

TOWN OF PROSPECT, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2022

TOWN OF PROSPECT, CONNECTICUT

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CLERMONT

ACCOUNTANTS • ADVISORS

Clermont & Associates, LLC
301 Highland Avenue
Waterbury CT 06708

Main: 203-758-6658
Fax: 203-758-6758

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, 2022, 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, 2022, 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 4a through 4e 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



July 21, 2023

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 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 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 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, 2022. 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 \$19,607,059 (net position). Of this amount, \$1,809,208 (*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 \$104,063 primarily due to expenses related to the change in OPEB obligation.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,775,744 a net increase of \$277,165 in comparison with the prior year. Of the total fund balance, \$2,440,169, or 51.1%, is available for spending at the government's discretion (unassigned fund balance).
- The fund balance for the general fund increased \$115,694 from \$3,239,725 to \$3,355,419. The June 30, 2022 balance is 9.56% of total general fund expenditures of \$35,065,886. Of this fund balance, \$347,958 is unspendable due to prepaid expenditures, \$300,000 is committed to balance the next year budget, \$167,292 is committed to subsequent year benefits, \$100,000 committed for OPEB obligations, and the remainder of \$2,440,169 is unassigned.
- Prospect's total bonded debt increased by \$302,000. \$800,000 of bond anticipation notes were issued for the 2022 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 \$19,607,059 at the close of the most recent fiscal year.

Table1 Net Position	Total Primary Government 2022	Total Primary Government 2021
Current and Other Assets	\$ 7,379,226	7,854,444
Capital Assets, net of depreciation	21,752,552	21,488,098
Total Assets	29,131,778	29,342,542
Deferred Outflows of Resources	\$ 134,018	318,166
Long-Term Obligations Outstanding	7,647,031	7,358,092
Other Liabilities	1,712,056	2,379,848
Total Liabilities	\$ 9,359,087	9,737,940
	\$ 299,650	211,646
Net Position:		
Net Investment in Capital Assets	\$ 17,520,897	17,427,916
Restricted	276,954	273,267
Unrestricted	1,809,208	2,009,939
Total Net Position	\$ 19,607,059	19,711,122

By far the largest portion of the Town's net position, \$19,607,059, or 89.4%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that are 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 \$176,663 of the Housing Rehabilitation Fund, and \$100,291 other grants and contributions which may be used to carry out the objectives of that program,

The unrestricted net position of \$1,806,208 (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 \$104,063 during the current fiscal year. Key elements of this decrease are as follows:

	Total Primary Government 2022	Total Primary Government 2021
Revenues:		
Program Revenues:		
Charges for Services	918,412	941,124
Operating Grants and Contributions	5,223,809	4,863,025
Capital Grants and Contributions	1,390,223	241,906
General Revenues:		
Property Taxes	29,314,596	27,779,233
Grants & Contributions not Restricted to Specific Purpose	148,789	288,317
Investment Earnings	6,814	8,700
Other General Revenues	56,269	92,610
Total Revenues	37,058,912	34,214,915
Program Expenses:		
General Government	3,077,235	2,752,222
Public Safety	2,644,052	2,816,693
Public Works	3,511,750	3,035,263
Parks and Recreation	1,012,398	743,131
Health and Human Services	446,558	469,197
Education	26,122,850	25,008,345
Other Expenditures	256,022	-
Interest on Long-term Debt	92,110	96,546
Total Governmental Activities	37,162,975	34,921,397
	(104,063)	(706,482)

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 \$4,775,744, an increase of \$277,165 in comparison with the prior year. About 62.6% of fund balance, \$2,988,412, 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 (\$196,769), committed for Open Space (\$397,284), committed for net OPEB obligations (\$100,000), committed for firefighter benefits (\$167,292), committed for subsequent year's budget (\$300,000), or restricted for other purposes (\$276,954).

The general fund is the chief operating fund of the Town of Prospect. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$2,440,169. 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 7.0% of total general fund expenditures of \$35,065,886 and 27.3% of non-education expenditures of \$8,943,036.

The Town's total general fund balance increased by \$115,694 to a total of \$3,355,419 during the current fiscal year. \$347,958 is considered unspendable and represents prepaid expenditures to be recognized in the FY23, \$300,000 of total fund balance has been assigned to balance the FY23 general fund budget, \$167,292 has been committed for Firefighter benefits, and \$100,000 has been committed to fund the OPEB liability.

General Fund Budgetary Highlights

The original budget contemplated total revenue and transfers in of \$35,084,861 and \$35,384,861 of total expenditures and transfers out. It was anticipated that \$300,000 of general fund balance would be used to balance the budget and \$125,000 would be funded through other government funds.

Actual revenues compared to the original budget were favorable by \$370,918 excluding transfers in and other financing sources.

- Tax collections overall were \$149,414 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 \$337,142 additional tax revenue.
- Revenue exceeded budgeted amounts for building inspections by \$94,327 and for property conveyance tax by \$39,560.

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 spent \$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	
	2022	2021
Land	\$ 1,571,754	1,571,754
Construction in progress	901,231	12,200
Buildings and Improvements	5,296,294	5,475,950
Infrastructure	11,797,635	12,009,216
Vehicles	1,533,621	1,815,040
Furnishings & Equipment	652,017	603,938
Totals	\$21,752,552	21,488,098

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 \$3,650,000 of bond anticipation notes outstanding. The BAN issue refinanced \$2,850,000 of existing BAN and added \$800,000 for Road Safety 2021. 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 \$17,455,000 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 2022, Prospect's ADM percentage was calculated to be 64.57%, and the Town's share of the District net debt at the ADM rate amounts to \$11,270,694.

