

Annual Financial Report
of the
Town of Chester, Connecticut
For the Year Ended June 30, 2019

Town of Chester, Connecticut
Annual Financial Report
For the Year Ended June 30, 2019

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Introductory Section

Town of Chester, Connecticut

Principal Officials

June 30, 2019

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, 2019, 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.

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

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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, 2019, 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 as listed in the table of contents, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We 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.

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019 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 effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
December 30, 2019



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

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, 2019.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$16,356,602 (*net position*). Of this amount, the *unrestricted net position* was \$4,006,282.
- The Town's total net position increased by \$818,148. The increase is substantially due to the general fund positive operations of \$425,261 and the difference from modified accrual to accrual basis of accounting for capital asset and long-term activity of \$309,761 in the government-wide financial statements (Exhibit E).
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,850,541, an increase of \$441,823 in comparison with the prior year. This increase is a result of the positive operations in the general fund of \$425,261 due to property taxes collected in excess of budget of \$161,257 and spending savings of \$305,963.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,657,629, an increase of \$425,261 in comparison with the prior year. This unassigned fund balance represents 19.81% 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 5.27% from a year ago – increasing from \$15,538,454 (as restated) to \$16,356,602.

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

	<u>2019</u>	<u>2018</u> (as restated)
Current and other assets	\$ 5,949,267	\$ 5,238,359
Capital assets (net)	<u>12,698,709</u>	<u>12,461,637</u>
Total assets	<u>18,647,976</u>	<u>17,699,996</u>
Deferred outflows of resources	<u>103,387</u>	<u>107,715</u>
Other liabilities outstanding	490,243	484,469
Long-term liabilities outstanding	<u>1,479,880</u>	<u>1,640,938</u>
Total liabilities	<u>1,970,123</u>	<u>2,125,407</u>
Deferred inflows of resources	<u>424,638</u>	<u>143,850</u>
Net position:		
Net investment in capital assets	12,075,540	11,783,237
Restricted	365,495	342,875
Unrestricted	<u>3,915,567</u>	<u>3,412,342</u>
Total net position	<u>\$ 16,356,602</u>	<u>\$ 15,538,454</u>

A portion of the Town's net position, \$365,495, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$3,915,567.

Governmental activities. Governmental activities increased the Town's net position by \$818,148. Key elements of this increase are as follows:

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

	2019	2018 (as restated)
Revenues:		
Program revenues:		
Charges for services	\$ 762,972	\$ 767,434
Operating grants and contributions	1,502,985	1,521,590
Capital grants and contributions	92,101	-
General revenues:		
Property taxes	12,192,709	11,705,263
Grants and contributions not restricted to specific programs	116,379	116,641
Income from investments	67,293	34,800
Other	45,724	62,736
Total revenues	14,780,163	14,208,464
Expenses:		
General government	1,684,526	1,653,498
Public works	1,361,605	1,299,911
Public safety	997,114	922,484
Health and welfare	263,861	253,298
Education	9,643,509	9,597,414
Interest	11,400	17,056
Total expenses	13,962,015	13,743,661
Change in net position	818,148	464,803
Net position - July 1	15,538,454	15,040,266
Restatement for Cafeteria Fund	-	33,385
Net position - June 30	\$ 16,356,602	\$ 15,538,454

- Property taxes revenue increased by \$487,446 due to an increase in the tax levy to support the adopted budget.
- Public safety increased \$74,630 primarily due to an increase in fire protection of \$39,694.
- Public works increased \$61,694 primarily due to an increase in highway expenses of \$88,694.
- There were no other significant changes in revenue or expenditures.

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 \$4,850,541, \$2,192,912 is not available for new spending because it has already been classified as 1) nonspendable for \$90,715, 2) restricted for \$274,780, 3) committed for \$1,493,454, and 4) assigned for \$333,963.

The total fund balance increased by \$441,823 to \$4,850,541. This increase is a result of the positive operations in the general fund of \$425,261 due to the following:

- Property taxes collected in excess of budget of \$161,257
- Charges for services in excess of budget of \$70,700, including:
 - an increase in ambulance billings of \$20,485
 - an increase in conveyance tax of \$15,769 due to improving housing market
 - an increase in police private duty of \$12,448 due to increased construction activity
- Income from investments in excess of budget of \$41,697 due to increased interest rate
- Spending savings of \$54,296 for general government, including:
 - a decrease in Town office operations of \$13,875 due to lower service contract costs
 - a decrease in planning and zoning of \$9,831 due to lower outside contractor costs
- Spending savings of \$63,473 for public safety, including:
 - a decrease in police protection primarily caused by lower resident trooper costs
- Spending savings of \$163,868 for Education

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 \$2,657,629. 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 19.81% 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 \$663,761 for the fiscal year. The capital reserve fund had capital outlay expenditures of \$696,477, which were for road, sidewalk, and bridge construction, highway equipment, building repairs, and capital equipment projects. The Capital Reserve Fund fund balance totaled \$1,493,454 at year end.

