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Public works:				
Solid waste	\$ 523,172	545,872	543,430	2,442
Town roads	187,682	186,529	183,810	2,719
Ice and snow	270,000	257,417	234,830	22,587
Street lighting	45,000	45,000	45,602	(602)
Town trucks	243,500	237,429	214,936	22,493
Public works labor	651,562	663,901	663,315	586
Road reconstruction	230,399	191,175	156,744	34,431
Total public works	\$ 2,151,315	2,127,323	2,042,667	84,656
Culture and recreation:				
Town parks	\$ 70,100	66,754	66,493	261
Library	334,000	333,350	301,861	31,489
Recreation Department	302,201	301,511	233,196	68,315
Holiday observances	20,900	20,900	10,553	10,347
Youth - summer activities	42,600	39,500	12,507	26,993
Total culture and recreation	\$ 769,801	762,015	624,610	137,405
Health and welfare:				
Health	\$ 103,327	113,130	109,172	3,958
Commission on aging	306,810	306,810	248,901	57,909
Total health and welfare	\$ 410,137	419,940	358,073	61,867
Education:				
Board of Education	\$ 24,876,587	24,876,587	25,008,345	(131,758)
Total education	\$ 24,876,587	24,876,587	25,008,345	(131,758)
Other:				
Region 1 animal control	\$ 17,423	17,423	14,598	2,825
Contingency	50,000	52,000	48,330	3,670
Capital expenditures	37,000	37,000	21,779	15,221
Total other	\$ 104,423	106,423	84,707	21,716
Debt service:				
Interest	\$ 56,512	56,512	57,242	(730)
Principal	450,000	450,000	450,000	-
Capital leases	171,562	171,562	171,550	12
MERS payment	7,093	7,093	7,093	-
Total debt service	\$ 685,167	685,167	685,885	(718)
Other financial Uses:				
Transfer to other funds	50,000	50,000	55,500	(5,500)
Total expenditures and other financial uses	\$ 33,977,597	34,049,939	33,647,368	408,071

TOWN OF PROSPECT, CONNECTICUT

COMBINING BALANCE SHEET
NONMAJOR FUNDS
June 30, 2021

	Special Revenue Funds				
	Public Library Fund	Town Road Aid	Dog Fund	Police Special Duty	Board of Recreation
Assets:					
Cash and cash equivalents	\$ 70,276	81,277	6,944	75,804	71,230
Investments	273,982			2,886	
Receivables, net	769			51,210	
Due from other funds	556		2,815		
Total assets	\$ 345,583	81,277	9,759	129,900	71,230
Liabilities:					
Accounts payable	\$	14,968	3,106	2,820	21,157
Accrued expenses				40	
Due to other funds				125,543	
Total liabilities	\$ -	14,968	3,106	128,403	21,157
Fund balance (deficit):					
Nonspendable	\$				
Restricted		66,309			
Committed					
Assigned	345,583		6,653	1,497	50,073
Total fund balance (deficit)	\$ 345,583	66,309	6,653	1,497	50,073

SCHEDULE 3

Special Revenue Funds			Capital Projects				
Private Purpose Trust	Sewer Use Fund	Total Special Revenue	Land Acquisition Fund	Open Space	W.P.C.A. Capital Improvement	Total Capital Projects	Total
49,432	65,453	420,416	12,551	356,077	4,122	372,750	793,166
		276,868				-	276,868
		51,979				-	51,979
		3,371	17,657		9,906	27,563	30,934
49,432	65,453	752,634	30,208	356,077	14,028	400,313	1,152,947
	1,347	43,398				-	43,398
		40				-	40
	9,186	134,729				-	134,729
-	10,533	178,167	-	-	-	-	178,167
49,432		115,741				-	-
		-	30,208	356,077	14,028	400,313	400,313
	54,920	458,726				-	458,726
49,432	54,920	574,467	30,208	356,077	14,028	400,313	974,780

TOWN OF PROSPECT, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR FUNDS
For the Year Ended June 30, 2021**

	Special Revenue Funds				
	Public Library Fund	Town Road Aid	Dog Fund	Police Special Duty	Board of Recreation
Revenues:					
Intergovernmental	\$	241,906			
Charges for services			5,575	271,693	76,633
Investment income	5,152			846	
Other	896			8	
Total revenues	\$ 6,048	241,906	5,575	272,547	76,633
Expenditures:					
Public safety	\$		4,771	214,650	
Public works		192,092			
Culture and recreation	2,624				50,372
Other					449
Total expenditures	\$ 2,624	192,092	4,771	214,650	50,821
Revenue over (under) expenditures	\$ 3,424	49,814	804	57,897	25,812
Other financial resources (uses):					
Transfer in from other funds	\$				
Transfer out to other funds		(45,000)	(1,000)	(60,000)	
Total other financial resources (uses)	\$ -	(45,000)	(1,000)	(60,000)	-
Changes in fund balances	\$ 3,424	4,814	(196)	(2,103)	25,812
Fund balances - beginning	342,159	61,495	6,849	3,600	24,261
Fund balances - ending	\$ 345,583	66,309	6,653	1,497	50,073