At June 30, 2021, the Town's net OPEB obligation is \$2,737,352 and is reflected as a long-term liability in the Statement of Net Position. The Town committed \$100,000 of the 2022 budget for future net pension obligation payments.

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 pandemics. 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 risks 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, 2022

	Governmental Activities *
Assets:	
Cash and cash equivalents	\$ 5,127,968
Investments	708,085
Receivables, net	1,194,140
Prepaid expenses	349,033
Capital assets:	
Capital assets, not being depreciated	2,472,985
Capital assets, being depreciated, net	19,279,567
Total assets	\$ 29,131,778
Deferred outflows on resources:	
Deferred pension expenses	\$ 134,018
Total deferred outflows on resources	\$ 134,018
Liabilities:	
Accounts payable and other current liabilities	\$ 169,442
Payments in advance	1,542,614
Noncurrent liabilities:	
Due within one year	510,654
Due in more than one year	7,136,377
Total liabilities	\$ 9,359,087
Deferred inflows on resources:	
Deferred pension expenses	\$ 299,650
Total deferred inflows on resources	\$ 299,650
Net position:	
Invested in capital assets, net of related debt	\$ 17,520,897
Restricted	276,954
Unrestricted	1,809,208
Total net position	\$ 19,607,059

* 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, 2022

Functions/programs	Expenses	Services	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position	
				Primary Government	Capital Grants and Contributions
					Total
Primary government:					
Governmental activities:					
General government	\$ 3,077,235	431,261	57,155		(2,588,819)
Public safety	2,644,052	206,565			(2,437,487)
Public works	3,511,750	134,427		1,390,223	(1,987,100)
Culture and recreation	1,012,398	146,159	18,256		(847,983)
Health and human services	446,558				(446,558)
Education	26,122,850		4,951,377		(21,171,473)
Other	256,022		197,021		(59,001)
Interest on long-term debt	92,110				(92,110)
Total governmental activities	\$ 37,162,975	918,412	5,223,809	1,390,223	(29,630,531)

General revenues:

Property taxes	\$ 29,314,596
Grants and contributions not restricted for specific programs	148,789
Unrestricted investment earnings	6,814
Other unrestricted income	56,269

Total general revenues \$ 29,526,468

Change in net position \$ (104,063)

Net position, beginning of year 19,711,122

Net position, end of year \$ 19,607,059

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, 2022

	General	Capital & Nonrecurring	Housing Rehabilitation	Sidewalk Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 4,084,191	235,436	176,663	238,425	393,253	5,127,968
Investments	57,467				650,618	708,085
Receivables, net	437,640		700,225		56,275	1,194,140
Due from other funds	167,944				35,291	203,235
Prepaid expenses	347,958				1,075	349,033
Total assets	\$ 5,095,200	235,436	876,888	238,425	1,136,512	7,582,461
Liabilities and Fund Balances						
Liabilities:						
Accounts and other payables	\$ 133,541			10,228	25,672	169,441
Payments in advance	1,382,933			159,681		1,542,614
Due to other funds	32,105	36,401			134,729	203,235
Total liabilities	\$ 1,548,579	36,401	-	169,909	160,401	1,915,290
Deferred inflows of resources:						
Unavailable receipts	\$ 191,202		700,225			891,427
Total deferred inflows of resources	\$ 191,202	-	700,225	-	-	891,427
Fund balances:						
Nonspendable	\$ 347,958				1,075	349,033
Restricted			176,663		100,291	276,954
Committed	567,292	196,769			397,284	1,161,345
Assigned		64,160		68,516	477,461	610,137
Unassigned	2,440,169	(61,894)				2,378,275
Total fund balances	\$ 3,355,419	199,035	176,663	68,516	976,111	4,775,744
Total liabilities, deferred inflows of resources and fund balances	\$ 5,095,200	235,436	876,888	238,425	1,136,512	

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.	21,752,552
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	891,427
Long-term liabilities , including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(7,647,031)
Pension costs , including differences between expected and actual pension experiences, change in pension assumptions and net difference between projected and actual pension earnings.	(165,633)
Net position of governmental activities (Exhibit A)	\$ 19,607,059

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, 2022

	General	Capital Projects	Housing Rehabilitation	Sidewalk Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property taxes and assessments	\$ 29,482,516					29,482,516
Intergovernmental	5,419,645			886,547	254,782	6,560,974
Charges for services	440,067		19,775		458,570	918,412
Investment income	1,690				5,124	6,814
Miscellaneous	56,269				201,847	258,116
Total revenues	\$ 35,400,187	-	19,775	886,547	920,323	37,226,832
Expenditures:						
Current:						
General government	\$ 2,864,069					2,864,069
Public safety	2,080,760				125,543	2,206,303
Public works	2,109,755				333,983	2,443,738
Culture and recreation	712,492				137,528	850,020
Public health	373,029					373,029
Education	26,122,850					26,122,850
Other	78,079		638		177,305	256,022
Capital outlay		920,120		889,031	99,633	1,908,784
Debt service	724,852					724,852
Total expenditures	\$ 35,065,886	920,120	638	889,031	873,992	37,749,667
Excess (deficiency) of revenues over (under) expenditures	\$ 334,301	(920,120)	19,137	(2,484)	46,331	(522,835)
Other financing sources (uses):						
Proceeds from debt obligations	\$	800,000				800,000
Transfer in from other funds	45,000	192,607		71,000		308,607
Transfer out to other funds	(263,607)				(45,000)	(308,607)
Total other financing sources (uses)	\$ (218,607)	992,607	-	71,000	(45,000)	800,000
Net changes in fund balances	\$ 115,694	72,487	19,137	68,516	1,331	277,165
Fund balances (deficits) - beginning	3,239,725	126,548	157,526	-	974,780	4,498,579
Fund balances (deficits) - ended	\$ 3,355,419	199,035	176,663	68,516	976,111	4,775,744