General Fund Budgetary Highlights

The significant budget transfers during the year were as follows:

- Highway department budget was increased by \$139,764 for road and tree maintenance.
- Fire protection budget was increased by \$9,133 for Fire Marshal inspections.

The increases were substantially funded by transfers from the contingency line (Board of Finance), planning and zoning, and employee benefits in the amount of \$77,500, \$14,943, and \$58,580, respectfully.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets amounts to \$12,698,709 (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 \$237,072 (1.90%). 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:

- Liberty Street Bridge \$180,308
- Ford F550 Hooklift vehicle 97,771
- Main Street Phase III 75,676
- Playground 62,041
- Buderus Firehouse Boilers 60,000

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

	2019	2018
Land	\$ 1,021,016	\$ 1,021,016
Collections	118,950	-
Construction in progress	132,768	34,714
Buildings and systems	4,677,908	4,793,126
Land improvements	41,285	-
Machinery and equipment	1,373,436	1,367,877
Infrastructure	5,333,346	5,244,904
 Total	 \$ 12,698,709	 \$ 12,461,637

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

Management's Discussion and Analysis (continued)

Long-term debt. At the end of the current fiscal year, the Town had total notes outstanding of \$660,495. This entire amount comprises debt backed by the full faith and credit of the Town.

	Outstanding Debt Long-Term Obligations	
	<u>2019</u>	<u>2018</u>
Clean water note payable	\$ 623,169	\$ 678,400
Street light note payable	<u>37,326</u>	<u>54,084</u>
Total	<u>\$ 660,495</u>	<u>\$ 732,484</u>

The Town's total debt decreased by \$71,989 (9.83%) during the current fiscal year. The decrease is due to scheduled debt service payments.

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 \$81,711,875, 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 III E.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the State is currently 3.9%, which is a decrease from a rate of 4.4% a year ago. The Town's unemployment rate was 3.3%.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for the 2020 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, 2019

Assets

Current assets	
Cash	\$ 624,216
Investments	4,604,221
Receivables (net)	
Property taxes	88,765
Accounts	71,354
Intergovernmental	98,348
Sewer assessments	32,495
Loans	18,000
Other	2,375
Total current assets	<u>5,539,774</u>
Noncurrent assets	
Property held for sale	<u>162,791</u>
Restricted assets	
Temporarily restricted	
Cash	<u>8,250</u>
Receivables (net)	
Property taxes	72,109
Sewer assessments	93,628
Loans	72,715
Total receivables (net)	<u>238,452</u>
Capital assets (net of accumulated depreciation)	
Land	1,021,016
Collections	118,950
Construction in progress	132,768
Buildings and systems	4,677,908
Land improvements	41,285
Machinery and equipment	1,373,436
Infrastructure	5,333,346
Total capital assets (net of accumulated depreciation)	<u>12,698,709</u>
Total noncurrent assets	<u>13,108,202</u>
Total assets	<u>18,647,976</u>
	<u>Deferred outflows of resources</u>
Deferred outflows related to pension	<u>103,387</u>

(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, 2019

Liabilities

Liabilities

Current liabilities

Accounts payable	\$ 197,865
Accrued payroll and related	185,232
Performance bonds	8,250
Bonds and notes payable	70,424
Compensated absences	16,972
Post closure landfill liability	11,500
	<hr/>
Total current liabilities	490,243

Noncurrent liabilities

Bonds, notes and related liability	590,071
Compensated absences	67,886
Post closure landfill liability	46,000
Net pension liability	629,674
OPEB liability	146,249
	<hr/>
Total noncurrent liabilities	1,479,880

Total liabilities	<hr/> <hr/> 1,970,123
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Deferred Inflows of Resources

Advance property tax collections	257,591
Deferred inflows related to pension	167,047
	<hr/>
Total deferred inflows of resources	424,638

Net Position

Net investment in capital assets	12,075,540
Restricted for	
General government	305,034
Public works	11,382
Health and welfare	17,548
Education	31,531
Unrestricted	3,915,567
	<hr/>
Total net position	\$ 16,356,602

(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, 2019

Functions/Programs	Expenses	Program Revenues			Net Expenses and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 1,684,526	\$ 345,336	\$ 29,211	\$ -	\$ (1,309,979)
Public works	1,361,605	116,841	190,371	92,101	(962,292)
Public safety	997,114	246,118	19,672	-	(731,324)
Health and welfare	263,861	13,290	-	-	(250,571)
Education	9,643,509	41,387	1,263,731	-	(8,338,391)
Interest	11,400	-	-	-	(11,400)
Total	\$ 13,962,015	\$ 762,972	\$ 1,502,985	\$ 92,101	(11,603,957)
General revenues					
Property taxes					12,192,709
Grants and contributions not restricted to specific programs					116,379
Income from investments					67,293
Other					45,724
Total general revenues					12,422,105
Change in net position					818,148
Net position - July 1, 2018 (as restated)					15,538,454
Net position - June 30, 2019					\$ 16,356,602

