

Annual Financial Report
of the
Town of Chester, Connecticut
For the Year Ended June 30, 2018

Town of Chester, Connecticut
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For the Year Ended June 30, 2018

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Introductory Section

Town of Chester, Connecticut

**List of Principal Officials
June 30, 2018**

Board of Selectmen

Lauren S. Gister, First Selectman
Charlene Janecek, Selectman
James Grzybowski, Selectman

Board of Finance

Virginia Carmany, Chairman
David W. Cohen
Jon Joslow
Richard Nygard
Charles T. Park
Jennifer Rannestad
Michal Joplin
John O'Hare
Richard Strauss

Town Departments

Animal Control, Jae Wolf
Assessor, Loreta Zdanys
Building Inspector, Ron Rose
Finance, Peter Evankow
Fire Marshal, Richard Leighton
Human Services Director, Rosie Bininger
Public Works Foreman, John Divis
Tax Collector, Madaline A. Meyer
Town Clerk, Debra Germini Calamari
Treasurer, Elizabeth Netsch

Auditor

PKF O'Connor Davies, LLP

Financial Section



Independent Auditors' Report

**Board of Finance
Town of Chester, Connecticut**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the pension and other post-employment benefit schedules on pages 4 through 11 and 65 through 81, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
December 20, 2018



Management's Discussion and Analysis For the Year Ended June 30, 2018

As management of the Town of Chester, Connecticut ("Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$15,505,069 (*net position*). Of this amount, the *unrestricted net position* was \$3,412,342.
- The Town's total net position increased by \$464,803. The increase is substantially due to the general fund positive operations of \$174,277 and the difference from modified accrual to accrual basis of accounting for capital asset and long-term activity of \$216,621 in the government-wide financial statements.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,375,333, an increase of \$195,780 in comparison with the prior year. This increase is a result of the positive operations in the general fund of \$174,277 due to property taxes collected in excess of budget of \$59,299, \$62,736 of unanticipated revenues, spending savings of \$71,017 for general government and \$57,545 for public safety. \$2,152,907 of the total fund balance is nonspendable, restricted, committed or assigned, leaving an *unassigned fund balance* in the amount of \$2,222,426.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,232,368, an increase of \$181,759 in comparison with the prior year. This unassigned fund balance represents 17.12% of total budgetary general fund expenditures and transfers out.

Overview of the Basic Financial Statements

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

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

Government-wide financial statements. (continued)

These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when the cash is received or paid.

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

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

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

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

Fund financial statements. The fund financial statements provide detailed information about the most significant funds, not the Town as a whole. The Town establishes funds to help it maintain control and manage money that have been segregated for specific activities or objectives. Funds are also established to ensure and demonstrate compliance with finance related legal requirements for using certain grants. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Town'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 funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town'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.

Governmental funds. (continued)

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 capital reserve fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in Schedules 2 and 3 of this report.

The Town adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary funds. The Town is the trustee, or fiduciary, for its pension plans. It is also responsible for other assets that, because of a trust agreement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position (Exhibits F and G). We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the budgetary comparison information and the Town's progress in funding its obligation to provide pension and other post-employment benefits to its employees.

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. The Town's combined net position increased by 3.09% from a year ago – increasing from \$15,040,266 (as restated) to \$15,505,069.

By far the largest portion of net position of the Town reflects its net investment in capital assets (e.g., land, construction in progress, buildings and systems, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town 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.

Government-Wide Financial Analysis (continued)

**Summary Statement of Net Position
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u> (As restated)
Current and other assets	\$ 5,204,974	\$ 4,958,890
Capital assets (net)	<u>12,461,637</u>	<u>12,391,110</u>
Total assets	<u>17,666,611</u>	<u>17,350,000</u>
Deferred outflows of resources	<u>107,715</u>	<u>59,806</u>
Other liabilities outstanding	484,469	558,583
Long-term liabilities outstanding	<u>1,640,938</u>	<u>1,698,444</u>
Total liabilities	<u>2,125,407</u>	<u>2,257,027</u>
Deferred inflows of resources	<u>143,850</u>	<u>112,513</u>
Net position:		
Net investment in capital assets	11,783,237	11,513,572
Restricted	309,490	289,879
Unrestricted	<u>3,412,342</u>	<u>3,236,815</u>
Total net position	<u>\$ 15,505,069</u>	<u>\$ 15,040,266</u>

A portion of the Town's net position, \$309,490, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$3,412,342.

Governmental activities. Governmental activities increased the Town's net position by \$464,803. Key elements of this increase are as follows:

**Statement of Changes in Net Position
For the Years Ended June 30, 2018 and 2017**

	2018	2017 (As restated)
Revenues:		
Program revenues:		
Charges for services	\$ 767,434	\$ 637,570
Operating grants and contributions	1,521,590	1,555,282
General revenues:		
Property taxes	11,705,263	11,336,469
Grants and contributions not restricted to specific programs	116,641	173,227
Investment income	34,800	21,716
Other	62,736	44,411
	14,208,464	13,768,675
Expenses:		
General government	1,653,498	1,634,702
Public works	1,299,911	1,213,475
Public safety	922,484	1,079,330
Health and welfare	253,298	240,728
Education	9,597,414	9,382,381
Interest expense	17,056	21,027
	13,743,661	13,571,643
Change in net position	464,803	197,032
Net position - July 1	15,040,266	14,927,318
Restatement for net OPEB liability	-	(84,084)
Net position - June 30	\$ 15,505,069	\$ 15,040,266

Governmental activities. (continued)

- Property taxes revenue increased by \$368,794 due to an increase in the budget and reduced funding from the State.
- Public works expenses increased by \$86,436 due to an increase in costs for highway of approximately \$75,000, buildings and grounds for approximately \$41,000, offset by a decrease in municipal services for approximately \$11,000, and an increase in the sewer fund expense of \$21,763.
- Public safety expenses decreased by \$156,846 due to the current year change in net pension liability for the Chester Hose Company Volunteer Services Award Program pension, which decreased approximately \$98,000, and a decrease in capital outlay allocated to public safety of approximately \$55,000.
- Education expenses increased by \$215,033 due to an increase in the Regional School District budget and the State Teachers' OPEB on behalf amount of \$50,352 recorded for the first time this year.

Financial Analysis of the Town's Funds

As noted earlier, the Town 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 the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town'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 \$4,375,333. \$2,152,907 is not available for new spending because it has already been classified as 1) nonspendable for \$92,965, 2) restricted for \$309,490, 3) committed for \$1,420,967, and 4) assigned for \$329,485.

The total fund balance increased by \$195,780 to \$4,375,333. This increase is a result of the positive operations in the general fund of \$174,277 due to property taxes collected in excess of budget of \$59,299, \$62,736 of unanticipated revenues, spending savings of \$71,017 for general government and \$57,545 for public safety.

General Fund. The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,232,368. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 17.12% of total general fund budgetary expenditures and transfers out.

Capital Reserve Fund. This fund accounts for financial resources to be used for capital projects. The Town appropriated \$458,000 for the fiscal year. The capital reserve fund had capital outlay expenditures of \$460,405, which were for road and sidewalk construction, building repairs, and capital equipment projects.

General Fund Budgetary Highlights

The significant budget transfers during the year were as follows:

- Highway department budget was increased by \$64,108 for plowing and tree removal costs due to Spring storms.
- Building and grounds budget was increased by \$25,129 for roof repair at the library, new well and HVAC for 20 Water Street and generator rental for various Town buildings due to power outage.
- Fire protection budget was increased by \$12,715 for Fire Marshal inspections.
- The increases were substantially funded by transfers from the contingency line (Board of Finance) and employee benefits in the amount of \$77,345 and \$25,844, respectfully.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets amounts to \$12,461,637 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, machinery and equipment, infrastructure, and construction in progress. The total increase in the Town's investment in capital assets for the current fiscal year was \$70,527 (0.57%). This increase is due to the net effect of purchases, disposals, and depreciation. Only those assets which cost \$5,000 or more with a useful life exceeding two years are capitalized. Assets costing less than \$5,000 are expensed.

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

- Prospect Street bridge culvert (\$286,666)
- Vacant land (\$55,176)

**Capital Assets
(Net of Accumulated Depreciation)**

	2018	2017
Land	\$ 1,021,016	\$ 965,840
Construction in progress	34,714	48,056
Buildings and systems	4,793,126	4,885,879
Machinery and equipment	1,367,877	1,447,444
Infrastructure	5,244,904	5,043,891
 Total	 \$ 12,461,637	 \$ 12,391,110

Additional information on the Town's capital assets can be found in Note 3. E.

Management's Discussion and Analysis (continued)

Long-term debt. At the end of the current fiscal year, the Town had total bonds and notes outstanding of \$732,484. This entire amount comprises debt backed by the full faith and credit of the Town.

**Outstanding Debt
Long-Term Obligations**

	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ -	\$ 145,000
Clean water note payable	678,400	732,538
Street light note payable	<u>54,084</u>	<u>-</u>
Total	<u>\$ 732,484</u>	<u>\$ 877,538</u>

The Town's total debt decreased by \$145,054 (16.53%) during the current fiscal year. The decrease in the bonds payable and clean water note payable is due to scheduled debt service payments of \$145,000 and \$54,138, respectively. The decrease in debt was offset by issuance of a street light note payable for \$60,373, with a scheduled principal payment of \$6,289 made during the year.

The Town maintains an "Aa3" rating from Moody's Investor Service.

State Statutes limit the amount of general obligation debt a governmental entity may issue to 7 times total tax collections. The current debt limitation for the Town is \$79,332,575, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 3. F.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the State is currently 4.4%, which is a decrease from a rate of 4.7% a year ago. The Town's unemployment rate was 2.5%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for the 2019 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fiscal Office, Town of Chester, 203 Middlesex Turnpike, Chester, CT 06412.

Basic Financial Statements

Town of Chester, Connecticut

Statement of Net Position
Governmental Activities
June 30, 2018

Assets

Current assets:

Cash	\$	379,638
Restricted cash		9,250
Investments		4,182,087
Receivables (net):		
Property taxes		134,208
Accounts		38,015
Intergovernmental		61,230
Sewer assessments		20,000
Loans		18,000
Other		710
		<hr/>
Total current assets		4,843,138

Noncurrent assets:

Receivables (net):		
Property taxes		175,571
Sewer assessments		111,300
Loans		74,965
		<hr/>
Total receivables (net)		361,836

Capital assets (net of accumulated depreciation):

Land		1,021,016
Construction in progress		34,714
Buildings and systems		4,793,126
Machinery and equipment		1,367,877
Infrastructure		5,244,904
		<hr/>
Total capital assets (net of accumulated depreciation)		12,461,637

Total assets		<hr/>
		17,666,611

Deferred outflows of resources

Deferred outflows related to pension		<hr/>
		107,715

(Continued)

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

Town of Chester, Connecticut

**Statement of Net Position
Governmental Activities
June 30, 2018**

Liabilities

Liabilities:

Current liabilities:

Accounts payable	\$ 236,809
Accrued payroll	142,503
Performance bonds	9,250
Bonds and notes payable	70,324
Compensated absences	14,083
Post closure landfill liability	11,500

Total current liabilities	484,469
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Noncurrent liabilities:

Bonds, notes and related liability	662,160
Compensated absences	56,331
Post closure landfill liability	57,500
Net pension liability	704,084
OPEB liability	160,863

Total noncurrent liabilities	1,640,938
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Total liabilities	2,125,407
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Deferred Inflows of Resources

Deferred inflows related to pension	143,850
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Net Position