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

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, 2022

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)	\$ 277,165
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.	264,454
Revenues previously recognized in the statement of activities that provided current financial resources in the current year.	(37,393)
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.	(608,289)
Change in net position of governmental activities (Exhibit B)	\$ <u>(104,063)</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, 2022

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 29,333,102	29,333,102	29,482,516	(149,414)
Intergovernmental	5,220,047	5,289,455	5,419,645	(130,190)
Charges for services	299,300	299,300	440,067	(140,767)
Investment income	14,000	14,000	1,690	12,310
Other revenues	93,412	93,412	56,269	37,143
Total revenues	\$ 34,959,861	35,029,269	35,400,187	(370,918)
Expenditures:				
Current:				
General government	\$ 2,851,065	3,025,752	2,864,069	161,683
Public safety	2,171,788	2,230,282	2,080,760	149,522
Public works	2,051,472	2,155,963	2,109,755	46,208
Culture and recreation	700,311	717,262	712,492	4,770
Health and welfare	421,371	423,768	373,029	50,739
Education	26,285,467	26,285,467	26,122,850	162,617
Other	128,520	125,520	78,079	47,441
Debt services	774,867	774,867	774,852	15
Total expenditures	\$ 35,384,861	35,738,881	35,115,886	622,995
Revenues over (under) expenditures	\$ (425,000)	(709,612)	284,301	(993,913)
Other financing sources (uses):				
Transfer from other funds	\$ 125,000	125,000	45,000	80,000
Proceeds from surplus	300,000	584,612	20,168	564,444
Total other financing sources (uses)	\$ 425,000	709,612	65,168	644,444
Revenues over expenditures and other financing sources (uses)	\$ -	-	349,469	(349,469)
Less:				
General fund surplus transferred to capital projects			(192,607)	
General fund surplus transferred to sidewalk fund			(71,000)	
Unspendable prepaid expenses			(347,958)	
Committed for special projects			(167,292)	
Committed for subsequent fiscal year			(300,000)	
Net change in unassigned fund balance			\$ (729,388)	
Unassigned fund balance, July 1, 2021			3,169,557	
Unassigned fund balance, June 30, 2022			\$ 2,440,169	

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, 2022

		<u>Custodial Funds</u>
Assets:		
Cash and cash equivalents	\$	<u>5,421</u>
Total assets	\$	<u><u>5,421</u></u>
Net position:		
Held in trust for benefits and other purposes	\$	<u><u>5,421</u></u>

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

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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 a 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 their 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 the 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 most 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 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.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2022

Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 rule, the effect of inter-fund activity, or internal balances, has been eliminated from 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 latter 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 *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 it is 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, 2022

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** 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.

The **sidewalk fund** accounts for resources for capital expenditures related to sidewalk projects in the town funded by approved project grants.

Additionally, the Town reports the following fund type:

The **Custodial Funds** is used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others.

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, 2022

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 of more than 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, 2022

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 expenses 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

In 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 payable 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 or not 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, 2022

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 because of constraints imposed by formal action of the government's highest level of decision-making authority. For the Town of Prospect, which 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 for 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 the 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, 2022

Supplemental appropriations may be drawn from the unreserved surplus or any available unappropriated 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. For the year ended of June 30, 2022, \$50,000 of OPEB related expenses were recognized as an expense for budgetary basis, this balance was included in the committed fund balance on the GAAP statements for governmental funds.

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 Government 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	\$	1,561,754
Construction in progress		911,231
Net capital assets being depreciated		19,279,567
Net adjustment to increase fund balance to arrive at net position of governmental activities	\$	<u>21,752,552</u>

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2022

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	\$ (4,231,656)
Net pension obligation	(753,038)
Net OPEB liability	(2,278,438)
Compensated absences	(90,618)
Net adjustment to reduce fund balance to arrive at net position of governmental activities	\$ <u>7,353,750</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	\$ 191,202
Long-term notes receivable	<u>700,225</u>
Net adjustment to increase fund balance to arrive at net position of governmental activities	\$ <u>891,427</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	\$ 1,904,262
Depreciation	<u>(1,639,808)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>264,454</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	\$ (167,920)
Payments on long-term notes	<u>130,527</u>
Total previously recognized revenues	\$ <u>(37,393)</u>

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2022

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	\$	(800,000)
Payments on borrowing		498,000
Net change in net pension obligation		143,282
Net change in compensated absences		9,343
Net change in net OPEB obligation		(458,914)
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>(608,289)</u>

Note 4 - Deposits and Investments

Deposits

As of June 30, 2022, total deposits of \$5,133,119 represent cash and cash equivalents of \$5,127,698 as reported on the statement of net position and \$5,421 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 \$5,133,119 and the bank balance was \$6,206,247. Of the bank balances, \$586,430 was covered by Federal Depository Insurance and \$4,499,193 is unissued and uncollateralized. All 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 more than 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, 2022

Investments

The Town's investments consist of the following at June 30, 2022:

	<u>Governmental</u>
Certificates of deposit	\$ 511,646
U.S. government bonds	107,376
Fixed income annuity	87,189
Equities	<u>1,874</u>
Total	\$ <u>708,085</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.