Town of Chester, Connecticut

Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 585,954	\$ -	\$ 38,262	\$ 624,216
Restricted cash	8,250	-	-	8,250
Investments	2,778,456	1,450,355	375,410	4,604,221
Receivables (net)				
Property taxes	160,874	-	-	160,874
Accounts	46,028	-	25,326	71,354
Intergovernmental	1,989	92,101	4,258	98,348
Loans	-	-	90,715	90,715
Sewer assessments and user fees	113,628	-	12,495	126,123
Other	-	-	2,375	2,375
Total assets	<u>\$ 3,695,179</u>	<u>\$ 1,542,456</u>	<u>\$ 548,841</u>	<u>\$ 5,786,476</u>
<u>Liabilities</u>				
Accounts payable	\$ 111,975	\$ 49,002	\$ 36,888	\$ 197,865
Accrued payroll and related	185,232	-	-	185,232
Performance bonds	8,250	-	-	8,250
Total liabilities	<u>305,457</u>	<u>49,002</u>	<u>36,888</u>	<u>391,347</u>
<u>Deferred Inflows of Resources</u>				
Unavailable revenues				
Property taxes	160,874	-	-	160,874
Advance property tax collections	257,591	-	-	257,591
Sewer assessments and user fees	113,628	-	12,495	126,123
Total deferred inflows of resources	<u>532,093</u>	<u>-</u>	<u>12,495</u>	<u>544,588</u>
<u>Fund Balances</u>				
Restricted	-	-	365,495	365,495
Committed	-	1,493,454	-	1,493,454
Assigned	200,000	-	133,963	333,963
Unassigned	2,657,629	-	-	2,657,629
Total fund balances	<u>2,857,629</u>	<u>1,493,454</u>	<u>499,458</u>	<u>4,850,541</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,695,179</u>	<u>\$ 1,542,456</u>	<u>\$ 548,841</u>	<u>\$ 5,786,476</u>

(Continued)

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

Town of Chester, Connecticut

Reconciliation of Fund Balance to Net Position
June 30, 2019

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

Total fund balance (Exhibit C, Page 1)	\$ 4,850,541
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Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Beginning capital assets	12,461,637
Current year additions (net of construction in progress)	570,080
Depreciation expense	(332,308)
Disposal of assets	(700)

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

Property held for sale	162,791
Deferred outflows related to pension	103,387

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	160,874
Sewer assessments - accrual basis change	126,123

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	(660,495)
Compensated absences	(84,858)
Post-closure landfill liability	(57,500)
Net pension liability	(629,674)
OPEB liability	(146,249)
Deferred inflows related to pension	(167,047)

Net position (Exhibit A)	<u>\$ 16,356,602</u>
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(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, 2019**

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues				
Property taxes	\$ 12,178,823	\$ -	\$ -	\$ 12,178,823
Intergovernmental	1,486,866	92,101	107,882	1,686,849
Charges for services	519,350	5,155	243,644	768,149
Income from investments	66,697	-	596	67,293
Contributions	-	-	24,616	24,616
Other	39,470	-	-	39,470
	<u>14,291,206</u>	<u>97,256</u>	<u>376,738</u>	<u>14,765,200</u>
Total revenues				
Expenditures				
Current:				
General government	960,713	-	98,522	1,059,235
Public works	960,161	-	152,850	1,113,011
Public safety	908,077	-	-	908,077
Health and welfare	145,270	-	10,887	156,157
Benefits and insurance	725,406	-	-	725,406
Education	9,420,268	-	167,611	9,587,879
Debt service	83,389	-	-	83,389
Capital outlay	-	696,477	-	696,477
	<u>13,203,284</u>	<u>696,477</u>	<u>429,870</u>	<u>14,329,631</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>1,087,922</u>	<u>(599,221)</u>	<u>(53,132)</u>	<u>435,569</u>
Other financing sources (uses)				
Insurance proceeds	-	-	6,254	6,254
Transfers in	32,125	663,761	31,025	726,911
Transfers out	(694,786)	-	(32,125)	(726,911)
	<u>(662,661)</u>	<u>663,761</u>	<u>5,154</u>	<u>6,254</u>
Net other financing sources (uses)				
Net change in fund balances	425,261	64,540	(47,978)	441,823
Fund balances - July 1, 2018 (as restated)	<u>2,432,368</u>	<u>1,428,914</u>	<u>547,436</u>	<u>4,408,718</u>
Fund balances - June 30, 2019	<u>\$ 2,857,629</u>	<u>\$ 1,493,454</u>	<u>\$ 499,458</u>	<u>\$ 4,850,541</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, 2019**

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

Net change in fund balances - total governmental funds (Exhibit D) \$ 441,823

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.