Net investment in capital assets	11,783,237
Restricted for:	
General government	225,292
Public works	67,811
Health and welfare	16,387
Unrestricted	3,412,342
Total net position	\$ 15,505,069

(Concluded)

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

Town of Chester, Connecticut

**Statement of Activities
Governmental Activities
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net Expenses and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 1,653,498	\$ 349,116	\$ 87,758	\$ (1,216,624)
Public works	1,299,911	105,387	243,930	(950,594)
Public safety	922,484	204,568	-	(717,916)
Health and welfare	253,298	9,574	-	(243,724)
Education	9,597,414	98,789	1,189,902	(8,308,723)
Interest expense	17,056	-	-	(17,056)
14 Total	<u>\$ 13,743,661</u>	<u>\$ 767,434</u>	<u>\$ 1,521,590</u>	<u>\$ (11,454,637)</u>
General revenues:				
Property taxes				\$ 11,705,263
Grants and contributions not restricted to specific programs				116,641
Investment income				34,800
Other				62,736
Total general revenues				<u>11,919,440</u>
Change in net position				464,803
Net position - July 1, 2017 (as restated)				<u>15,040,266</u>
Net position - June 30, 2018				<u>\$ 15,505,069</u>

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

Town of Chester, Connecticut

Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 343,899	\$ -	\$ 35,739	\$ 379,638
Restricted cash	9,250	-	-	9,250
Investments	2,337,609	1,430,864	413,614	4,182,087
Receivables (net)				
Property taxes	309,779	-	-	309,779
Accounts	35,710	-	2,305	38,015
Intergovernmental	56,933	-	4,297	61,230
Loans	-	-	92,965	92,965
Sewer assessments	131,300	-	-	131,300
Other	-	-	710	710
Total assets	\$ 3,224,480	\$ 1,430,864	\$ 549,630	\$ 5,204,974
<u>Liabilities</u>				
Accounts payable	\$ 199,280	\$ 1,950	\$ 35,579	\$ 236,809
Accrued payroll and related	142,503	-	-	142,503
Performance bonds	9,250	-	-	9,250
Total liabilities	351,033	1,950	35,579	388,562
<u>Deferred Inflows of Resources</u>				
Unavailable revenues				
Property taxes	309,779	-	-	309,779
Sewer assessments	131,300	-	-	131,300
Total deferred inflows of resources	441,079	-	-	441,079
<u>Fund Balances</u>				
Nonspendable	-	-	92,965	92,965
Restricted	-	-	309,490	309,490
Committed	-	1,420,967	-	1,420,967
Assigned	200,000	7,947	121,538	329,485
Unassigned	2,232,368	-	(9,942)	2,222,426
Total fund balances	2,432,368	1,428,914	514,051	4,375,333
Total liabilities, deferred inflows of resources and fund balances	\$ 3,224,480	\$ 1,430,864	\$ 549,630	\$ 5,204,974

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

(Continued)

Town of Chester, Connecticut

Reconciliation of Fund Balance to Net Position
June 30, 2018

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

Total fund balance (Exhibit C, Page 1)	\$ 4,375,333
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Beginning capital assets	12,391,110
Current year additions (net of construction in progress)	395,536
Depreciation expense	(323,969)
Disposal of assets	(1,040)
Other long-term assets and deferred outflows of resources are not available resources and, therefore, are not reported in the funds:	
Deferred outflows related to pension	107,715
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds:	
Property taxes - accrual basis change	309,779
Sewer assessments - accrual basis change	131,300
Some liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and notes payable	(732,484)
Compensated absences	(70,414)
Post-closure landfill liability	(69,000)
Net pension liability	(704,084)
OPEB liability	(160,863)
Deferred inflows related to pension	(143,850)
Net position (Exhibit A)	<u>\$ 15,505,069</u>

(Concluded)

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

Town of Chester, Connecticut

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018**

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 11,678,130	\$ -	\$ -	\$ 11,678,130
Intergovernmental	1,476,290	-	93,240	1,569,530
Charges for services	481,930	-	306,576	788,506
Investment income	29,339	5,037	424	34,800
Contributions	-	-	68,701	68,701
Other	62,736	-	-	62,736
Total revenues	13,728,425	5,037	468,941	14,202,403
Expenditures:				
Current:				
General government	1,009,274	-	66,299	1,075,573
Public works	873,899	-	116,864	990,763
Public safety	856,717	-	2,334	859,051
Health and welfare	133,388	-	9,864	143,252
Benefits and insurance	692,065	-	-	692,065
Education	9,282,173	-	239,907	9,522,080
Debt service	222,483	-	-	222,483
Capital outlay	-	460,405	101,324	561,729
Total expenditures	13,069,999	460,405	536,592	14,066,996
Excess (deficiency) of revenues over expenditures	658,426	(455,368)	(67,651)	135,407
Other financing sources (uses):				
Issuance of debt	-	-	60,373	60,373
Transfers in	31,551	458,000	57,700	547,251
Transfers out	(515,700)	-	(31,551)	(547,251)
Net other financing sources (uses)	(484,149)	458,000	86,522	60,373
Net change in fund balances	174,277	2,632	18,871	195,780
Fund balances - July 1, 2017	2,258,091	1,426,282	495,180	4,179,553
Fund balances - June 30, 2018	<u>\$ 2,432,368</u>	<u>\$ 1,428,914</u>	<u>\$ 514,051</u>	<u>\$ 4,375,333</u>

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

Town of Chester, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds (Exhibit D)	<u>\$ 195,780</u>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital outlay	395,536
Depreciation expense	<u>(323,969)</u>
Total	<u>71,567</u>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position. In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.

Loss on disposal of assets	<u>(1,040)</u>
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in property tax and sewer assessment - accrual basis change	<u>6,061</u>
--	--------------

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

Debt issued or incurred:	
Issuance of general obligation bonds and notes	(60,373)
Principal repayments:	
General obligation bonds and notes	<u>205,427</u>
Total	<u>145,054</u>

(Continued)

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

Town of Chester, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For the Year Ended June 30, 2018**

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

Compensated absences	\$ (6,495)
Post closure landfill	11,500
Pension expense	33,968
OPEB expense	(8,164)
Amortization of deferred outflows of resources	47,909
Amortization of deferred inflows of resources	<u>(31,337)</u>
Total	<u>47,381</u>
Change in net position (Exhibit B)	<u>\$ 464,803</u>

(Concluded)

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

Town of Chester, Connecticut

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018**

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>
Cash	\$ -	\$ 10,217
Investments:		
Mutual funds:		
Equity	1,287,787	-
Money market	188,271	-
Bonds	771,169	-
Total investments	<u>2,247,227</u>	<u>-</u>
Total assets	<u>2,247,227</u>	<u>10,217</u>
<u>Net Position</u>		
Net position held in trust for:		
Pensions	2,247,227	-
Individuals and organizations	<u>-</u>	<u>10,217</u>
Total net position	<u><u>\$ 2,247,227</u></u>	<u><u>\$ 10,217</u></u>

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

Town of Chester, Connecticut

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For The Year Ended June 30, 2018**

	Pension Trust Funds	Custodial Funds
	<u> </u>	<u> </u>
Additions:		
Contributions:		
Employer	\$ 173,405	\$ -
Plan members	4,647	-
Charges for services	-	9,408
	<u> </u>	<u> </u>
Total contributions	178,052	9,408
	<u> </u>	<u> </u>
Investment income (loss):		
Change in fair value of investments	136,211	-
Interest and dividends	14,764	-
	<u> </u>	<u> </u>
Total investment income (loss)	150,975	-
	<u> </u>	<u> </u>
Total additions	329,027	9,408
	<u> </u>	<u> </u>
Deductions:		
Benefits	505,058	-
Activities and events	-	8,334
	<u> </u>	<u> </u>
Total deductions	505,058	8,334
	<u> </u>	<u> </u>
Change in net position	(176,031)	1,074
Net position - July 1, 2017 (as restated)	2,423,258	9,143
	<u> </u>	<u> </u>
Net position - June 30, 2018	<u>\$ 2,247,227</u>	<u>\$ 10,217</u>

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

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

History and Organization

The Town of Chester, Connecticut ("Town") is a municipal corporation governed by a Selectmen–Town Meeting form of government. Under this form of government, the town meeting is the legislative body. A Town Meeting is required to make appropriations, levy taxes and borrow money. The administrative branch is led by an elected three-member Board of Selectmen. The Selectmen oversee most of the activities not assigned specifically to another body. An elected Board of Education oversees the public school system. The elected Board of Finance is the budget making authority and supervises the Town financial matters.

1. Summary of Significant Accounting Policies

The accounting policies conform to generally accepted accounting principles ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

A. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For reimbursement grants, the Town considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Expenditure reimbursement type grants, certain intergovernmental revenues, transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The *General Fund* constitutes the primary operating fund and is used to account for and report all financial resources not accounted for and reported in another fund.

The *Capital Reserve Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.

Additionally, the Town reports the following fund types:

The *Pension Trust Funds* account for the activities of the Town Employee Retirement Plan and the Chester Hose Company Volunteer Services Award Program, which accumulates resources for pension benefit payments to qualified employees.

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

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

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

Pensions and other post-employment benefits ("OPEB")

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

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances

1. Deposits and investments

Deposits – The Town considers cash as cash on hand and demand deposits.

Investments – In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Investment income is recorded in the fund in which it was earned.

The target allocations for the pension fund investments are as follows:

<u>Asset Class</u>	<u>Employee Retirement Plan</u>	<u>Chester Hose Company VSAP</u>
Cash equivalents	10%	N/A
Fixed income	45%	40%
Equities	45%	60%

Allowable investments under the pension fund's investment policy consist of marketable equity and fixed income securities conforming to investment guidelines that include mutual funds, exchange traded funds or other comingled investment vehicles that invest in such securities. Funds may also be invested in the high yield sector (bonds below investment grade) provided the investment is made in mutual funds and does not comprise more than 5% of the equity portion of the portfolio. Professional money managers are employed to manage the assets allocated to them. The Town's Retirement and Pension Board are responsible for overall investment policy. Any change in investment manager must have their approval.

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

The Town follows U.S. GAAP guidance on *fair value measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Other provisions of the statutes cover specific municipal pension funds with particular investment authority and do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries (i.e., prudent person rule) and the provisions of the applicable plan. Their approved policies target an asset mix to provide the probability of meeting or exceeding the return objectives at the lowest possible risk.

2. Receivables and payables

a. Interfunds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

b. Property taxes and other receivables

In the government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 10% to 34% percent of outstanding receivable balances and are calculated based upon prior collection history.

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

In the fund financial statements, property tax revenues are recognized when they became available. Only taxes collected during the fiscal year are recorded as revenue.

Loans receivable in the Small Cities Fund represent amounts due from homeowners in the Town. Loans receivable are recorded and revenues recognized as earned. The loans are funded through a federal grant. The loans are due in full when the homeowner dies, refinances or sells the property. There is no interest on the loans. The loans are secured by a lien on the property.

3. Restricted assets

Restricted assets consist of performance bonds held by the Town.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (continued)

4. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The Town has chosen to capitalize collections consisting primarily of art. The collections are not being depreciated as they are considered inexhaustible works of art.