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, 2022

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	\$ 598,835	598,835	-	-	-
U.S. Treasuries	107,376	107,376	-	-	-
Mutual funds	1,874	1,874	-	-	-
Total	\$ 708,085	708,085	-	-	-

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	\$ 243,280
Interest and fees on delinquent taxes	41,228
Accounts receivable	350,463
Other receivables:	
Loans	<u>700,225</u>
Gross receivables	\$ 1,335,196
Less: allowance	<u>(141,056)</u>
Net total receivables	\$ <u>1,194,140</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, \$191,202 of delinquent taxes and interest, and \$700,225 of outstanding loans were unavailable to liquidate current liabilities.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2022

Note 6 - Inter-fund Receivables, Payables and Transfers

Inter-fund Receivables and Payables

Inter-fund receivables and payables at June 30, 2022, consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor funds	\$ 131,543
General fund	Capital and non-recurring	36,401
Nonmajor funds	General fund	32,105
Nonmajor funds	Nonmajor funds	3,186
Total		\$ <u>203,235</u>

Inter-fund Transfers

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

General fund to capital and non-recurring fund	\$ 192,607
General fund to sidewalk fund	71,000
Nonmajor funds to general fund	45,000
	\$ <u>308,607</u>

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,571,754			1,571,754
Construction in progress	12,200	889,031		901,231
Total capital assets, not being deprec.	\$ <u>1,583,954</u>	<u>889,031</u>	<u>-</u>	<u>2,472,985</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 8,982,757			8,982,757
Infrastructure	25,811,956	808,373		26,620,329
Vehicles	5,257,294			5,257,294
Furnishing and equipment	2,660,262	206,858		2,867,120
Total capital assets being depreciated	\$ <u>42,712,269</u>	<u>1,015,231</u>	<u>-</u>	<u>43,727,500</u>
Less: accumulated depreciation:				
Buildings and improvements	\$ 3,506,807	179,656		3,686,463
Infrastructure	13,802,740	1,019,954		14,822,694
Vehicles	3,442,254	281,419		3,723,673
Furnishing and equipment	2,056,324	158,779		2,215,103
Total accumulated depreciation	\$ <u>22,808,125</u>	<u>1,639,808</u>	<u>-</u>	<u>24,447,933</u>
Net capital assets, being depreciated	\$ <u>19,904,144</u>	<u>(624,577)</u>	<u>-</u>	<u>19,279,567</u>
Total capital assets, governmental	\$ <u>21,488,098</u>	<u>264,454</u>	<u>-</u>	<u>21,752,552</u>

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2022

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

Governmental activities:	
General government	\$ 79,343
Public safety	326,790
Public works	1,051,031
Recreation	124,516
Health and social services	58,128
Total depreciation expense	\$ 1,639,808

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2022 was as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due</u> <u>Within</u> <u>1 year</u>
Short-term debt, expected to be refinanced:					
Bond anticipation notes	\$ 3,348,000	3,650,000	3,348,000	3,650,000	424,022
Capital leases	712,182		130,527	581,655	86,632
Total long-term debt	\$ 4,060,182	3,650,000	3,478,527	4,231,655	510,654
Net pension liability	837,999		327,890	510,109	
Unfunded MERS pens.	81,512		4,215	77,297	
Net OPEB obligation	2,278,438	458,914		2,737,352	
Compensated absences	99,961	2,541	11,884	90,618	
Total long-term liabilities	\$ 7,358,092	4,111,455	3,822,516	7,647,031	510,654

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.

<u>Project</u>	<u>Balance</u> <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due</u> <u>Within</u> <u>1 year</u>
Road safety 2014	\$ 50,000	-	50,000	-	-
Road safety 2015	225,000	-	75,000	150,000	75,000
Community school purch	73,000	-	73,000	-	-
Road safety 2017	525,000	-	75,000	450,000	74,022
Road safety 2018	750,000	-	75,000	675,000	75,000
Road safety 2019	825,000	-	75,000	750,000	75,000
Road safety 2020	785,000	-	70,000	715,000	70,000
Fire Dept. radio repeater	115,000	-	5,000	110,000	5,000
Road safety 2021		800,000		800,000	50,000
Total	\$ 3,348,000	800,000	498,000	3,650,000	424,022

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2022

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, 2022, the District had \$17,455,000 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 64.57% for the fiscal year ending June 30, 2022. The overlapping debt to the Town is calculated to be \$11,270,694.

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 \$206,402,909. 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, 2022.

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		<u>207,986</u>
Total equipment	\$	1,439,274
Less: accumulated depreciation		<u>(508,946)</u>
Net book value	\$	<u>930,328</u>

The annual requirement to amortize the leases as of June 30, 2022 is as follows:

Year Ended June 30,	Present Value of Minimum Lease Payment	Interest	Total Minimum Lease Payments
2023	\$ 86,632	25,558	112,190
2024	100,334	11,856	112,190
2025	94,197	17,993	112,190
2026	98,231	13,959	112,190
2027	64,273	9,749	74,022
2028-2029	<u>137,988</u>	<u>10,055</u>	<u>148,043</u>
Total	\$ <u>581,655</u>	<u>89,170</u>	<u>670,826</u>

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2022

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, 2022, 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 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, 2022

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, 2022, the Town contributed \$71,417 on covered payroll of \$892,713.

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, 55 Elm Street, 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, 2022

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.