Capital outlay	570,080
Depreciation expense	<u>(332,308)</u>

Total	<u>237,772</u>
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase/decrease 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>(700)</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>8,709</u>
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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:

Principal repayments:	
General obligation bonds and notes	<u>71,989</u>

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	(14,444)
Post closure landfill	11,500
Pension expense	74,410
OPEB expense	14,614
Amortization of deferred outflows of resources	(4,328)
Amortization of deferred inflows of resources	<u>(23,197)</u>

Total	<u>58,555</u>
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Change in net position (Exhibit B)	<u><u>\$ 818,148</u></u>
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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, 2019

<u>Assets</u>	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>
Cash	\$ -	\$ 10,932
Investments		
Mutual funds		
Equity	1,686,647	-
Money market	352,323	-
Bonds	518,401	-
Total investments	<u>2,557,371</u>	<u>-</u>
Total assets	<u>2,557,371</u>	<u>10,932</u>
<u>Net Position</u>		
Net position held in trust for		
Pensions	2,557,371	-
Individuals and organizations	<u>-</u>	<u>10,932</u>
Total net position	<u><u>\$ 2,557,371</u></u>	<u><u>\$ 10,932</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, 2019

	Pension Trust Funds	Custodial Funds
	<u> </u>	<u> </u>
Additions		
Contributions		
Employer	\$ 169,442	\$ -
Plan members	5,970	-
	<u> </u>	<u> </u>
Total contributions	175,412	-
	<u> </u>	<u> </u>
Activity fees	-	10,188
	<u> </u>	<u> </u>
Investment income (loss)		
Change in fair value of investments	169,160	-
Interest and dividends	21,361	-
	<u> </u>	<u> </u>
Total investment income (loss)	190,521	-
	<u> </u>	<u> </u>
Total additions	365,933	10,188
	<u> </u>	<u> </u>
Deductions		
Benefits	54,720	-
Administration	1,069	-
Activities and events	-	9,473
	<u> </u>	<u> </u>
Total deductions	55,789	9,473
	<u> </u>	<u> </u>
Change in net position	310,144	715
Net position - July 1, 2018	2,247,227	10,217
	<u> </u>	<u> </u>
Net position - June 30, 2019	<u><u>\$ 2,557,371</u></u>	<u><u>\$ 10,932</u></u>

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

Town of Chester, Connecticut

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

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

I. 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.

Town of Chester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**B. Measurement focus, basis of accounting and financial statement presentation (continued)**

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

Expenditure reimbursement type grants and certain intergovernmental revenues, 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:

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

The *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.

Town of Chester, Connecticut

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

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

For 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.

C. Assets, liabilities, deferred outflows/inflows of resources and equity

1. Cash and investments

a. Cash

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

b. 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. For the capital nonrecurring fund, not more than 31% can be invested in equity securities. Investment income is recorded in the fund in which it was earned.

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

The 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%

Town of Chester, Connecticut

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

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.

c. Method used to value investments

Investments for the Town are reported at fair value except as described below. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate is valued based upon the property taxes and related interest accrued on the parcel.

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 (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

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

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

Level 3: Unobservable inputs.

d. Risk policies

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

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

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

Custodial credit risk – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 Town does not have a formal policy with respect to custodial credit risk.

Town of Chester, Connecticut

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

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

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

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

b. Property taxes and other receivables

In the fund and government-wide financial statements, all trade and property tax receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 15% to 48% 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

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

4. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the 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.

Town of Chester, Connecticut

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

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

The 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 are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	Capitalization Threshold
Land	N/A	\$ 1
Collections	N/A	20,000
Building and systems	20-75	1
Land improvements	50	20,000
Machinery and equipment	5-40	5,000
Infrastructure:		
Bridges	30	100,000
Road 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.

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

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 revenues from several sources: property taxes (including advance collections, if any), sewer assessment and use charges. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Town of Chester, Connecticut

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

8. Net position and fund balances

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

Net Investment in Capital Assets

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

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.

Town of Chester, Connecticut

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

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.

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.

Minimum Fund Balance Policy

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 12% of the total operating general fund revenues.

Town of Chester, Connecticut

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

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

9. Use of estimates

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

10. Reclassifications

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

II. Stewardship, compliance and accountability

A. Basis of budgeting

Only the General Fund has a legally adopted annual budget.

The Town uses the budgetary basis of accounting under which purchase orders for contracts or other commitments are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in the budgetary statements included as required supplementary information.

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

III. Detailed notes

A. Cash and investments

1. Deposits – custodial credit risk

At year end, the Town's bank balance was \$3,426,742 and was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,559,129
Uninsured and collateral held by the pledging bank's trust department, not in the Town's name	<u>805,559</u>
Total amount subject to custodial credit risk	<u><u>\$ 2,364,688</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.