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

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

Land is considered inexhaustible and, therefore, not depreciated. Property, plant, and equipment of the Town is depreciated or amortized using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Capitalization Threshold</u>
Land	N/A	\$ 1
Buildings and systems	20-75	1
Land improvements	50	20,000
Machinery and equipment	5-40	5,000
Intangible assets	Varies, if any	20,000
Infrastructure:		
Bridges	30	100,000
Roads and drainage	75	100,000

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources related to pension and other post-employment benefits for differences between expected and actual experience, changes in assumptions, and net difference between projected and actual earnings of the pension plan investments. The deferred outflow related to the differences between expected and actual experience and the change in assumptions will be amortized over the average remaining service life of all plan members. The deferred outflow for the net difference between projected and actual earnings of the pension plan investments will be amortized over a five year period.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources related to pension and other post-employment benefits for differences between expected and actual experience, changes in assumptions, and net difference between projected and actual earnings of the pension plan investments. The deferred inflow related to the differences between expected and actual experience and the change in assumptions will be amortized over the average remaining service life of all plan members. The deferred inflow for the net difference between projected and actual earnings of the pension plan investments will be amortized over a five year period.

The Town also reports a deferred charge on refunding which results from the difference in the carrying value of the refunded debt and the reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

For governmental funds, the Town reports unavailable revenue which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenue from several sources: property taxes, sewer assessments and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated absences

Employees accumulate, by prescribed formula, vacation, sick and personal days for subsequent use or for payment upon termination or retirement. Expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for amounts expected to be paid with available resources; for example, as a result of employee resignations and retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

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

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (continued)

8. Net position flow assumption

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

9. Fund equity and net position

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

Net Investment in Capital Assets

This category presents the net position that reflects capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes is excluded.

Restricted Net Position

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

Unrestricted Net Position

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

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

Nonspendable

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

Restricted

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

Committed

This category presents amounts that can be used only for specific purposes determined by a formal action by the highest level of decision-making authority for the Town. Commitments may be established, modified or rescinded through resolutions approved by Town Meeting, Board of Finance or contractual obligations.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances (continued)

9. Fund equity and net position (continued)

Assigned

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

Unassigned

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first.

When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Selectmen or Board of Finance has provided otherwise in its commitment or assignment actions.

The Town adopted a minimum fund balance policy for the general fund. The policy requires the Board of Finance to prepare annual budgets that provide for the unassigned fund balance to be approximately 10% of the total operating general fund expenditures.

The Board of Finance approved the creation of a mill rate stabilization fund to be used for capital outlay or for debt service as determined necessary by the Board. Additions to the fund would be approved annually by the Board of Finance or Town Meeting in accordance with the Town Charter.

10. Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Accordingly, actual results could differ from those estimates.

11. Reclassifications

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

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

2. Stewardship, Compliance and Accountability

A. Budgets Budgetary Accounting

A formal, legally approved, annual budget is adopted for the General Fund. This budget is adopted on a basis consistent with GAAP (modified accrual basis) except for State Teachers' pension and OPEB on behalf amounts and encumbrances. The Town does not budget for or recognize as revenue or expenditures payments made for the teachers' pension and OPEB by the State of Connecticut on the Town's behalf.

- The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by state statutes, appropriated as one department.
- The governing body may amend the annual budget subject to the requirements of the Connecticut General Statutes. The Board of Finance may make a one-time additional appropriation up to \$20,000 to any appropriation. A Town Meeting must be called to make appropriations over \$20,000 or additional changes to a previously adjusted appropriation.
- No additional appropriations were made during the year.

B. Capital project authorizations

The following is a summary of certain capital projects:

	Beginning Unexpended Appropriation	Current Year Appropriations	Total Appropriation	Current Year Expenditures	Interest and Other Income	Ending Unexpended Balance
Committed Fund Balance						
Main Street Project Phase III	\$ 349,130	\$ 25,000	\$ 374,130	\$ 34,714	\$ -	\$ 339,416
Ambulance	90,007	30,000	120,007	-	-	120,007
Cedar Lake/Watershed	6,000	8,000	14,000	14,000	-	-
Fire Truck Replacement	396,473	25,000	421,473	-	-	421,473
Equipment Replacement	1,336	35,000	36,336	9,934	-	26,402
Energy Efficient Projects	5,137	-	5,137	2,933	-	2,204
Assessor Revaluation	30,000	8,000	38,000	12,732	-	25,268
Road/Sidewalk Repairs	282,928	200,000	482,928	328,384	-	154,544
Highway Equipment	128,322	35,000	163,322	-	-	163,322
Firehouse Boiler	29,390	30,000	59,390	-	-	59,390
Town Building - Repairs/ Code Comp.	73,569	25,000	98,569	57,708	-	40,861
Town Hall Computer Replacement	16,080	22,000	38,080	-	-	38,080
School - Oil Tank Replacement	15,000	15,000	30,000	-	-	30,000
Assigned for Unspecified Projects	2,910	-	2,910	-	5,037	7,947
Totals	<u>\$ 1,426,282</u>	<u>\$ 458,000</u>	<u>\$ 1,884,282</u>	<u>\$ 460,405</u>	<u>\$ 5,037</u>	<u>\$ 1,428,914</u>

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

2. Stewardship, Compliance and Accountability (Continued)

C. Fund Deficit

The cafeteria fund has a fund deficit of \$9,942. The Town plans to address this deficit with future revenues.

3. Detailed Notes

A. Cash and Investments

Deposits - custodial credit risk – Custodial credit risk is risk that, in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. At fiscal year-end, \$229,426 of the Town’s bank balance of \$399,737 (including certificates of deposit and money market funds) was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 109,569
Uninsured and collateral held by the pledging bank’s trust department, not in the Town’s name	<u>119,856</u>
 Total amount subject to custodial credit risk	 <u><u>\$ 229,426</u></u>

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

The Town’s investments (including restricted investments) consisted of the following investment types and maturities. Specific identification was used to determine the maturities.

Type of Investment	Fair Value	Investment Maturities (in Years)		
		N/A	Less Than 1 Year	1-5 Years
Mutual funds				
Equity	\$ 1,287,787	\$ 1,287,787	\$ -	\$ -
Money market	188,271	-	188,271	-
Bonds	771,169	-	-	771,169
Bank money market	2,901,042	-	2,901,042	-
Pooled fixed income	<u>1,281,045</u>	<u>-</u>	<u>1,281,045</u>	<u>-</u>
 Totals	 <u><u>\$ 6,429,314</u></u>	 <u><u>\$ 1,287,787</u></u>	 <u><u>\$ 4,370,358</u></u>	 <u><u>\$ 771,169</u></u>

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

3. Detailed Notes (Continued)

A. Cash and Investments (continued)

Fair Value of Investments – The Town measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America (“U.S. GAAP”). These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted prices; and
- Level 3: Unobservable inputs

The Town had the following recurring fair value measurements:

<u>Investments by Fair Value Level</u>	<u>Amount</u>	<u>Quoted Market Prices in Active Markets Level 1</u>
<u>Mutual Funds</u>		
Equity	\$ 1,287,787	\$ 1,287,787
Money market	188,271	188,271
Bond	<u>771,169</u>	<u>771,169</u>
Total investments by fair value level	2,247,227	<u>\$ 2,247,227</u>
<u>Other Investments</u>		
Bank money market	2,901,042	
Pooled fixed income	<u>1,281,045</u>	
Total other investments	<u>4,182,087</u>	
Total Investments	<u>\$ 6,429,314</u>	

Interest Rate Risk – To minimize interest rate risk, the Town’s policy requires the structuring of the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Operating funds should primarily be invested in short-term securities, money market mutual funds or similar investment pools.

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

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

3. Detailed Notes (Continued)

A. Cash and Investments (continued)

Credit Risk – The Town’s policy states that credit risk will be minimized by limiting investments to the safest types of securities and pre-qualifying the financial institutions with which the Town will do business. The Town is only allowed to invest in those types of investments that are covered by the State of Connecticut Municipal Investment Act. The investment portfolio must be diversified so that potential losses on individual securities will be minimized.

The Town’s investments subject to credit risk have average ratings by Standard & Poor’s as follows:

<u>Average rating</u>	Money Market <u>Mutual Funds</u>	Bond <u>Mutual Funds</u>	Pooled <u>Fixed Income</u>
AAA	\$ -	\$ 227,637	\$ 1,281,045
AA	-	39,519	-
A	-	115,064	-
BBB	-	164,710	-
BB	-	14,696	-
B	-	34,291	-
Unrated	<u>188,271</u>	<u>175,252</u>	<u>-</u>
Total	<u>\$ 188,271</u>	<u>\$ 771,169</u>	<u>\$ 1,281,045</u>

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

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

The Town does not have any investments subject to custodial credit risk at year end.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

3. Detailed Notes (Continued)

B. Receivables

Receivable balances have been disaggregated by type and presented separately in the financial statements. Only receivables for the Town’s government-wide financial statements with allowances for uncollectible accounts, including the applicable allowances for uncollectible accounts, are presented below:

	Taxes	Property Taxes Interest & Lien Fees	Total
Current portion	\$ 115,796	\$ 18,412	\$ 134,208
Long-term portion	\$ 141,528	\$ 109,043	\$ 250,571
Less allowance for uncollectible	(25,000)	(50,000)	(75,000)
Net Long-term Portion	\$ 116,528	\$ 59,043	\$ 175,571
Total Receivable	\$ 232,324	\$ 77,455	\$ 309,779

C. Operating Lease

The Town leases approximately 21% of the Town Hall to an unrelated tenant. The lease expires on November 30, 2022. The building is being carried at a cost of \$1,915,200 and had accumulated depreciation of \$343,672.

Aggregated future minimum rentals for the next 5 years:

2019	\$	67,599
2020		67,599
2021		67,599
2022		67,599
2023		28,166
Total	\$	298,562

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

3. Detailed Notes (Continued)**D. Interfund Transactions**

Fund transfers are generally used to fund special projects with general fund revenues. Transfers during the year were as follows:

	<u>Corresponding Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:			
General Fund:			
Dog Fund	N/A	\$ 1,416	\$ -
Parks and Recreation Fund	N/A	30,135	-
Capital Reserve Fund	N/A	-	458,000
Cafeteria Fund	N/A	-	57,700
		<u>31,551</u>	<u>515,700</u>
Total General Fund			
Capital Reserve Fund:			
General Fund	N/A	458,000	-
Other Governmental Funds:			
Dog Fund	General Fund	-	1,416
Parks and Recreation Fund	General Fund	-	30,135
Cafeteria Fund	General Fund	57,700	-
		<u>57,700</u>	<u>31,551</u>
Total Other Governmental Funds			
Grand Total		<u>\$ 547,251</u>	<u>\$ 547,251</u>

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

3. Detailed Notes (Continued)**E. Capital Assets**

Changes in the Town's capital assets are summarized as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	\$ 965,840	\$ 55,176	\$ -	\$ 1,021,016
Construction in progress	48,056	34,714	48,056	34,714
Total capital assets, not being depreciated	<u>1,013,896</u>	<u>89,890</u>	<u>48,056</u>	<u>1,055,730</u>
Capital assets, being depreciated:				
Buildings and systems	7,725,861	39,030	-	7,764,891
Machinery and equipment	2,718,699	28,006	10,388	2,736,317
Infrastructure	5,369,874	286,666	-	5,656,540
Total capital assets, being depreciated	<u>15,814,434</u>	<u>353,702</u>	<u>10,388</u>	<u>16,157,748</u>
Total capital assets	<u>16,828,330</u>	<u>443,592</u>	<u>58,444</u>	<u>17,213,478</u>
Less accumulated depreciation for:				
Buildings and systems	2,839,982	131,783	-	2,971,765
Machinery and equipment	1,271,255	106,533	9,348	1,368,440
Infrastructure	325,983	85,653	-	411,636
Total accumulated depreciation	<u>4,437,220</u>	<u>323,969</u>	<u>9,348</u>	<u>4,751,841</u>
Total capital assets, being depreciated, net	<u>11,377,214</u>	<u>29,733</u>	<u>1,040</u>	<u>11,405,907</u>
Capital assets, net	<u>\$ 12,391,110</u>	<u>\$ 119,623</u>	<u>\$ 49,096</u>	<u>\$ 12,461,637</u>

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

General government	\$ 58,782
Public safety	64,810
Public works	79,196
Health and welfare	48,619
Education	72,562
Total depreciation expense	<u>\$ 323,969</u>

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

3. Detailed Notes (Continued)**F. Changes in Long-Term Obligations****Summary of Changes**

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town.