For the year ended June 30, 2022, the Town's required contribution to CMERS was \$85,109, calculated at 14.58% of \$583,617 covered payroll. The annual prior service amortization payment for thirty years is \$7,093 (effective July 1, 2006). A balance of \$77,297 is included in the Town's long-term debt as of June 30, 2022.

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2022

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, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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 more closely reflect actual and anticipated experience.

The Town recognized its proportionate share of the collective pension expense in the government-wide statement of activities in the amount of \$510,109 for the year ended June 30, 2022. The Town's proportionate share of the State's liability was .215530%.

At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to CMERS pension benefits as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$	218,537
Changes of assumptions	68,618	-
Change in proportional share	20,995	6,558
Net difference between employers expected and actual experience	44,405	74,555
Payment subsequent to measurement date	-	-
	<u>\$ 134,018</u>	<u>299,650</u>

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:

<u>Year Ended June 30,</u>	
2022	\$ 37,848
2023	(71,497)
2024	(61,523)
2025	(70,460)
Thereafter	-
	<u>\$ (165,632)</u>

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2022

Actuarial assumptions

The total pension liability is based upon the June 30, 2021 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 weighing 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, 2022, are summarized in the following table:

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2022

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	20%	5.3%
Developed market international	11%	5.1%
Emerging market international	9%	7.4%
Core fixed income	16%	1.6%
Inflation linked bond fund	5%	1.3%
Emerging market debt	5%	2.9%
High yield bonds	6%	3.4%
Real estate	10%	4.7%
Private equity	10%	7.3%
Alternative investments	7%	3.2%
Liquidity fund	1%	0.9%
Total	100%	

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	\$ 851,393	510,109	216,255

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2022

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 \$2,737,895 as of June 30, 2021, and was determined by a valuation as of June 30, 2021, with a measurement date of June 30, 2020.

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 payments, 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
Contributions		<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>2,737,352</u>

TOWN OF PROSPECT, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2022

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, 2022

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, 2022, the Town recognized OPEB expense of \$458,914 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, 2022

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:

	General Fund	Capital and Nonrecurring	Housing Rehab.	Nonmajor Funds
Restricted:				
Grant requirements	\$		176,663	
Donor restricted				100,291
Committed:				
Subsequent fiscal year	300,000			
Net OPEB liability	100,000			
Senior & vol. firefighter benefits	167,292			
Capital projects		196,769		
Land acquisition/open space				397,284
Total	\$ 567,292	196,769	176,663	497,575

Note 13 - Subsequent Events

Management has evaluated events subsequent to the date of the financial statements through July 21, 2023, the date the financial statements were available to be issued. No other events other than the bank note explained below have occurred subsequent to the Statement of Net Position date through July 21, 2023 that would require readjustment to the financial statements.

Bank Note

The Town entered into a bank note agreement on August 4, 2022 to meet \$3,225,978 in maturing note obligations as well as \$157,723 of new funding. The following is a summary of the borrowing:

	Amount Authorized	Authorization Date	BANs Maturing	This Issue
Road Safety 2015.....	\$ 600,000	4/22/15	150,000	75,000
Road Safety 2017.....	750,000	5/3/17	450,000	375,978
Road Safety 2018.....	900,000	5/2/18	675,000	600,000
Road Safety 2019.....	900,000	5/2/19	750,000	675,000
Road Safety 2020.....	785,000	5/26/20	715,000	645,000
Road Safety 2021.....	800,000	5/13/21	800,000	750,000
Fire Dept. Radio Repeaters..	115,000	5/26/20	110,000	105,000
Road Safety 2022.....	900,000	4/21/22	-	900,000
Pierce Rescue Fire Truck	672,723	06/28/22	-	672,723
	\$ 6,422,723		3,650,000	4,798,701

The maturity of the note is August 3, 2023.

TOWN OF PROSPECT, CONNECTICUT

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

	2022	2021	2020	2019	2018	2017	2016
Town's portion of the net pension liability (asset)	0.215530%	0.213393%	0.215472%	0.199379%	0.166945%	0.166945%	0.207775%
Town's proportionate share of the net pension liability (asset)	\$ 510,109	837,999	795,267	762,543	275,962	327,675	284,466
Town's covered-employee payroll	\$ 583,617	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	87.40%	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)	82.59%	76.51%	72.69%	73.60%	91.68%	88.29%	92.72%

Notes to Schedule

Changes in benefit terms	None
Changes in assumptions	In 2019, the latest experience study for the System updated most of the actuarial assumptions utilized in the June 30, 2020 valuation to include: rates of inflation, real investment return mortality, withdraws, disability, retirement and 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, 2017.
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Single equivalent amortization period	20 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 Seven Fiscal Years

	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 85,109	75,645	70,841	65,030	56,672	54,200	48,927
Contributions in relation to the contractually required contribution	85,109	75,645	70,841	65,030	56,672	54,200	48,927
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
Town's covered-employee payroll	\$ 583,617	579,785	546,503	553,919	482,729	476,273	429,940
Contributions as a percentage of covered employee payroll	14.58%	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 2019, the latest experience study for the System updated most of the actuarial assumptions utilized in the June 30, 2020 valuation to include: rates of inflation, real investment return mortality, withdraws, disability, retirement and 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, 2017.