Town of Chester, Connecticut

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

A. Cash and investments (continued)

2. Investments

- a. The Town's 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 One year	5-10 Years
Mutual funds				
Equity	\$ 1,686,647	\$ 1,686,647	\$ -	\$ -
Money market	352,323	-	352,323	-
Bond	518,401	-	-	518,401
Bank money market	2,606,160	-	2,606,160	-
Pooled fixed income	1,998,061	-	1,998,061	-
Total	\$ 7,161,592	\$ 1,686,647	\$ 4,956,544	\$ 518,401

- b. The Town had the following recurring fair value measurements:

Investments by Fair Value Level	Amount	Quoted Market Prices in Active Markets Level 1
<u>Mutual Funds</u>		
Equity	\$ 1,686,647	\$ 1,686,647
Money market	352,323	352,323
Bond	518,401	518,401
Total investments by fair value level	2,557,371	\$ 2,557,371
<u>Other Investments</u>		
Bank money market	2,606,160	
Pooled fixed income	1,998,061	
Total other investments	4,604,221	
Total Investments	\$ 7,161,592	

Level 1: Quoted prices for identical investments in active markets

Town of Chester, Connecticut

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

A. Cash and investments (continued)

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

Average rating	Money Market Mutual Funds	Bond Mutual Funds	Pooled Fixed Income
AAA	\$ -	\$ 228,097	\$ 1,998,061
AA	-	31,104	-
A	-	88,128	-
BBB	-	119,232	-
BB	-	15,552	-
B	-	36,288	-
Unrated	352,323	-	-
Total	<u>\$ 352,323</u>	<u>\$ 518,401</u>	<u>\$ 1,998,061</u>

d. The Town's investments are not subject to custodial credit risk.

B. Receivables

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

	Property Taxes		Total
	Taxes	Interest and Lien Fees	
Current portion	<u>\$ 84,810</u>	<u>\$ 3,955</u>	<u>\$ 88,765</u>
Long-term portion	84,810	27,299	112,109
Less allowance for uncollectible	<u>(25,000)</u>	<u>(15,000)</u>	<u>(40,000)</u>
Net Long-term Portion	<u>\$ 59,810</u>	<u>\$ 12,299</u>	<u>\$ 72,109</u>

Town of Chester, Connecticut

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

C. Interfund accounts

1. Interfund transfers

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

	Corresponding Fund	Transfers In	Transfers Out
Major Funds:			
General Fund:			
Parks and Recreation Fund	N/A	\$ 32,125	\$ -
Capital Reserve Fund	N/A	-	663,761
Cafeteria Fund	N/A	-	31,025
Total General Fund		<u>32,125</u>	<u>694,786</u>
Capital Reserve Fund:			
General Fund	N/A	<u>663,761</u>	<u>-</u>
Other Governmental Funds:			
Parks and Recreation Fund	General Fund	-	32,125
Cafeteria Fund	General Fund	<u>31,025</u>	<u>-</u>
Total Other Governmental Funds		<u>31,025</u>	<u>32,125</u>
Grand Total		<u>\$ 726,911</u>	<u>\$ 726,911</u>

Transfers are used to move budgeted appropriations from the general fund for funding of the capital nonrecurring fund, cafeteria fund and various programs and activities in other funds.

Town of Chester, Connecticut

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

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

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 1,021,016	\$ -	\$ -	\$ 1,021,016
Collections	118,950	-	-	118,950
Construction in progress	34,714	98,054	-	132,768
Total capital assets, not being depreciated	<u>1,174,680</u>	<u>98,054</u>	<u>-</u>	<u>1,272,734</u>
Capital assets, being depreciated:				
Buildings and systems	7,699,891	60,000	-	7,759,891
Land improvements	65,000	-	-	65,000
Machinery and equipment	2,617,367	231,718	7,000	2,842,085
Infrastructure	5,656,540	180,308	-	5,836,848
Total capital assets, being depreciated	<u>16,038,798</u>	<u>472,026</u>	<u>7,000</u>	<u>16,503,824</u>
Total capital assets	<u>17,213,478</u>	<u>570,080</u>	<u>7,000</u>	<u>17,776,558</u>
Less accumulated depreciation for:				
Buildings and systems	2,949,155	132,828	-	3,081,983
Land improvements	22,610	1,105	-	23,715
Machinery and equipment	1,368,440	106,509	6,300	1,468,649
Infrastructure	411,636	91,866	-	503,502
Total accumulated depreciation	<u>4,751,841</u>	<u>332,308</u>	<u>6,300</u>	<u>5,077,849</u>
Total capital assets, being depreciated, net	<u>11,286,957</u>	<u>139,718</u>	<u>700</u>	<u>11,425,975</u>
Capital assets, net	<u>\$ 12,461,637</u>	<u>\$ 237,772</u>	<u>\$ 700</u>	<u>\$ 12,698,709</u>

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

General government	\$ 59,466
Public safety	86,875
Public works	68,013
Health and welfare	46,142
Education	71,812
Total depreciation expense	<u>\$ 332,308</u>