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

Description	Original amount	Date of issue	Date of maturity	Interest rate	Balance			Balance June 30, 2018	Current portion
					July 1, 2017 (as restated)	Additions	Deductions		
General obligation bonds:									
General purpose	\$ 2,215,000	8/15/2002	10/1/2017	2.0-3.0%	\$ 145,000	\$ -	\$ 145,000	\$ -	\$ -
Notes:									
Clean Water Note- 577C	1,125,000	8/14/2008	7/31/2029	2.0%	732,538	-	54,138	678,400	55,231
Street Light Loan	60,373	12/15/2017	1/15/2022	0.0%	-	60,373	6,289	54,084	15,093
Total bonds, notes, and related liabilities					<u>877,538</u>	<u>60,373</u>	<u>205,427</u>	<u>732,484</u>	<u>70,324</u>
Compensated absences					63,919	10,383	3,888	70,414	14,083
Post closure landfill liability					80,500	-	11,500	69,000	11,500
Net pension liability					738,052	295,059	329,027	704,084	-
OPEB liability					<u>152,699</u>	<u>15,528</u>	<u>7,364</u>	<u>160,863</u>	<u>-</u>
Total long-term obligations					<u>\$ 1,912,708</u>	<u>\$ 381,343</u>	<u>\$ 557,206</u>	<u>\$ 1,736,845</u>	<u>\$ 95,907</u>

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

3. Detailed Notes (Continued)

F. Changes in Long-Term Obligations (continued)

All long-term liabilities are generally liquidated by the general fund.

The following is a summary of debt maturities:

<u>Fiscal Year</u>	<u>Principal</u>		<u>Interest</u>
	<u>Notes</u>	<u>Loan</u>	
2019	\$ 55,231	\$ 15,093	\$ 13,064
2020	56,345	15,093	11,949
2021	57,483	15,093	10,811
2022	58,643	8,805	9,651
2023	59,827	-	8,468
2024	61,034	-	7,260
2025	62,266	-	6,028
2026	63,523	-	4,771
2027	64,805	-	3,489
2028	66,113	-	2,181
2029	67,448	-	847
2030	5,682	-	9
Totals	<u>\$ 678,400</u>	<u>\$ 54,084</u>	<u>\$ 78,528</u>

Post Closure Landfill Liability

The Town has a closed landfill with no further capacity or estimated useful life. State and Federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for thirty years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Total estimated costs based on the current actual costs are reported as a long-term liability. The actual costs may vary based on actual events, inflation, changes in technology and applicable laws and regulations. Monitoring costs and estimated repairs and maintenance for the next 6 years at \$11,500 per year are \$69,000.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

3. Detailed Notes (Continued)

F. Changes in Long-Term Obligations (continued)

Statutory Debt Limitation

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

<u>Category</u>	<u>Debit Limit</u>	<u>Net Indebtedness</u>	<u>Balance</u>
General purpose	\$ 25,499,756	\$ -	\$ 25,499,756
Schools	50,999,513	1,755,284	49,244,229
Sewers	42,499,594	-	42,499,594
Urban renewal	36,832,981	-	36,832,981
Pension deficit	33,999,675	-	33,999,675

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation, \$79,332,575.

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

Chester is a member of Regional School District No. 4, which provides education facilities for grades seven through twelve for the towns of Chester, Deep River, and Essex. The outstanding bonded indebtedness of the District was \$7,055,000, of which Chester's pro rata share is 24.88% or \$1,755,284.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

3. Detailed Notes (Continued)**G. Fund Balances**

Fund Balance Component	General Fund	Capital Reserve Fund	Nonmajor Funds	Total
<u>Nonspendable:</u>				
General government:				
Small Cities	\$ -	\$ -	\$ 92,965	\$ 92,965
<u>Restricted:</u>				
General government:				
Small Cities	-	-	193,205	193,205
Historic Records Preservation	-	-	4,057	4,057
Town Grants	-	-	28,030	28,030
Public works:				
Sewer System	-	-	67,811	67,811
Health and welfare:				
Emergency Fuel/Community	-	-	16,387	16,387
Total restricted	-	-	309,490	309,490
<u>Committed:</u>				
Infrastructure	-	657,282	-	657,282
Education	-	30,000	-	30,000
Building repairs	-	138,331	-	138,331
Machinery and equipment	-	173,881	-	173,881
Fire protection	-	421,473	-	421,473
Total committed	-	1,420,967	-	1,420,967
<u>Assigned:</u>				
Subsequent year's budget	200,000	-	-	200,000
General government:				
Parks and Recreation	-	-	60,817	60,817
Library	-	-	59,033	59,033
Harbor	-	-	1,688	1,688
Unspecified projects	-	7,947	-	7,947
Total assigned	200,000	7,947	121,538	329,485
<u>Unassigned:</u>	2,232,368	-	(9,942)	2,222,426
Total	<u>\$2,432,368</u>	<u>\$1,428,914</u>	<u>\$514,051</u>	<u>\$4,375,333</u>

H. Restricted Net Position

The amount of restricted net position, which was restricted by enabling legislation, totaled \$71,868.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post-Retirement Plans

A. Town of Chester Employee Retirement Plan and Chester Hose Company Volunteer Services Award Program (“VSAP”)

1. Plan Description

a. Plan Administration

The Town of Chester is the administrator of two single-employer Public Employee Retirement Systems (“PERS”) established and administered by the Town to provide pension benefits for its employees and volunteer firefighters. The PERS are considered to be a part of the Town’s financial reporting entity and is included in the Town’s financial statement as a pension trust fund. A separate stand-alone financial report is not issued.

Management of the plans rests with the 5-member Retirement Board who are appointed by the Selectmen. At least one member of the Board shall also be a member of the Board of Finance.

Plan Membership – As of the date of the latest actuarial valuation, January 1, 2018 for The Employee Retirement plan and July 1, 2017 for VSAP, membership consisted of:

	Plan Membership	
	Employee Retirement Plan	Chester Hose Company VSAP
Retirees and beneficiaries receiving benefits	5	6
Terminated employees entitled to benefits	6	26
Active members	15	35
Total	26	67

2. Benefit Provisions

a. Employee Retirement Plan

The plan covers substantially all regularly employed permanent employees of the Town. In order to be eligible for the plan, the employee must complete thirty-six months of service and attain a minimum age of twenty and one-half. Participants are 100% vested after 5 years. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of valuation and the pattern of sharing costs between the employer and the employee.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post-Retirement Plans (Continued)

A. Town of Chester Employee Retirement Plan and Chester Hose Company VSAP (continued)

b. Chester Hose Company VSAP

The plan covers substantially all volunteer firefighters of the Chester Hose Company. In order to be eligible for the plan, the firefighter must complete one year of service and attain a minimum age of eighteen. Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of valuation and the pattern of sharing of costs between the Town and the firefighter. Normal retirement age is sixty-five. Benefits are paid in monthly payments over fifteen years. The annual benefit is based upon years of service. The plan contains no provisions for early retirement. The death benefit for the plan is equal to the participant's accrued benefits at the date of death. Participants are fully vested after fifteen years of service.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

3. Contributions

a. Employee Retirement Plan

Contribution requirements of the plan members and the Town are established, and may be amended, by the Board of Selectmen. Non-union members are required to contribute 2% of their earnings to the plan.

The Town is required to contribute amounts necessary to fund benefits. The Town's contributions to the plan are actuarially determined on an annual basis. Administrative costs are financed through investment earnings.

The average active member contribution rate was 4.0% of annual base compensation, and the Town's average contribution rate was 12.2% of annual payroll.

b. Chester Hose Company VSAP

Contribution requirements of the plan members and the Town are established, and may be amended, by the Board of Selectmen. Plan members are not required to contribute to the plan. The Town is required to contribute amounts necessary to fund benefits. The Town's contributions to the plan are actuarially determined on an annual basis. Administrative costs are financed through investment earnings.

The Town is required to contribute amounts necessary to fund benefits. The Town's funding policy is based on the actuarially determined employer contribution ("ADEC"). The Town has a policy to pay at least the greater of: (a) 40% of the ADEC; or (b) 80% of the prior year's actual contribution up to 100% of the ADEC.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

A. Town of Chester Employee Retirement Plan and Chester Hose Company VSAP (continued)

4. Investments

a. Investment Policy

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

<u>Asset Class</u>	<u>Employee Retirement Plan</u>	<u>Chester Hose Company VSAP</u>
Cash/Money Market	10%	N/A
Fixed Income/Bonds	45%	40%
Equities/Stocks	45%	60%

Included, but not limited, in these selections will be: active management and passive index-like funds, and equity funds with a single range (e.g. large capitalization) and style category (e.g. growth, value). These investments may have an international equity exposure (e.g. foreign, global). Income funds will focus on credit quality (e.g. investment grade, high yield) and maturity period (e.g. short, intermediate, long term).

5. Concentrations

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

6. Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.45% for the Employees' Retirement Plan and 9.25% for the Chester Hose Retirement Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

A. Town of Chester Employee Retirement Plan and Chester Hose Company VSAP (continued)

7. Net Pension Liability

The components of the net pension liability were as follows:

	Employee Retirement Plan	Chester Hose Company VSAP
Total pension liability	\$ 2,152,398	\$ 798,913
Plan fiduciary net position	1,543,968	703,259
Net pension liability	\$ 608,430	\$ 95,654
Plan fiduciary net position as a percentage of total pension liability	71.73%	88.03%

8. Actuarial Methods and Other Inputs

The total pension liability was determined by an actuarial valuation as of January 1, 2018 for the Employees Retirement Plan and July 1, 2017 for the Chester Hose Company VSAP, using the following actuarial assumptions, applied to all periods included in the measurement:

	Employee Retirement Plan	Chester Hose Company VSAP
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, closed	Level dollar, closed
Asset valuation method	Fair value	Fair value
Inflation	2.50%	2.50%
Salary increases	3.50%	N/A
Discount rate	6.50%	6.00%
Mortality Rates	GAR 94 Table, Revenue Ruling 2001-62 for 417(e)	None

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

A. Town of Chester Employee Retirement Plan and Chester Hose Company VSAP (continued)

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

Employee Retirement Plan:

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Cash	BAML 3-Mon Tbill	10.00%	0.80%
Core Fixed Income	Barclays Aggregate	45.00%	2.55%
Equity Market	Russell 3000	45.00%	4.06%

Chester Hose Company VSAP:

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Core Fixed Income	Barclays Aggregate	40.00%	2.52%
Equity Market	Russell 3000	60.00%	3.81%

9. Discount Rate

The discount rate used to measure the total pension liability for the Town Employee Retirement Plan was 6.50% and was 6.00% for the Chester Hose Company VSAP. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