Actuarial cost method Entry age
Amortization method Level dollar, closed
Single equivalent amortization period 20 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, ended	\$ -	-	-	-
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. 2022 information not 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, 2022

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Property taxes:				
Current year's levy	\$ 28,580,102	28,580,102	28,600,170	20,068
Prior year's levy	293,000	293,000	295,693	2,693
Interest and penalties	120,000	120,000	194,177	74,177
Supplement	340,000	340,000	392,476	52,476
Total property taxes	\$ 29,333,102	29,333,102	29,482,516	149,414
Intergovernmental grants:				
State grants for education	\$ 4,862,123	4,862,123	4,951,377	89,254
Other state grants	277,924	335,079	394,749	59,670
FEMA Grant	80,000	92,253	73,519	(18,734)
Total intergovernmental grants	\$ 5,220,047	5,289,455	5,419,645	130,190
Licenses, permits and fees:				
Building inspection	\$ 80,000	80,000	174,327	94,327
Vendor and other permits	8,000	8,000	730	(7,270)
Raffles and bazaar	300	300	440	140
Pistol permits	10,000	10,000	6,920	(3,080)
Fingerprinting	2,500	2,500	1,886	(614)
Planning and zoning	6,000	6,000	5,385	(615)
Zoning Board of Appeals	1,000	1,000	2,250	1,250
Inland wetlands	1,500	1,500	5,315	3,815
Town Clerk fees	80,000	80,000	93,254	13,254
Property conveyance	110,000	110,000	149,560	39,560
Total charges for services	\$ 299,300	299,300	440,067	140,767
Investment income	\$ 14,000	14,000	1,690	(12,310)
Miscellaneous	\$ 93,412	93,412	56,269	(37,143)
Other financial resources:				
Transfer from other funds	\$ 125,000	125,000	45,000	(80,000)
General fund surplus	300,000	584,612	584,612	-
Total other financing resources	\$ 425,000	709,612	629,612	(80,000)
Total revenues & other financing resources	\$ 35,384,861	35,738,881	36,029,799	290,918

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, 2022

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
General government:				
Office of the Mayor	\$ 268,949	268,949	244,452	24,497
Probate Court	4,500	3,642	3,641	1
Zoning Board of Appeals	2,000	2,000	2,150	(150)
Elections and registrars	62,206	59,706	67,178	(7,472)
Auditor	21,500	21,500	-	21,500
Assessor	112,530	115,199	113,792	1,407
Board of Assessment Appeals	410	410	-	410
Tax Collector	114,705	115,643	116,399	(756)
Treasurer	10,000	10,000	10,000	-
Legal fees	125,000	192,473	155,522	36,951
Town Clerk	114,051	126,408	127,919	(1,511)
Planning and Zoning Commission	7,150	8,150	7,870	280
Advertising and printing	24,000	28,279	21,780	6,499
Social security	247,628	239,617	241,982	(2,365)
Automated processing of records	70,000	76,688	78,427	(1,739)
Building Department	86,802	85,802	81,114	4,688
Water Pollution Control Authority	7,650	8,370	7,179	1,191
Municipal organization fees	11,565	11,565	11,300	265
Town Council	16,650	18,850	19,260	(410)
Town buildings	613,493	715,421	695,801	19,620
Unemployment compensation tax	3,000	2,000	-	2,000
Benefits - Town employees	791,825	756,124	720,640	35,484
Postage	22,500	22,500	20,726	1,774
Anti-blight commission	1,350	1,350	1,188	162
Conservation commission	50	50	-	50
Inland wetlands	3,680	4,172	2,526	1,646
Land Use Inspector	98,571	121,584	111,785	9,799
Historic preservation	9,300	9,300	1,438	7,862
Total general government	\$ 2,851,065	3,025,752	2,864,069	161,683
Public safety:				
Fire protection	\$ 467,811	507,299	488,493	18,806
Hydrants	155,717	155,717	142,721	12,996
Fire Marshal	64,191	65,691	61,504	4,187
Police	1,050,384	1,071,690	976,977	94,713
Insurance	350,176	350,176	336,408	13,768
Emergency management	4,930	4,930	120	4,810
Household hazardous waste	10,000	6,200	5,958	242
911 services	68,579	68,579	68,579	-
Total public safety	\$ 2,171,788	2,230,282	2,080,760	149,522

(Continued)

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, 2022

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
Public works:				
Solid waste	\$ 523,804	482,498	420,393	62,105
Town roads	157,264	157,822	188,798	(30,976)
Ice and snow	250,000	256,540	236,787	19,753
Street lighting	46,500	46,500	42,429	4,071
Town trucks	203,500	356,664	343,624	13,040
Public works labor	640,005	632,120	657,781	(25,661)
Road reconstruction	230,399	223,819	219,943	3,876
Total public works	<u>\$ 2,051,472</u>	<u>2,155,963</u>	<u>2,109,755</u>	<u>46,208</u>
Culture and recreation:				
Town parks	\$ 70,100	83,640	82,977	663
Library	340,700	340,700	295,897	44,803
Recreation Department	269,611	266,791	303,580	(36,789)
Holiday observances	19,900	26,131	30,038	(3,907)
Total culture and recreation	<u>\$ 700,311</u>	<u>717,262</u>	<u>712,492</u>	<u>4,770</u>
Health and welfare:				
Health	\$ 131,550	131,550	127,581	3,969
Commission on aging	289,821	292,218	245,448	46,770
Total health and welfare	<u>\$ 421,371</u>	<u>423,768</u>	<u>373,029</u>	<u>50,739</u>
Education:				
Board of Education	\$ 26,285,467	26,285,467	26,122,850	162,617
Total education	<u>\$ 26,285,467</u>	<u>26,285,467</u>	<u>26,122,850</u>	<u>162,617</u>
Other:				
Region 1 animal control	\$ 17,882	17,882	17,476	406
Economic development comm.	150	150	-	150
Storm water	29,988	26,988	19,654	7,334
Technology	30,500	30,500	29,684	816
Contingency	50,000	50,000	11,265	38,735
Capital expenditures	-	-	-	-
Total other	<u>\$ 128,520</u>	<u>125,520</u>	<u>78,079</u>	<u>47,441</u>
Debt service:				
Interest	\$ 48,212	48,212	48,208	4
Principal	548,000	548,000	548,000	-
Capital leases	171,562	171,562	171,551	11
MERS payment	7,093	7,093	7,093	-
Total debt service	<u>\$ 774,867</u>	<u>774,867</u>	<u>774,852</u>	<u>15</u>
Total expenditures and other financial uses	<u>\$ 35,384,861</u>	<u>35,738,881</u>	<u>35,115,886</u>	<u>622,995</u>