Town of Chester, Connecticut

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

E. Changes in long-term obligations

1. Summary of changes

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

Description	Original amount	Date of issue	Date of maturity	Interest rate	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Current portion	Long-term portion
Notes:										
Clean Water Note- 577C	\$1,125,000	8/14/08	7/31/2029	2.0%	\$ 678,400	\$ -	\$ 55,231	\$ 623,169	\$56,345	\$ 566,824
Street Lights	56,331	12/15/17	1/15/2022	3.3%	54,084	-	16,758	37,326	14,079	23,247
Total bonds, notes, and related liabilities					732,484	-	71,989	660,495	70,424	590,071
Compensated absences					70,414	31,865	17,421	84,858	16,972	67,886
Post closure landfill liability					69,000	-	11,500	57,500	11,500	46,000
Net pension liability					704,084	297,579	371,989	629,674	-	629,674
OPEB liability					160,863	16,389	31,003	146,249	-	146,249
Total long-term obligations					\$ 1,736,845	\$ 345,833	\$ 503,902	\$ 1,578,776	\$ 98,896	\$ 1,479,880

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

The following is a summary of debt maturities:

Fiscal Year	Principal		Interest
	Clean Water Note	Street Lights	
2020	\$ 56,345	\$ 14,079	\$ 12,963
2021	57,483	14,550	11,354
2022	58,643	8,697	9,744
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	\$ 623,169	\$ 37,326	\$ 67,114

Town of Chester, Connecticut

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

E. Changes in long-term obligations (continued)

2. 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:

Category	Debit Limit	Net Indebtedness	Balance
General purpose	\$ 26,264,531	\$ -	\$ 26,264,531
Schools	52,529,063	1,271,820	51,257,243
Sewers	43,774,219	-	43,774,219
Urban renewal	37,937,656	-	37,937,656
Pension deficit	35,019,375	-	35,019,375

The total overall statutory debt limit for the Town is equal to seven times annual receipts from the prior year taxation, \$81,711,875.

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 \$5,635,000, of which Chester's pro rata share is 22.57% or \$1,271,820.

2. 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 5 years at \$11,500 per year are \$57,500.

Town of Chester, Connecticut

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

F. Fund balances and restricted net position

Fund balances are composed of the following:

Fund Balance Component	General Fund	Capital Reserve Fund	Other Governmental Funds	Total
<u>Restricted:</u>				
General government:				
Housing rehabilitation	\$ -	\$ -	\$ 286,558	\$ 286,558
Historic records preservation	-	-	5,068	5,068
Town Grants	-	-	13,408	13,408
Public works:				
Sewer System	-	-	11,382	11,382
Health and welfare:				
Emergency fuel/community	-	-	17,548	17,548
Education:				
Cafeteria Fund	-	-	31,531	31,531
Total restricted	-	-	365,495	365,495
<u>Committed:</u>				
Capital projects	-	1,493,454	-	1,493,454
<u>Assigned:</u>				
Subsequent year's budget	200,000	-	-	200,000
General government:				
Parks and recreation	-	-	60,436	60,436
Library	-	-	71,799	71,799
Harbor	-	-	1,728	1,728
Total assigned	200,000	-	133,963	333,963
<u>Unassigned:</u>	2,657,629	-	-	2,657,629
Total	<u>\$ 2,857,629</u>	<u>\$ 1,493,454</u>	<u>\$ 499,458</u>	<u>\$ 4,850,541</u>

The amount of restricted net position, which was restricted by enabling legislation, totaled \$47,981.

Town of Chester, Connecticut

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

IV. 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. Commitments and litigation

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

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 \$365,378.

Aggregated future minimum rentals for the next 5 years:

2020	\$ 67,599
2021	67,599
2022	67,599
2023	<u>28,166</u>
Total	<u>\$ 230,963</u>

Town of Chester, Connecticut

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

V. Pensions and other post-employment benefit 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.

b. Plan membership

As of the date of the latest actuarial valuation, January 1, 2019 for the Employee Retirement plan and July 1, 2018 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	27
Active members	16	35
Total	27	68

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
As of and for the Year Ended June 30, 2019**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
As of and for the Year Ended June 30, 2019

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).

b. Concentrations

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

c. Rate of return

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

Town of Chester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**A. Town of Chester Employee Retirement Plan and Chester Hose Company VSAP (continued)**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plan's investment policy) are summarized in the following 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%	3.50%
Core Fixed Income	Barclays Aggregate	45.00%	2.27%
Equity Market	Russell 3000	45.00%	3.32%

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%	2.27%
Equity Market	Russell 3000	60.00%	3.32%

d. Annual money-weighted rate of return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.30% for the Employees' Retirement Plan and 11.32% 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.