A. Town of Chester Employee Retirement Plan and Chester Hose Company VSAP (continued)

10. Changes in the Net Pension Liability

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

Employee Retirement Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2017	\$ 2,332,943	\$ 1,759,779	\$ 573,164
Service cost	59,422	-	59,422
Interest	141,085	-	141,085
Differences between expected and actual experience	69,666	-	69,666
Changes in assumptions	-	-	-
Contributions - employer	-	137,578	(137,578)
Contributions - member	-	4,647	(4,647)
Net investment income	-	92,682	(92,682)
Benefit payments, including refunds of member contributions	(450,718)	(450,718)	-
Net change	(180,545)	(215,811)	35,266
Balance at June 30, 2018	<u>\$ 2,152,398</u>	<u>\$ 1,543,968</u>	<u>\$ 608,430</u>

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

A. Town of Chester Employee Retirement Plan and Chester Hose Company VSAP (continued)

The Chester Hose Company Plan's net pension liability was measured at June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The changes in net pension liability for the fiscal year, were as follows:

<u>Chester Hose Company VSAP</u>	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2017	\$ 828,367	\$ 663,479	\$ 164,888
Service cost	13,136	-	13,136
Interest	48,884	-	48,884
Differences between expected and actual experience	(37,134)	-	(37,134)
Contributions - employer	-	35,827	(35,827)
Net investment income	-	58,293	(58,293)
Benefit payments, including refunds of member contributions	(54,340)	(54,340)	-
Net change	(29,454)	39,780	(69,234)
Balance at June 30, 2018	<u>\$ 798,913</u>	<u>\$ 703,259</u>	<u>\$ 95,654</u>

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

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

<u>Employee Retirement Plan:</u>	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net Pension Liability	<u>\$ 713,751</u>	<u>\$ 608,430</u>	<u>\$ 512,493</u>
<u>Chester Hose Company VSAP:</u>	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net Pension Liability	<u>\$ 152,020</u>	<u>\$ 95,654</u>	<u>\$ 5,379</u>

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

A. Town of Chester Employee Retirement Plan and Chester Hose Company VSAP (continued)

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

The Town recognized pension expense of \$102,415 for the Employee Retirement Plan and \$20,450 for the Chester Hose Company VSAP. For both plans, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Employee Retirement Plan Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,444	\$ 64,088
Net difference between projected and actual earnings on pension plan investments	<u>2,003</u>	<u>-</u>
Total	<u>\$ 59,447</u>	<u>\$ 64,088</u>
Net amount of deferred inflows and outflows		<u>\$ (4,641)</u>
Chester Hose Company VSAP Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 48,268	\$ 50,866
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>28,896</u>
Total	<u>\$ 48,268</u>	<u>\$ 79,762</u>
Net amount of deferred inflows and outflows		<u>\$ (31,494)</u>

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

A. Town of Chester Employee Retirement Plan and Chester Hose Company VSAP (continued)

Actual investment earnings below (or above) projected earnings are amortized over 5 years. Differences between expected and actual experience and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members of the Employee Retirement Plan and Chester Hose Company VSAP for an average of 7.3 years and 9.4 years, respectively.

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

Year Ending June 30,	Employee Retirement Plan	Chester Hose Company VSAP
2019	\$ 11,070	\$ (2,315)
2020	1,079	(3,150)
2021	(13,455)	(5,305)
2022	2,056	(5,961)
2023	336	(5,120)
Thereafter	<u>(5,727)</u>	<u>(9,643)</u>
Total	<u>\$ (4,641)</u>	<u>\$ (31,494)</u>

13. Plan Statements

Combining Statement of Fiduciary Net Position
Pension Funds
June 30, 2018

	Pension Trust Funds		
	Employee Retirement Plan	Chester Hose Company VSAP	Total
<u>Assets</u>			
Investments at fair value:			
Mutual funds:			
Equity	\$ 865,832	\$ 421,955	\$ 1,287,787
Money market	188,271	-	188,271
Bonds	<u>489,865</u>	<u>281,304</u>	<u>771,169</u>
Total investments	<u>1,543,968</u>	<u>703,259</u>	<u>2,247,227</u>
<u>Net Position</u>			
Restricted for pension benefits	<u>\$ 1,543,968</u>	<u>\$ 703,259</u>	<u>\$ 2,247,227</u>

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

A. Town of Chester Employee Retirement Plan and Chester Hose Company VSAP (continued)

Combining Statement of Changes in Fiduciary Net Position
Pension Funds
For the Year Ended June 30, 2018

	Pension Trust Funds		
	Employee Retirement Plan	Chester Hose Company VSAP	Total
Additions:			
Contributions:			
Employer	\$ 137,578	\$ 35,827	\$ 173,405
Plan members	4,647	-	4,647
Total contributions	142,225	35,827	178,052
Investment income (loss):			
Change in fair value of investments	92,682	43,529	136,211
Interest and dividends	-	14,764	14,764
Total investment income (loss)	92,682	58,293	150,975
Total additions	234,907	94,120	329,027
Deductions:			
Benefits	450,718	54,340	505,058
Changes in net position	(215,811)	39,780	(176,031)
Net position - July 1, 2017	1,759,779	663,479	2,423,258
Net position - June 30, 2018	<u>\$ 1,543,968</u>	<u>\$ 703,259</u>	<u>\$ 2,247,227</u>

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

B. Pension Plans – Connecticut State Teachers’ Retirement Plan

1. Plan Description

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

2. Benefit Provisions

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

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

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service. Benefit amounts are reduced by 6% per year for the first 5 years preceding normal retirement age and 4% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers’ compensation cannot exceed 75% of average annual salary.

3. Contributions

State of Connecticut

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

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

B. Pension Plans – Connecticut State Teachers’ Retirement Plan (continued)

Employer (School Districts)

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

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of pensionable salary.

Effective January 1, 2018, each teacher is required to contribute 7% of pensionable salary.

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

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

Town’s proportionate share of the net pension liability	\$	-
State’s proportionate share of the net pension liability associated with the Town		4,221,104
Total	\$	4,221,104

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

The Town recognized pension expense and revenue of \$488,258 for on-behalf amounts for the benefits provided by the State.

5. Actuarial Assumptions

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

Inflation	2.75%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Experience Study Performed	July 1, 2005 – June 30, 2010

Mortality rates were based on the RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

B. Pension Plans – Connecticut State Teachers’ Retirement Plan (continued)

5. Actuarial Assumptions (continued)

Future cost-of-living increases - For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers’ Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers’ Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for social security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

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

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

B. Pension Plans – Connecticut State Teachers’ Retirement Plan (continued)

6. Discount Rate

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

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

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

8. Plan Fiduciary Net Position

Detailed information about the Connecticut State Teachers’ Retirement Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2017.

C. Other Post-Employment Benefit Plans

1. Plan Description

a. Plan Administration

The Town administers two single-employer, postretirement healthcare plans for certain Town and Board of Education employees. The plans do not have assets accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Management of the plans rests with the 5-member Retirement Board who are appointed by the Selectmen. At least one member of the Board shall also be a member of the Board of Finance.

b. Benefit Provisions

The Town and Board of Education plans provide for medical, dental and life insurance benefits for all eligible retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

C. Other Post-Employment Benefit Plans (continued)

c. Contributions

The Town and Board of Education are currently funding the plan on a pay as you go basis. Plan members are not required to contribute to the plan.

Teachers who no longer work for the Board of Education are allowed by State Statute to participate in the Town's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement Plan. These teachers are required to contribute the cost of the insurance to the Town.

d. Employees Covered by Benefit Terms

As of July 1, 2017, for Town and Board of Education, the plans' membership consisted of:

	Employees Covered	
	Town	Board of Education
Active members	6	28
Active members waiving coverage	-	6
Total	6	34

2. OPEB liability

The Town's OPEB liability of \$21,119 was measured as of June 30, 2018, and was determined by an actuarial valuation as June 30, 2017. The Board of Education's OPEB liability of \$139,744 was measured as of June 30, 2018, and was determined by an actuarial valuation as June 30, 2016.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

C. Other Post-Employment Benefit Plans (continued)

3. Actuarial Methods and Other Inputs

The total OPEB liability was determined based upon an actuarial valuation of June 30, 2017 for the Town and June 30, 2016 for the Board of Education using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Town	Board of Education
Discount rate	3.56%	3.56%
Expected return on plan assets	N/A	N/A
Inflation	2.75%	2.75%
Mortality	RP-2014 mortality tables with projected mortality improvements based on scale MP-2016	RP-2014 mortality tables with projected mortality improvements based on scale MP-2016

Health cost trend rates:

Medical trend rate	6.80%	6.80%
Ultimate medical trend rate	4.40%	4.40%
Year ultimate medical trend rate reached	2075	2075

The discount rate was based on the S&P municipal bond 20-year high grade index as of the measurement date.

The valuation results provided in this report reflect a best estimate of the potential impact of the Patient Protection and Affordable Care Act (PPACA). Consideration has been made for provisions of the law that are effective as of the valuation date as well as those provisions that will take effect in the future.

In particular, the anticipated future excise tax has been valued and added to the liability reflected in this valuation report. The estimated present value of all future excise tax payments is approximately \$503,000.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

C. Other Post-Employment Benefit Plans (continued)

4. Changes in the Total OPEB Liability

	Town	Board of Education
Total OPEB liability - July 1, 2017	\$ 19,615	\$ 133,084
Service cost	1,432	9,323
Interest	615	4,158
Changes of assumptions or other inputs	(543)	(6,821)
Net Change	1,504	6,660
Total OPEB liability - June 30, 2018	\$ 21,119	\$ 139,744

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

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Net OPEB Liability			
Town	\$ 21,974	\$ 21,119	\$ 20,302
Board of Education	\$ 150,555	\$ 139,744	\$ 129,786

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

	1% Decrease 5.8% - 3.40%	Current Trend Rate 6.8% - 4.40%	1% Increase 7.8% - 5.40%
Net OPEB Liability			
Town	\$ 20,029	\$ 21,119	\$ 22,317
Board of Education	\$ 124,559	\$ 139,744	\$ 157,989

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

C. Other Post-Employment Benefit Plans (continued)

6. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal year, the Town recognized OPEB expense of \$1,504 for the Town Plan and \$6,660 for the Board of Education Plan. There were no reported deferred outflows or inflows of resources related to OPEB.

D. OPEB Plan – Connecticut State Teachers’ Retirement Plan

1. Plan Description

Teachers, principals, superintendents, supervisors and professional employees at State schools of higher education if they choose to be covered that are currently receiving a retirement or disability benefit are eligible to participate in the Connecticut State Teachers’ Retirement System Retiree Health Insurance Plan (“TRS-RHIP”) - a cost sharing multiple-employer defined benefit other post-employment benefit plan administered by the Teachers’ Retirement Board (“TRB”). Chapter 167a Section 10-183 (t) of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

2. Benefit Provisions

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

- **Normal Retirement:** Eligibility - Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.
- **Early Retirement:** Eligibility - 25 years of Credited Service including 20 years of Connecticut service, or age 55 with 20 years of Credited Service including 15 years of Connecticut service.
- **Proratable Retirement:** Eligibility - Age 60 with 10 years of Credited Service.
- **Disability Retirement:** Eligibility - 5 years of Credited Service in Connecticut if not incurred in the performance of duty and no service requirement if incurred in the performance of duty.
- **Termination of Employment:** Eligibility - 10 or more years of Credited Service.

Retiree Health Care Coverage

Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan. There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

D. OPEB Plan – Connecticut State Teachers’ Retirement Plan (continued)

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

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

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

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

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

Survivor Health Care Coverage

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

3. Contributions

State of Connecticut

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

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

D. OPEB Plan – Connecticut State Teachers’ Retirement Plan (continued)

Employer (School Districts)

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

Employees

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

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

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

Town’s proportionate share of the net OPEB liability	\$	-
State’s proportionate share of the net OPEB liability associated with the Town		1,086,462
Total	\$	1,086,462

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

The Town recognized OPEB expense and revenue of \$50,352 for on-behalf amounts for the benefits provided by the State.