TOWN OF PROSPECT, CONNECTICUT

COMBINING BALANCE SHEET

NONMAJOR FUNDS

June 30, 2022

	Special Revenue Funds				
	Public Library Fund	Town Road Aid	Dog Fund	Police Special Duty	Board of Recreation
Assets:					
Cash and cash equivalents	\$ 73,677	51,796	2,557	41,003	74,656
Investments	279,933			1,874	
Receivables, net	260			56,015	
Prepaid expenses	1,075				
Due from other funds		676	7,052		
Total assets	<u>\$ 354,945</u>	<u>52,472</u>	<u>9,609</u>	<u>98,892</u>	<u>74,656</u>
Liabilities:					
Accounts payable	\$	21,329	2,972	264	1,107
Accrued expenses				125,543	
Due to other funds					
Total liabilities	<u>\$ -</u>	<u>21,329</u>	<u>2,972</u>	<u>125,807</u>	<u>1,107</u>
Fund balance (deficit):					
Nonspendable	\$				
Restricted		31,143			
Committed					
Assigned	354,945		6,637	(26,915)	73,549
Total fund balance (deficit)	<u>\$ 354,945</u>	<u>31,143</u>	<u>6,637</u>	<u>(26,915)</u>	<u>73,549</u>

SCHEDULE 3

Special Revenue Funds			Capital Projects				Total
Sewer Use Fund	Private Purpose Trust	Total Special Revenue	Land Acquisition Fund	Open Space	W.P.C.A. Capital Improvement	Total Capital Projects	
79,506	69,148	392,343			910	910	393,253
		281,807	12,603	356,208		368,811	650,618
		56,275				-	56,275
		1,075				-	1,075
		7,728	17,657		9,906	27,563	35,291
<u>79,506</u>	<u>69,148</u>	<u>739,228</u>	<u>30,260</u>	<u>356,208</u>	<u>10,816</u>	<u>397,284</u>	<u>1,136,512</u>
		25,672				-	25,672
		-				-	-
9,186		134,729				-	134,729
9,186	-	160,401	-	-	-	-	160,401
	69,148	100,291				-	-
		-	30,260	356,208	10,816	397,284	100,291
70,320		478,536				-	397,284
		-				-	478,536
<u>70,320</u>	<u>69,148</u>	<u>578,827</u>	<u>30,260</u>	<u>356,208</u>	<u>10,816</u>	<u>397,284</u>	<u>976,111</u>

TOWN OF PROSPECT, CONNECTICUT

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR FUNDS
For the Year Ended June 30, 2022**

	Special Revenue Funds				
	Public Library Fund	Town Road Aid	Dog Fund	Police Special Duty	Board of Recreation
Revenues:					
Intergovernmental	\$ 13,430	241,352			
Charges for services			4,387	193,372	146,159
Investment income	5,952			(1,012)	
Other	4,826				
Total revenues	\$ 24,208	241,352	4,387	192,360	146,159
Expenditures:					
Public safety	\$		4,403	121,139	
Public works		231,518			
Culture and recreation	14,846				122,683
Other					
Capital outlay				99,633	
Total expenditures	\$ 14,846	231,518	4,403	220,772	122,683
Revenue over (under) expenditures	\$ 9,362	9,834	(16)	(28,412)	23,476
Other financial resources (uses):					
Transfer in from other funds	\$				
Transfer out to other funds		(45,000)			
Total other financial resources (uses)	\$ -	(45,000)	-	-	-
Changes in fund balances	\$ 9,362	(35,166)	(16)	(28,412)	23,476
Fund balances - beginning	345,583	66,309	6,653	1,497	50,073
Fund balances - ended	\$ 354,945	31,143	6,637	(26,915)	73,549

SCHEDULE 4

Special Revenue Funds			Capital Projects				Total
Sewer Use Fund	Private Purpose Trust	Total Special Revenue	Land Acquisition Fund	Open Space	W.P.C.A. Capital Improvement	Total Capital Projects	
		254,782				-	254,782
114,652		458,570				-	458,570
		4,940	52	131		183	5,123
	197,021	201,847				-	201,847
114,652	197,021	920,139	52	131	-	183	920,322
		125,542					125,542
99,252		330,770			3,212	3,212	333,982
		137,529				-	137,529
	177,305	177,305				-	177,305
		99,633				-	99,633
99,252	177,305	870,779	-	-	3,212	3,212	873,991
15,400	19,716	49,360	52	131	(3,212)	(3,029)	46,331
		-				-	-
		(45,000)				-	(45,000)
-	-	(45,000)	-	-	-	-	(45,000)
15,400	19,716	4,360	52	131	(3,212)	(3,029)	1,331
54,920	49,432	574,467	30,208	356,077	14,028	400,313	974,780
70,320	69,148	578,827	30,260	356,208	10,816	397,284	976,111