5. Net pension liability

The components of the net pension liability were as follows:

	<u>Employee Retirement Plan</u>	<u>Chester Hose Company VSAP</u>
Total pension liability	\$ 2,325,476	\$ 861,569
Plan fiduciary net position	<u>(1,766,536)</u>	<u>(790,835)</u>
Net pension liability	<u>\$ 558,940</u>	<u>\$ 70,734</u>
Plan fiduciary net position as a percentage of total pension liability	<u>75.96%</u>	<u>91.79%</u>

Town of Chester, Connecticut

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

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

6. Actuarial methods and significant assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2019 for the Employees Retirement Plan and July 1, 2018 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
Valuation date	January 1, 2019	July 1, 2018
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	6.50%	6.00%
Asset valuation method	Fair value	Fair value
Inflation	2.50%	2.50%
Salary increases	3.50%	N/A
Cost of living adjustments	None	None
Mortality rates	GAR 94 Table, Revenue Ruling 2001- 62 for 417(e)	None

7. Changes from prior year

a. Changes in assumptions

There were no changes in assumptions.

b. Changes in benefit terms

There were no changes in benefit terms.

Town of Chester, Connecticut

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

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

8. 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.

9. Changes in the net pension liability

The Town's net pension liability was measured at June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. 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, 2018	\$ 2,152,398	\$1,543,968	\$ 608,430
Service cost	70,205	-	70,205
Interest	143,366	-	143,366
Differences between expected and actual experience	(6,055)	-	(6,055)
Contributions - employer	-	139,255	(139,255)
Contributions - member	-	5,970	(5,970)
Net investment income	-	111,781	(111,781)
Benefit payments, including refunds of member contributions	(34,438)	(34,438)	-
Net change	173,078	222,568	(49,490)
Balance at June 30, 2019	\$ 2,325,476	\$1,766,536	\$558,940

Town of Chester, Connecticut

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

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The changes in net pension liability for the fiscal year, were as follows:

Chester Hose Company VSAP	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at July 1, 2018	\$ 798,913	\$ 703,259	\$ 95,654
Service cost	11,281	-	11,281
Interest	48,012	-	48,012
Differences between expected and actual experience	23,645	-	23,645
Contributions - employer	-	30,187	(30,187)
Net investment income	-	78,740	(78,740)
Benefit payments, including refunds of member contributions	(20,282)	(20,282)	-
Administrative expenses	-	(1,069)	1,069
Net change	62,656	87,576	(24,920)
Balance at June 30, 2019	\$ 861,569	\$ 790,835	\$ 70,734

10. 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	\$ 688,247	\$ 558,940	\$ 441,411
<u>Chester Hose Company VSAP:</u>	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net Pension Liability	\$ 170,705	\$ 70,734	\$ (12,106)

Town of Chester, Connecticut

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

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

11. Pension expense and deferred outflows and inflows of resources

The Town recognized pension expense of \$112,007 for the Employee Retirement Plan and \$10,551 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	\$ 45,222	\$ (56,420)
Net difference between projected and actual earnings on pension plan investments	-	(15,684)
Total	<u>\$ 45,222</u>	<u>\$ (72,104)</u>
Net amount of deferred inflows and outflows		<u>\$ (26,882)</u>
Chester Hose Company VSAP Description of Outflows/Inflows	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 58,165	\$ (44,101)
Net difference between projected and actual earnings on pension plan investments	-	(50,842)
Total	<u>\$ 58,165</u>	<u>\$ (94,943)</u>
Net amount of deferred inflows and outflows		<u>\$ (36,778)</u>

Town of Chester, Connecticut

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

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 6.8 years and 9.6 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
2020	\$ (1,684)	\$ (8,199)
2021	(16,218)	(10,354)
2022	(707)	(11,010)
2023	(2,426)	(10,167)
2024	(5,847)	(2,848)
Thereafter	-	5,800
Total	<u>\$ (26,882)</u>	<u>\$ (36,778)</u>

12. Plan statements

Combining Statement of Fiduciary Net Position
Pension Funds
June 30, 2019

	Pension Trust Funds		
	Employee Retirement Plan	Chester Hose Company VSAP	Total
<u>Assets</u>			
Investments at fair value			
Mutual funds			
Equity	\$ 912,962	\$ 773,685	\$ 1,686,647
Money market	335,173	17,150	352,323
Bonds	518,401	-	518,401
Total investments	<u>1,766,536</u>	<u>790,835</u>	<u>2,557,371</u>
<u>Net Position</u>			
Restricted for pension benefits	<u>\$1,766,536</u>	<u>\$ 790,835</u>	<u>\$ 2,557,371</u>