5. Actuarial Assumptions

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

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

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

D. OPEB Plan – Connecticut State Teachers’ Retirement Plan (continued)

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

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

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

All the plan assets are assumed to be invested in cash equivalents due to the need for liquidity. The expected rate of return is 2.75%.

Changes in assumptions and inputs

As a result of the experience study for the five-year period ending June 30, 2015:

- The payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase.
- The demographic assumptions of salary growth, payroll growth, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study’s findings and their adoption by the Board.

Other changes were as follows:

- The discount rate has been increased from 3.01% to 3.56% as a based upon the increase in the municipal bond index.

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

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

4. Pension and Other Post Retirement Plans (Continued)

D. OPEB Plan – Connecticut State Teachers’ Retirement Plan (continued)

Affordable Care Act (ACA)

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

6. Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

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

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

8. Plan Fiduciary Net Position

Detailed information about the Connecticut State Teachers’ OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2017.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

5. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. seq. for some of its insurance. 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. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

The Chester Board of Education participates in an internal service fund, which is maintained by Region School District No. 4. The Health Insurance Fund accounts for and finances the retained risk of loss for member Town employee medical benefits coverage. A third party administers the plan for which the fund pays a fee. The Health Insurance Fund provides coverage to all eligible, full-time Board of Education employees. The Town pays an annual contribution for its coverage. The fund is to be self-sustaining through members' premiums, but reinsures in excess of \$60,000 for each insured occurrence.

B. Contingencies and Litigation

Throughout the year the Town may be a defendant in lawsuits. At year end the Town was not a defendant in any lawsuits.

Town of Chester, Connecticut
Notes to Financial Statements
For the Year Ended June 30, 2018

5. Other Information (Continued)

C. Prior Period Adjustment

The government-wide net position was restated as follows due to the implementation of GASB Statement 75, which requires the Town to record the net OPEB liability in the government-wide financial statements, and GASB Statement 84 related to fiduciary funds:

	Governmental Activities	Custodial Funds
Net position as previously reported at June 30, 2017	\$ 15,124,350	\$ -
To present custodial funds in accordance with new reporting standard (GASB 84)	-	9,143
To remove OPEB obligation previously recorded	68,615	-
To record beginning OPEB liability	(152,699)	-
Net position as restated at July 1, 2017	\$ 15,040,266	\$ 9,143

**Required
Supplementary
Information**

Town of Chester Connecticut

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
For the Year Ended June 30, 2018

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Property taxes:					
Grand list current year	\$ 11,457,331	\$ -	\$ 11,457,331	\$ 11,513,852	\$ 56,521
Prior years' taxes	100,000	-	100,000	92,699	(7,301)
Interest and lien fees	50,000	-	50,000	61,782	11,782
Telephone access grant	11,500	-	11,500	9,797	(1,703)
Total property taxes	11,618,831	-	11,618,831	11,678,130	59,299
Intergovernmental revenues:					
Education: equal (ECS)	536,382	-	536,382	577,109	40,727
Town aid road	191,022	-	191,022	190,222	(800)
Local capital improvement project	52,580	-	52,580	53,708	1,128
Elderly tax relief - circuit breaker	20,000	-	20,000	-	(20,000)
Gas tax refund	3,000	-	3,000	2,865	(135)
State owned property	10,876	-	10,876	380	(10,496)
Mashantucket Pequot	14,638	-	14,638	9,759	(4,879)
Judicial fine reimbursement	5,000	-	5,000	3,580	(1,420)
Surplus revenue sharing	83,109	-	83,109	89,264	6,155
Veterans' tax exemption	2,500	-	2,500	2,847	347
Miscellaneous grants	-	-	-	7,745	7,745
Totally disabled exemption	200	-	200	201	1
Total intergovernmental revenues	919,307	-	919,307	937,680	18,373
Charges for Services					
Building permits	40,000	-	40,000	37,374	(2,626)
Aircraft registration	14,000	-	14,000	13,080	(920)
Planning & zoning permits	7,000	-	7,000	2,876	(4,124)
Sanitation permits	9,000	-	9,000	8,110	(890)
Inland wetland permits	800	-	800	600	(200)
Zoning board of appeals permits	1,000	-	1,000	1,226	226
Pistol permits	1,500	-	1,500	1,965	465
Fire marshal permits	300	-	300	260	(40)
Environmental fund	150	-	150	100	(50)
Solicitors license	600	-	600	850	250
Raffle permits	50	-	50	105	55
Rental - 203 Middlesex Avenue	67,600	-	67,600	67,599	(1)
Conveyance tax	45,000	-	45,000	75,343	30,343
Town clerk fees	35,000	-	35,000	27,431	(7,569)
WCPA assessment	16,500	-	16,500	24,377	7,877
Police private duty	18,000	-	18,000	46,470	28,470
Parks and recreation park passes	9,850	-	9,850	12,692	2,842
Rental - 20 Water Street	5,000	-	5,000	271	(4,729)
Library fines	1,500	-	1,500	1,311	(189)
Rental - meeting house - community ctr	6,000	-	6,000	5,300	(700)
Rental - cedar lake shack	500	-	500	500	-
Copier - assessor	400	-	400	163	(237)
Copier - library	400	-	400	587	187
Ambulance billings	185,000	-	185,000	152,128	(32,872)
Community investment account	1,500	-	1,500	1,212	(288)
Total charges for services	466,650	-	466,650	481,930	15,280

Town of Chester, Connecticut

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
For the Year Ended June 30, 2018

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Income from investments	\$ 14,000	\$ -	\$ 14,000	\$ 29,339	\$ 15,339
Other revenues	-	-	-	62,736	62,736
Total revenues	13,018,788	-	13,018,788	13,189,815	171,027
Other financing sources:					
Appropriation of fund balance	200,000	-	200,000	-	(200,000)
Transfers in	30,950	-	30,950	31,551	601
Total other financing sources	230,950	-	230,950	31,551	(199,399)
Total revenues and other financing sources	\$ 13,249,738	\$ -	\$ 13,249,738	\$ 13,221,366	\$ (28,372)

(Concluded)

Town of Chester, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
For the Year Ended June 30, 2018

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
General government					
Selectman	\$ 140,901	\$ 569	\$ 141,470	\$ 141,466	\$ 4
Finance	105,939	-	105,939	105,004	935
Town office operations	68,887	-	68,887	57,603	11,284
Town clerk	89,969	-	89,969	89,802	167
Treasurer	23,153	-	23,153	22,804	349
Tax collector	58,926	-	58,926	57,620	1,306
Tax assessor	91,295	-	91,295	75,464	15,831
Board of assessment appeals	300	-	300	-	300
Board of finance	123,221	(77,345)	45,876	20,877	24,999
Registrar of voters	17,073	-	17,073	15,937	1,136
Building department	25,985	-	25,985	24,761	1,224
Conservation commission	810	-	810	736	74
Harbor management	100	-	100	-	100
Planning and zoning	112,268	652	112,920	112,644	276
Inland wetland	12,547	-	12,547	11,842	705
Zoning board of appeals	1,200	16	1,216	1,215	1
Economic development commission	4,400	-	4,400	1,000	3,400
Parks and recreation commission	123,271	-	123,271	121,959	1,312
Library	148,674	-	148,674	141,060	7,614
Total general government	1,148,919	(76,108)	1,072,811	1,001,794	71,017
Public works					
Highways	519,664	64,108	583,772	582,757	1,015
Municipal services	158,900	-	158,900	129,121	29,779
Building and grounds	140,000	25,129	165,129	162,021	3,108
Total public works	818,564	89,237	907,801	873,899	33,902
Public safety					
Fire protection	351,860	12,715	364,575	334,531	30,044
Police protection	329,867	-	329,867	313,141	16,726
Safety services	208,265	(6,289)	201,976	192,247	9,729
Animal control	17,844	-	17,844	16,798	1,046
Total public safety	907,836	6,426	914,262	856,717	57,545
Health and welfare					
Human services department	88,695	-	88,695	88,662	33
Health services	21,550	-	21,550	21,000	550
Sanitation department	24,251	-	24,251	23,726	525
Total health and welfare	134,496	-	134,496	133,388	1,108

(Continued)

Town of Chester, Connecticut

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
For the Year Ended June 30, 2018

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Benefit and insurance					
Employee benefits	\$ 441,650	\$ (25,844)	\$ 415,806	\$ 390,663	\$ 25,143
Retirement board	209,605	-	209,605	201,890	7,715
Municipal insurance	81,080	-	81,080	77,843	3,237
Payments to organizations	21,673	-	21,673	21,669	4
Total benefits and insurance	754,008	(25,844)	728,164	692,065	36,099
Education					
Regional School District Number 4	4,260,762	-	4,260,762	4,260,762	-
Chester Elementary School	4,493,258	-	4,493,258	4,482,801	10,457
Total other expenditures	8,754,020	-	8,754,020	8,743,563	10,457
Debt service					
Interest	17,057	-	17,057	17,056	1
Principal	199,138	6,289	205,427	205,427	-
Total debt service	216,195	6,289	222,484	222,483	1
Total expenditures	12,734,038	-	12,734,038	12,523,909	210,129
Other financing uses					
Transfers out					
Capital reserve	458,000	-	458,000	458,000	-
Cafeteria	57,700	-	57,700	57,700	-
Total other financing uses	515,700	-	515,700	515,700	-
Total expenditures and other financing uses	\$ 13,249,738	\$ -	\$ 13,249,738	\$ 13,039,609	\$ 210,129

Reconciliation to Exhibit D

	Revenues	Expenditures
Budgetary Basis - RSI-1 and RSI-2	\$ 13,189,815	\$ 12,523,909
Prior year encumbrances liquidated in the current year	-	7,480
State Teachers' Pension on behalf amount	488,258	488,258
State Teachers' OPEB on behalf amount	50,352	50,352
GAAP Basis - Exhibit D	\$ 13,728,425	\$ 13,069,999

Notes to Required Supplementary Information: This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) except for the Town does not recognize as revenue or expenditures payments made for the Teachers' pension and OPEB by the State of Connecticut on the Town's behalf, and encumbrances are reported as expenditures for on the budgetary statements.