SCHEDULE 4

Special Revenue Funds			Capital Projects				Total
Private Purpose Trust	Sewer Use Fund	Total Special Revenue	Land Acquisition Fund	Open Space	W.P.C.A. Capital Improvement	Total Capital Projects	
		241,906				-	241,906
	66,199	420,100				-	420,100
	134	6,132	27	192		219	6,351
29,108		30,012				-	30,012
29,108	66,333	698,150	27	192	-	219	698,369
		219,421					219,421
	60,667	252,759			826	826	253,585
		52,996				-	52,996
31,133		31,582				-	31,582
31,133	60,667	556,758	-	-	826	826	557,584
(2,025)	5,666	141,392	27	192	(826)	(607)	140,785
		-			3,186	3,186	3,186
	(9,186)	(115,186)				-	(115,186)
-	(9,186)	(115,186)	-	-	3,186	3,186	(112,000)
(2,025)	(3,520)	26,206	27	192	2,360	2,579	28,785
51,457	58,440	548,261	30,181	355,885	11,668	397,734	945,995
49,432	54,920	574,467	30,208	356,077	14,028	400,313	974,780

TOWN OF PROSPECT, CONNECTICUT

**STATEMENT OF CHANGES IN FUND BALANCE - BY PROJECT
CAPITAL AND NONRECURRING FUND
For the Fiscal Year Ended June 30, 2021**

	Beginning Fund Balance	Current Year Capital Funding	Transfers
Committed fund balance:			
Community School repairs	\$ 16,688	-	-
New truck	-	-	-
Sidewalk design	(110,693)	-	-
Road safety	17,256	900,000	-
Full-size truck	-	-	-
Street scape (Rte 69 / Center Street)	9,317	-	-
Fire Department gas tank	108	-	-
Revaluation	44	-	-
Town Hall digitizing maps	50,988	-	-
Telephone systems upgrade:	13,718	-	-
PW backup generator	489	-	-
Meeting place	4,720	-	-
Canfield Park tennis courts	25,633	-	-
Total committed fund balance	\$ 28,268	900,000	-
Assigned (unassigned) fund balance:			
Assigned	\$ 52,654	-	-
Unassigned	-	-	-
Total assigned (unassigned) fund balance	\$ 52,654	-	-
	\$ 80,922	900,000	-

SCHEDULE 5

Other Revenues	Total Available	Current Year Expenditures	Ended Fund Balance	Eliminating Deficit Balances GASB 54	Reported Fund Balance
-	16,688	-	16,688		16,688
-	-	-	-		-
-	(110,693)	13,151.00	(123,844)		(123,844)
-	917,256	724,208.00	193,048		193,048
-	-	1,850.00	(1,850)		(1,850)
-	9,317	-	9,317		9,317
-	108	-	108		108
-	44	-	44		44
-	50,988	73,682.00	(22,694)		(22,694)
-	13,718	10,545.00	3,173		3,173
-	489		489		489
-	4,720		4,720		4,720
-	25,633	25,663.00	(30)		(30)
-	928,268	849,099	79,169	-	79,169
-	52,654	-	52,654		52,654
-	-	-	-	(110,693)	(110,693)
-	52,654	-	52,654	(110,693)	(58,039)
-	980,922	849,099	131,823	(110,693)	21,130

TOWN OF PROSPECT, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
For the Year Ended June 30, 2021

Grand List Year	Uncollected Balance & New Levy July 1, 2020	Lawful Corrections		Transfers To (Recoveries From) Suspense	Balance to be Collected
		Increases	Decreases		
Suspense	\$ -			6,621	6,621
2003	-				-
2004	-				-
2005	-				-
2006	-				-
2007	-				-
2008	-				-
2009	-				-
2010	-				-
2011	-				-
2012	-				-
2013	2,646				2,646
2014	4,703				4,703
2015	7,679			(1,261)	6,418
2016	18,410		(77)	(6,983)	11,350
2017	48,027	93	(423)	(10,176)	37,521
2018	303,826	1,573	(5,691)	(6,459)	293,249
Total	\$ 385,291	1,666	(6,191)	(18,258)	362,508
2019	27,321,314	387,563	(66,929)	(5,058)	27,636,890
Total	\$ 27,706,605	389,229	(73,120)	(23,316)	27,999,398

SCHEDULE 6

Collections				Uncollected Balance June 30, 2021
Taxes	Interest	Lien Fees	Total	
6,621	10,159	19	16,799	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
2,434	2,183	31	4,648	212
4,240	4,328	55	8,623	463
5,340	3,930	78	9,348	1,078
9,200	5,482	139	14,821	2,150
23,433	9,795	320	33,548	14,088
168,435	36,045	1,109	205,589	124,814
219,703	71,922	1,751	293,376	142,805
27,348,289	71,000	617	27,419,906	288,601
27,567,992	142,922	2,368	27,713,282	431,406

TOWN OF PROSPECT, CONNECTICUT

SCHEDULE OF DEBT LIMITATION

For the Year Ended June 30, 2021

	<u>General Purpose</u>
Debt limitation:	
2 1/4 times base	\$ 62,354,885
4 1/2 times base	
3 3/4 times base	
3 1/4 times base	
3 times base	
7 times base	
Total debt limitation	<u>\$ 62,354,885</u>
Indebtedness:	
Bonds payable	\$
Bonds authorized and unissued	
Total indebtedness	<u>\$ -</u>
Less: School construction grants receivable	<u>-</u>
Total indebtedness of the Town	<u>\$ -</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 62,354,885</u>

SCHEDULE 7

Total tax collections (including interest and lien fees)
for the year ended June 30, 2021 \$ 27,713,282

Reimbursement for revenue loss on:
Elderly Tax Relief - Freeze -

Base \$ 27,713,282

<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Bonding</u>	<u>Total Debt</u>
124,709,769	103,924,808	90,068,167	83,139,846	193,992,974
<u>124,709,769</u>	<u>103,924,808</u>	<u>90,068,167</u>	<u>83,139,846</u>	<u>193,992,974</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>124,709,769</u>	<u>103,924,808</u>	<u>90,068,167</u>	<u>83,139,846</u>	<u>193,992,974</u>