TOWN OF PROSPECT, CONNECTICUT

**STATEMENT OF CHANGES IN FUND BALANCE - BY PROJECT
CAPITAL AND NONRECURRING FUND**

For the Fiscal Year Ended June 30, 2022

	<u>Beginning Fund Balance</u>	<u>Current Year Capital Funding</u>	<u>Transfers</u>
Committed fund balance:			
Community School repairs	\$ 16,688		(17,632)
Sidewalk design	(123,844)		143,089
Road safety 2020	193,048		(215,441)
Road safety 2021		800,000	
Fire Department radio repeater			115,000
Full-size truck	(1,850)		1,850
Street scape (Rte 69 / Center Street)	9,317		7,205
Fire Department gas tank	108		(108)
Revaluation	44		20,009
Town Hall digitizing maps	(22,694)		22,694
Telephone systems upgrade	3,173		(3,173)
PW backup generator	489		
PVFD pierce velocity pumper	-		
Meeting place	4,720		
Cement fuel tank - Community Center	(30)		30
Pool Table replacement			2,070
Tax and assessor's office new server			124
Cement fuel tank - Fire House			107
New Truck - HV507		100,000	
Total committed fund balance	<u>\$ 79,169</u>	<u>900,000</u>	<u>75,824</u>
Assigned (unassigned) fund balance:			
Assigned	\$ 47,379		16,782
Unassigned			
Total assigned (unassigned) fund balance	<u>\$ 47,379</u>	<u>-</u>	<u>16,782</u>
Total Fund Balance	<u>\$ 126,548</u>	<u>900,000</u>	<u>92,606</u>

SCHEDULE 5

Other Revenues	Total Available	Current Year Expenditures	Ended Fund Balance	Eliminating Deficit Balances GASB 54	Reported Fund Balance
	(944)		(944)	944	-
	19,245		19,245		19,245
	(22,393)	(38,557)	(60,950)	60,950	-
	800,000	(769,815)	30,185		30,185
	115,000	(107,224)	7,776		7,776
	-		-		-
	16,522	(4,522)	12,000		12,000
	-		-		-
	20,053		20,053		20,053
	-		-		-
	-		-		-
	489		489		489
	-		-		-
	4,720		4,720		4,720
	-		-		-
	2,070		2,070		2,070
	124		124		124
	107		107		107
	100,000		100,000		100,000
-	1,054,993	(920,118)	134,875	61,894	196,769
	64,161		64,161		64,161
	-		-	(61,894)	(61,894)
-	64,161	-	64,161	(61,894)	2,267
-	1,119,154	(920,118)	199,036	-	199,036

TOWN OF PROSPECT, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
For the Year Ended June 30, 2022

Grand List Year	Uncollected Balance & New Levy July 1, 2021	Lawful Corrections		Transfers To (Recoveries From) Suspense	Balance to be Collected
		Increases	Decreases		
Suspense	\$ -			15,342	15,342
Jeopardy	-	1,009			1,009
2006	-				-
2007	-				-
2008	-				-
2009	-				-
2010	-				-
2011	-				-
2012	-				-
2013	212			(212)	-
2014	463			(213)	250
2015	1,078			(402)	676
2016	2,150			(1,341)	809
2017	14,088			(5,380)	8,708
2018	124,814	819	(962)	(7,099)	117,571
2019	288,601	2,909	(31,985)	(3,974)	255,551
Total	\$ 431,406	4,737	(32,947)	(3,279)	399,917
2020	28,770,003	475,886	(110,534)	(2,345)	29,133,010
Total	\$ 29,201,409	480,623	(143,481)	(5,624)	29,532,927

SCHEDULE 6

Collections				Uncollected
Taxes	Interest	Lien Fees	Total	Balance June 30, 2022
15,342	29,489	72	44,903	-
1,009			1,009	-
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
248	114	24	386	2
	114		114	676
134	26	24	184	675
8,539	3,680	86	12,305	169
111,026	41,193	326	152,545	6,545
220,044	47,554	1,055	268,653	35,507
356,342	122,170	1,587	480,099	43,575
28,929,750	75,247	1,034	29,006,031	203,260
29,286,092	197,417	2,621	29,486,130	246,835

TOWN OF PROSPECT, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
For the Year Ended June 30, 2022

	General Purpose
Debt limitation:	
2 1/4 times base	\$ 66,343,792
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>\$ 66,343,792</u>
Indebtedness:	
Bonds payable	\$
Bonds authorized and unissued	<u>6,422,723</u>
Total indebtedness	<u>\$ 6,422,723</u>
Less: School construction grants receivable	<u>-</u>
Total indebtedness of the Town	<u>\$ 6,422,723</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 59,921,069</u></u>

Total tax collections (including interest and lien fees)
for the year ended June 30, 2022 \$ 29,486,130

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

Base \$ 29,486,130

<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Bonding</u>	<u>Total Debt</u>
132,687,584	110,572,987	95,829,922	88,458,389	206,402,909
<u>132,687,584</u>	<u>110,572,987</u>	<u>95,829,922</u>	<u>88,458,389</u>	<u>206,402,909</u>
				6,422,723
-	-	-	-	6,422,723
-	-	-	-	-
-	-	-	-	6,422,723
<u>132,687,584</u>	<u>110,572,987</u>	<u>95,829,922</u>	<u>88,458,389</u>	<u>199,980,186</u>