(Concluded)

Town of Chester, Connecticut

Employee Retirement Plan

Required Supplementary Information
Last Five YearsSchedule of Changes in Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:					
Service cost	\$ 59,422	\$ 71,670	\$ 63,974	\$ 69,134	\$ 78,964
Interest	141,085	146,569	136,065	127,803	118,706
Difference between expected and actual experience	69,666	(51,794)	(23,052)	(23,165)	-
Benefit payments, including refunds of member contributions	(450,718)	(32,926)	(58,971)	(24,782)	(24,782)
Net change in total pension liability	(180,545)	133,519	118,016	148,990	172,888
Total pension liability - July 1	<u>2,332,943</u>	<u>2,199,424</u>	<u>2,081,408</u>	<u>1,932,148</u>	<u>1,759,530</u>
Total pension liability - June 30 (a)	<u>2,152,398</u>	<u>2,332,943</u>	<u>2,199,424</u>	<u>2,081,138</u>	<u>1,932,418</u>
Plan fiduciary net position:					
Contributions - employer	137,578	146,669	161,804	155,733	155,733
Contributions - member	4,647	5,915	8,317	8,193	7,416
Net investment income	92,682	176,495	17,651	30,251	141,011
Benefit payments, including refunds of member contributions	(450,718)	(32,926)	(58,971)	(24,782)	(24,782)
Net change in plan fiduciary net position	(215,811)	296,153	128,801	169,395	279,378
Plan fiduciary net position - July 1	<u>1,759,779</u>	<u>1,463,626</u>	<u>1,334,825</u>	<u>1,165,430</u>	<u>886,052</u>
Plan fiduciary net position - June 30 (b)	<u>1,543,968</u>	<u>1,759,779</u>	<u>1,463,626</u>	<u>1,334,825</u>	<u>1,165,430</u>
Net pension liability - June 30 (a)-(b)	<u>\$ 608,430</u>	<u>\$ 573,164</u>	<u>\$ 735,798</u>	<u>\$ 746,313</u>	<u>\$ 766,988</u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of Chester, Connecticut

Chester Hose Company VSAP

Required Supplementary Information
Last Five YearsSchedule of Changes in Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:					
Service cost	\$ 13,136	\$ 15,705	\$ 13,958	\$ 15,011	\$ 12,829
Interest	48,884	41,998	40,928	39,225	34,902
Difference between expected and actual experience	-	91,243	-	-	-
Changes in assumptions	(37,134)	18,913	(26,371)	72,217	-
Benefit payments, including refunds of member contributions	<u>(54,340)</u>	<u>(46,846)</u>	<u>(13,097)</u>	<u>(43,956)</u>	<u>(14,130)</u>
Net change in total pension liability	(29,454)	121,013	15,418	82,497	33,601
Total pension liability - July 1	<u>828,367</u>	<u>707,354</u>	<u>691,936</u>	<u>609,439</u>	<u>575,838</u>
Total pension liability - June 30 (a)	<u>798,913</u>	<u>828,367</u>	<u>707,354</u>	<u>691,936</u>	<u>609,439</u>
Plan fiduciary net position:					
Contributions - employer	35,827	35,827	34,044	28,562	29,344
Net investment income	58,293	67,438	23,582	28,366	76,098
Benefit payments, including refunds of member contributions	<u>(54,340)</u>	<u>(46,846)</u>	<u>(13,097)</u>	<u>(43,956)</u>	<u>(14,130)</u>
Net change in plan fiduciary net position	39,780	56,419	44,529	12,972	91,312
Plan fiduciary net position - July 1	<u>663,479</u>	<u>607,060</u>	<u>562,531</u>	<u>549,559</u>	<u>458,247</u>
Plan fiduciary net position - June 30 (b)	<u>703,259</u>	<u>663,479</u>	<u>607,060</u>	<u>562,531</u>	<u>549,559</u>
Net pension liability - June 30 (a)-(b)	<u>\$ 95,654</u>	<u>\$ 164,888</u>	<u>\$ 100,294</u>	<u>\$ 129,405</u>	<u>\$ 59,880</u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of Chester, Connecticut

Employee Retirement Plan

Required Supplementary Information
Last Five Years

Schedule of Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 2,152,398	\$ 2,332,943	\$ 2,199,424	\$ 2,081,138	\$ 1,932,418
Plan fiduciary net position	(1,543,968)	(1,759,779)	(1,463,626)	(1,334,825)	(1,165,430)
Net pension liability	<u>\$ 608,430</u>	<u>\$ 573,164</u>	<u>\$ 735,798</u>	<u>\$ 746,313</u>	<u>\$ 766,988</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>71.73%</u>	<u>75.43%</u>	<u>48.86%</u>	<u>64.14%</u>	<u>60.31%</u>
Covered payroll	<u>\$ 958,949</u>	<u>\$ 1,005,780</u>	<u>\$ 866,218</u>	<u>\$ 839,376</u>	<u>\$ 736,038</u>
Net pension liability as a percentage of covered payroll	<u>63.45%</u>	<u>56.99%</u>	<u>84.94%</u>	<u>88.91%</u>	<u>104.20%</u>

Schedule of Investment Returns

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net of investment expense	<u>6.45%</u>	<u>11.29%</u>	<u>1.30%</u>	<u>2.61%</u>	<u>16.05%</u>

Note: These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of Chester, Connecticut

Chester Hose Company VSAP

Required Supplementary Information
Last Five YearsSchedule of Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 798,913	\$ 828,367	\$ 707,354	\$ 691,936	\$ 609,439
Plan fiduciary net position	(703,259)	(663,479)	(607,060)	(562,531)	(549,559)
Net pension liability	<u>\$ 95,654</u>	<u>\$ 164,888</u>	<u>\$ 100,294</u>	<u>\$ 129,405</u>	<u>\$ 59,880</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>88.03%</u>	<u>80.09%</u>	<u>85.82%</u>	<u>81.30%</u>	<u>90.17%</u>
Covered payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability as a percentage of covered payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Schedule of Investment Returns

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net of investment expense	<u>9.25%</u>	<u>10.73%</u>	<u>4.17%</u>	<u>5.36%</u>	<u>16.80%</u>

N/A - Volunteer program

Note: These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of Chester, Connecticut

Employee Retirement Plan

Required Supplementary Information
Last 10 YearsSchedule of Contributions

<u>Fiscal year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution excess (deficiency)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2018	\$ 137,578	\$ 137,578	\$ -	\$ 958,949	14.35%
2017	146,669	146,669	-	1,005,780	14.58%
2016	161,804	161,804	-	866,218	18.68%
2015	155,733	155,733	-	839,376	18.55%
2014	139,601	155,733	16,132	736,038	21.16%
2013	134,345	134,345	-	723,891	18.56%
2012	126,055	110,000	(16,055)	813,548	13.52%
2011	115,742	107,667	(8,075)	860,966	12.51%
2010	59,980	60,500	520	616,789	9.81%
2009	60,434	56,000	(4,434)	596,726	9.38%

Town of Chester, Connecticut

Employee Retirement Plan

Notes to Required Supplementary Information
Last 10 Years

Changes of benefit terms.	None
Changes of assumptions.	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of 30 months prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar amount
Asset Valuation Method	5 Year Smoothed Fair Value
Inflation	2.50%
Salary Increases	3.50%
Investment Rate of Return	6.50%

Town of Chester, Connecticut

Chester Hose Company VSAP

Required Supplementary Information
Last 10 YearsSchedule of Contributions

<u>Fiscal year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution excess (deficiency)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2018	\$ 40,959	\$ 35,827	\$ (5,132)	N/A	N/A
2017	30,827	35,827	5,000	N/A	N/A
2016	34,044	34,044	-	N/A	N/A
2015	28,526	28,562	36	N/A	N/A
2014	29,316	29,344	28	N/A	N/A
2013	29,344	27,777	(1,567)	N/A	N/A
2012	27,777	20,000	(7,777)	N/A	N/A
2011	24,498	13,840	(10,658)	N/A	N/A
2010	14,809	19,000	4,191	N/A	N/A
2009	20,955	19,000	(1,955)	N/A	N/A

N/A - Volunteer plan

Town of Chester, Connecticut

Chester Hose Company VSAP

Notes to Required Supplementary Information
Last 10 Years

Changes of benefit terms.	2017 - Monthly benefit amount at normal retirement increased from \$16.67 per year of service with a maximum of \$250 per month to \$18.41 per year of service with a maximum of \$276.08 per month.
Changes of assumptions.	None
Method and assumptions used in calculations of actuarially determined contribution	The actuarially determined contribution rates in the schedule of contributions are calculated as of 24 months prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar amount
Asset Valuation Method	5 Year smoothed fair value
Inflation	2.50%
Salary Increases	N/A - Volunteer plan
Investment Rate of Return	6.00%

Town of Chester, Connecticut
Connecticut State Teachers' Retirement System
Required Supplementary Information
Last Four Years

Schedule of Proportionate Share of the Net Pension Liability

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	4,221,104	4,456,288	3,698,179	3,418,225
Total	\$ 4,221,104	\$ 4,456,288	\$ 3,698,179	\$ 3,418,225
Town's covered payroll	(2) N/A	N/A	N/A	N/A
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	0.00%	0.00%

Schedule of Contributions

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

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

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

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Chester, Connecticut

Connecticut State Teachers' Retirement System

Notes to Required Supplementary Information
Last Four Years

Changes of benefit terms	None
Changes of Assumptions	<p>2016:</p> <ol style="list-style-type: none"> 1. Reduce the inflation assumption from 3.00% to 2.75%. 2. Reduce the real rate of return assumption from 5.50% to 5.25% which, when combined with the inflation assumption change results in a decrease in the investment rate of return assumption from 8.50% to 8.00%. 3. Reduce the annual rate of wage increase assumption from 0.75% to 0.50%. 4. Slightly modify the merit portion of the salary scale. 5. Reduce the payroll growth assumption from 3.75% to 3.25%. 6. Update mortality tables to projected versions of the RPH-2014 mortality tables. 7. Increase normal retirement rates for females at most ages and proratable retirement rates for males at most ages. Decrease early retirement rates for both males and females. 8. Increase rates of withdrawal. 9. Decrease rates of disability for males.
Actuarial Cost Method	Entry Age
Amortization Method	Level percent of salary, closed
Remaining Amortization Period	21.4 years
Asset Valuation Method	4 year smoothed market value
Inflation	2.75%
Salary Increases	3.25%-6.50%, average, including inflation
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Town of Chester, Connecticut
Other Post-Employment Benefits Plan
Required Supplementary Information
June 30, 2018
Schedule of Changes in OPEB Liability

Town Plan

Total OPEB liability:	
Service cost	\$ 1,432
Interest	615
Changes in assumptions	(543)
	<hr/>
Net change in total OPEB liability	1,504
Total OPEB liability - July 1	19,615
	<hr/>
Total OPEB liability - June 30 *	\$ 21,119
	<hr/> <hr/>

Board of Education Plan

Total OPEB liability:	
Service cost	\$ 9,323
Interest	4,158
Changes in assumptions	(6,821)
	<hr/>
Net change in total OPEB liability	6,660
Total OPEB liability - July 1	133,084
	<hr/>
Total OPEB liability - June 30 *	\$ 139,744
	<hr/> <hr/>

* There are no assets that are being accumulated in a trust that meets the criteria in GASB 75 to pay benefits.

Note: These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of Chester, Connecticut

CT State Teachers' Retirement Board Retiree Health Insurance Plan

Required Supplementary Information
June 30, 2018Schedule of Proportionate Share of the Net OPEB Liability

Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>1,086,462</u>
Total	<u>\$ 1,086,462</u>
Town's covered payroll	(2) <u>N/A</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.00%</u>

Schedule of Contributions

Contractually required contribution	(1) \$ -
Contributions in relation to the contractually required contribution	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>
Town's covered payroll	(2) <u>N/A</u>
Contributions as a percentage of covered payroll	<u>0.00%</u>

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

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

Note: These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of Chester, Connecticut

CT State Teachers' Retirement Board Retiree Health Insurance Plan

Notes to Required Supplementary Information
June 30, 2018

Changes of benefit terms	None
Changes of Assumptions	2016: The discount rate has been lowered from 4.50% to 4.25% to reflect the decrease in the rate of inflation.
	The payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase.
	The demographic assumptions of salary growth, payroll growth, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.
	The assumed initial per capita health care costs, the assumed rates of healthcare inflation used to project the per capita costs, and the participation assumptions have been revised.
Actuarial Cost Method	Entry age
Amortization Method	Level percentage, open
Asset Valuation Method	Fair Value
Inflation	2.75%
Healthcare Inflation Rate	Initial 7.25% decreasing to 5.00% (ultimate) by 2022
Salary Increases	3.25% to 6.50%, including inflation
Investment Rate of Return	4.25%
Mortality Rate	RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale.

Note: These schedules are intended to present information for 10 years. Additional years will be presented as they become available.

Supplemental Schedules

General Fund

Town of Chester Connecticut
Report of Tax Collector
For the Year Ended June 30, 2018

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Grand List Year	Uncollected Taxes July 1, 2017	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2018
			Additions	Deductions			Net Taxes Collected	Interest & Liens	Total	
2002	\$ 3,180	\$ -	\$ -	\$ -	\$ -	\$ 3,180	\$ -	\$ -	\$ -	\$ 3,180
2003	4,419	-	-	-	-	4,419	-	-	-	4,419
2004	4,464	-	-	-	-	4,464	-	-	-	4,464
2005	4,514	-	-	-	-	4,514	-	-	-	4,514
2006	4,666	-	-	-	-	4,666	-	-	-	4,666
2007	5,162	-	-	-	-	5,162	-	-	-	5,162
2008	4,729	-	-	-	-	4,729	-	-	-	4,729
2009	4,952	-	-	-	-	4,952	-	-	-	4,952
2010	4,952	-	-	-	-	4,952	-	-	-	4,952
2011	6,067	-	-	-	-	6,067	740	33	773	5,327
2012	10,005	-	-	-	-	10,005	-	-	-	10,005
2013	16,071	-	-	1,058	-	15,013	4,907	587	5,494	10,106
2014	50,542	-	-	1,092	650	48,800	36,413	10,222	46,635	12,387
2015	93,796	-	20	3,134	1,441	89,241	35,215	15,980	51,195	54,026
Total Prior Years	217,519	-	20	5,284	2,091	210,164	77,275	26,822	104,097	132,889
2016	-	11,668,115	18,371	22,798	902	11,662,786	11,538,351	30,677	208,194	124,435
Total	\$ 217,519	\$ 11,668,115	\$ 18,391	\$ 28,082	\$ 2,993	\$ 11,872,950	\$ 11,615,626	\$ 57,499	\$ 11,673,125	257,324
									Interest and liens receivable	127,455
									Allowance for doubtful accounts	(75,000)
									Taxes, interest and liens receivable (net)	<u>\$ 309,779</u>

**Nonmajor
Governmental
Funds**

Town of Chester, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds

	<u>Dog Fund</u>	<u>Emergency Fuel/ Community Fund</u>	<u>Cafeteria Fund</u>	<u>Parks and Recreation Fund</u>	<u>Small Cities Fund</u>	<u>Historic Records Preservation Fund</u>
<u>Assets</u>						
Cash	\$ 1,336	\$ -	\$ 7,125	\$ 4,734	\$ -	\$ 4,057
Investments	-	16,387	-	56,083	193,205	-
Receivables						
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	4,297	-	-	-
Loans	-	-	-	-	92,965	-
Other	-	-	710	-	-	-
Total assets	<u>\$ 1,336</u>	<u>\$ 16,387</u>	<u>\$ 12,132</u>	<u>\$ 60,817</u>	<u>\$ 286,170</u>	<u>\$ 4,057</u>
<u>Liabilities</u>						
Accounts payable	<u>\$ 1,336</u>	<u>\$ -</u>	<u>\$ 22,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Fund Balances</u>						
Nonspendable	-	-	-	-	92,965	-
Restricted	-	16,387	-	-	193,205	4,057
Assigned	-	-	-	60,817	-	-
Unassigned	-	-	(9,942)	-	-	-
Total fund balances	<u>-</u>	<u>16,387</u>	<u>(9,942)</u>	<u>60,817</u>	<u>286,170</u>	<u>4,057</u>
Total liabilities and fund balances	<u>\$ 1,336</u>	<u>\$ 16,387</u>	<u>\$ 12,132</u>	<u>\$ 60,817</u>	<u>\$ 286,170</u>	<u>\$ 4,057</u>

(Continued)

Town of Chester, Connecticut

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Fund

	Library Fund	Harbor Fund	Town Grants Fund	Sewer System Fund	Total Special Revenue Funds
<u>Assets</u>					
Cash	\$ 18,487	\$ -	\$ -	\$ -	\$ 35,739
Investments	40,546	1,688	32,030	73,675	413,614
Receivables					
Accounts				2,305	2,305
Intergovernmental	-	-	-	-	4,297
Loans	-	-	-	-	92,965
Other	-	-	-	-	710
	<u>59,033</u>	<u>1,688</u>	<u>32,030</u>	<u>75,980</u>	<u>549,630</u>
Total assets	<u>\$ 59,033</u>	<u>\$ 1,688</u>	<u>\$ 32,030</u>	<u>\$ 75,980</u>	<u>\$ 549,630</u>
<u>Liabilities</u>					
Accounts payable	\$ -	\$ -	\$ 4,000	\$ 8,169	\$ 35,579
<u>Fund Balances</u>					
Nonspendable	-	-	-	-	92,965
Restricted	-	-	28,030	67,811	309,490
Assigned	59,033	1,688	-	-	121,538
Unassigned	-	-	-	-	(9,942)
	<u>59,033</u>	<u>1,688</u>	<u>28,030</u>	<u>67,811</u>	<u>514,051</u>
Total fund balances	<u>59,033</u>	<u>1,688</u>	<u>28,030</u>	<u>67,811</u>	<u>514,051</u>
Total liabilities and fund balances	<u>\$ 59,033</u>	<u>\$ 1,688</u>	<u>\$ 32,030</u>	<u>\$ 75,980</u>	<u>\$ 549,630</u>

(Concluded)

Town of Chester, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

Special Revenue Funds

	Dog Fund	Emergency Fuel/ Community Fund	Cafeteria Fund	Parks and Recreation Fund	Small Cities Fund	Historic Records Preservation Fund
Revenues:						
Intergovernmental	\$ -	\$ -	\$ 25,600	\$ -	\$ -	\$ -
Charges for services	3,745	8,362	98,789	52,782	6,035	34,163
Investment income	-	-	-	37	359	-
Contributions	-	-	-	-	-	-
Total revenues	3,745	8,362	124,389	52,819	6,394	34,163
Expenditures:						
Current:						
General government	-	-	-	18,013	300	32,754
Public works	-	-	-	-	-	-
Public safety	2,334	-	-	-	-	-
Health and welfare	-	9,864	-	-	-	-
Education	-	-	191,324	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	2,334	9,864	191,324	18,013	300	32,754
Excess (deficiency) of revenues over expenditures	1,411	(1,502)	(66,935)	34,806	6,094	1,409
Other financing sources (uses):						
Issuance of debt	-	-	-	-	-	-
Transfers in	-	-	57,700	-	-	-
Transfers out	(1,416)	-	-	(30,135)	-	-
Net other financing sources (uses)	(1,416)	-	57,700	(30,135)	-	-
Net change in fund balances	(5)	(1,502)	(9,235)	4,671	6,094	1,409
Fund balances - July 1, 2017	5	17,889	(707)	56,146	280,076	2,648
Fund balances - June 30, 2018	\$ -	\$ 16,387	\$ (9,942)	\$ 60,817	\$ 286,170	\$ 4,057

(Continued)

Town of Chester, Connecticut

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018**

Special Revenue Fund

	Library Fund	Education Grants Fund	Harbor Fund	Town Grants Fund	Sewer System Fund	Total Special Revenue Funds
Revenues:						
Intergovernmental	\$ 57	\$ 48,583	\$ -	\$ 19,000	\$ -	\$ 93,240
Charges for services	18	-	600	-	102,082	306,576
Investment income	15	-	-	13	-	424
Contributions	22,148	-	-	46,553	-	68,701
Total revenues	<u>22,238</u>	<u>48,583</u>	<u>600</u>	<u>65,566</u>	<u>102,082</u>	<u>468,941</u>
Expenditures:						
Current:						
General government	6,382	-	1,214	7,636	-	66,299
Public works	-	-	-	-	116,864	116,864
Public safety	-	-	-	-	-	2,334
Health and welfare	-	-	-	-	-	9,864
Education	-	48,583	-	-	-	239,907
Capital outlay	-	-	-	97,428	3,896	101,324
Total expenditures	<u>6,382</u>	<u>48,583</u>	<u>1,214</u>	<u>105,064</u>	<u>120,760</u>	<u>536,592</u>
Excess (deficiency) of revenues over expenditures	<u>15,856</u>	<u>-</u>	<u>(614)</u>	<u>(39,498)</u>	<u>(18,678)</u>	<u>(67,651)</u>
Other financing sources (uses):						
Issuance of debt	-	-	-	60,373	-	60,373
Transfers in	-	-	-	-	-	57,700
Transfers out	-	-	-	-	-	(31,551)
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,373</u>	<u>-</u>	<u>86,522</u>
Net change in fund balances	15,856	-	(614)	20,875	(18,678)	18,871
Fund balances - July 1, 2017	43,177	-	2,302	7,155	86,489	495,180
Fund balances - June 30, 2018	<u>\$ 59,033</u>	<u>\$ -</u>	<u>\$ 1,688</u>	<u>\$ 28,030</u>	<u>\$ 67,811</u>	<u>\$ 514,051</u>

(Concluded)

Trend Information

Town of Chester, Connecticut

**Property Tax Rates, Levies and Collections
Last Eight Years
(Unaudited)**

Year Ended June 30	Tax Rate in Mills	Grand List of October 1,	Total Adjusted Tax Levy	Net Current Tax Collections	Percent of Current Levy Collected	Total Collections to Date			
						Collections in Subsequent Years	Total Collections	Percentage of Levy Collected	Current Delinquent Balance
2018	26.36	2016	\$ 11,662,786	\$ 11,538,351	98.9%	\$ -	\$ 11,538,351	98.9%	\$ 124,435
2017	26.29	2015	11,248,049	11,151,365	98.3%	42,657	11,194,022	98.3%	54,026
2016	26.07	2014	11,093,191	10,952,639	98.1%	128,164	11,080,803	98.1%	12,387
2015	25.69	2013	10,816,762	10,800,076	98.3%	6,580	10,806,656	99.9%	10,106
2014	23.40	2012	11,049,224	10,900,177	97.9%	139,042	11,039,219	99.9%	10,005
2013	23.00	2011	11,286,214	11,177,921	98.1%	102,966	11,280,887	100.0%	5,327
2012	22.46	2010	11,050,679	10,955,634	98.3%	90,093	11,045,727	100.0%	4,952
2011	21.45	2009	11,034,592	10,898,819	98.3%	130,821	11,029,640	100.0%	4,952

Source: Town Audit Reports.

Notes:

(1) Tax levy is per \$1,000 of the assessed value of taxable property.

(2) There are no overlapping tax rates

Town of Chester, Connecticut
Schedule of Debt Limitation
Connecticut General Statutes, Section 7-374 (b)
For the Year Ended June 30, 2018
(Unaudited)

Tax Base:

Total tax collections (including interest and lien fees) for prior year \$ 11,333,225

Debt limitation:	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
2 1/4 times base	\$ 25,499,756	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	50,999,513	-	-	-
3 3/4 times base	-	-	42,499,594	-	-
3 1/4 times base	-	-	-	36,832,981	-
3 times base	-	-	-	-	33,999,675
	25,499,756	50,999,513	42,499,594	36,832,981	33,999,675
Indebtedness:					
Overlapping debt of Regional School District 4	-	1,755,284	-	-	-
Debt limitation in excess of outstanding debt	<u>\$ 25,499,756</u>	<u>\$ 49,244,229</u>	<u>\$ 42,499,594</u>	<u>\$ 36,832,981</u>	<u>\$ 33,999,675</u>
The total net indebtedness above amounts to:					<u>\$ 1,755,284</u>
In no event shall total indebtedness exceed seven time the base for debt limitation computation:					<u>\$ 79,332,575</u>