Town of Chester, Connecticut

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

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, 2019

	Pension Trust Funds		
	Employee Retirement Plan	Chester Hose Company VSAP	Total
Additions			
Contributions			
Employer	\$ 139,255	\$ 30,187	\$ 169,442
Plan members	5,970	-	5,970
Total contributions	145,225	30,187	175,412
Investment income (loss)			
Change in fair value of investments	111,781	57,379	169,160
Interest and dividends	-	21,361	21,361
Total investment income (loss)	111,781	78,740	190,521
Total additions	257,006	108,927	365,933
Deductions			
Benefits	34,438	20,282	54,720
Administration	-	1,069	1,069
Total deductions	34,438	21,351	55,789
Changes in net position	222,568	87,576	310,144
Net position - July 1, 2018	1,543,968	703,259	2,247,227
Net position - June 30, 2019	<u>\$ 1,766,536</u>	<u>\$ 790,835</u>	<u>\$ 2,557,371</u>

Town of Chester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**B. Connecticut State Teachers' Retirement System****1. Plan description**

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

2. Benefit provisions

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

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

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

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

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

3. Contributions**State of Connecticut**

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

Town of Chester, Connecticut

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

B. Connecticut State Teachers' Retirement System (continued)

Employer (school districts)

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

Employees

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

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

The 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	<u>4,852,854</u>
Total	<u>\$ 4,852,854</u>

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

During the year the Town recognized pension expense and revenue of \$469,018 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, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25-6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

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

Town of Chester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**B. Connecticut State Teachers' Retirement System (continued)**

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

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:

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

Town of Chester, Connecticut

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

B. Connecticut State Teachers' Retirement System (continued)

6. Discount rate

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

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

The 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, 2018.

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. Plan membership

As of the date of the latest actuarial valuation, June 30, 2017 for the Town plan and June 30, 2018 for the Board of Education plan, membership consisted of:

	<u>Employees Covered</u>	
	<u>Town</u>	<u>Board of Education</u>
Active members	6	28
Active members waiving coverage	-	7
Total	<u>6</u>	<u>35</u>

Town of Chester, Connecticut

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

C. Other post-employment benefit plans (continued)

2. 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.

3. 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.

4. Actuarial methods and significant assumptions

The total OPEB liability was determined based upon an actuarial valuation of June 30, 2017 for the Town and June 30, 2018 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
Valuation date	June 30, 2017	June 30, 2018
Actuarial cost method	Entry age normal	Entry age normal
Discount rate	3.62%	3.62%
Healthcare cost trend rates:		
Inflation	2.75%	2.50%
Initial medical trend rate	6.80%	6.90%
Ultimate medical trend rate	4.40%	4.00%
Year ultimate medical trend rate reached	2075	2076
Mortality rates	RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments.	Based on Pub-2010 headcount weighted mortality tables for Teachers.

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

Town of Chester, Connecticut

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

C. Other post-employment benefit plans (continued)

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.

5. Changes from prior year

a. Changes in assumptions

The Town’s plan had the following changes in assumptions:

- The discount rate increased from 3.56% to 3.62%.

The Board of Education’s plan had the following changes in assumptions:

- Healthcare cost trend rate was increased from 6.80% to 6.90% decreasing to an ultimate rate of 4.00% in 2076 vs 4.40% in 2075.
- Discount rate was increased from 3.56% to 3.62%.
- Inflation rate was increased from 2.50% and 2.75%.

b. Changes in benefit terms

There were no changes in benefit terms for Town and Board of Education plans.

6. Discount rate

The discount rate used to measure the total OPEB liability was as follows:

	<u>Town Employees</u>	<u>Board of Education</u>
Discount Rate	3.62%	3.62%

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.

Town of Chester, Connecticut

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

C. Other post-employment benefit plans (continued)

7. Changes in the total OPEB liability

The Town's OPEB liability 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 was measured as of June 30, 2018, and was determined by an actuarial valuation as June 30, 2018.

	<u>Town</u>	<u>Board of Education</u>
Total OPEB liability - July 1, 2018	<u>\$ 21,119</u>	<u>\$139,744</u>
Service cost	1,399	8,896
Interest	802	5,292
Differenced between expected and actual experience	-	(3,834)
Changes of assumptions or other inputs	<u>(48)</u>	<u>(27,121)</u>
Net Change	<u>2,153</u>	<u>(16,767)</u>
Total OPEB liability - June 30, 2019	<u>\$ 23,272</u>	<u>\$122,977</u>

8. 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 or 1-percentage-point higher than the current discount rate:

<u>OPEB Liability</u>	<u>1% Decrease 2.62%</u>	<u>Discount Rate 3.62%</u>	<u>1% Increase 4.62%</u>
Town	<u>\$ 24,075</u>	<u>\$ 23,272</u>	<u>\$ 22,504</u>
Board of Education	<u>\$ 134,850</u>	<u>\$ 122,977</u>	<u>\$ 112,088</u>

Town of Chester, Connecticut

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

C. Other post-employment benefit plans (continued)

9. Sensitivity of the OPEB liability to changes in the healthcare cost trend rate

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:

<u>OPEB Liability</u>	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Town	<u>\$ 22,010</u>	<u>\$ 23,272</u>	<u>\$ 24,658</u>
Board of Education	<u>\$ 107,203</u>	<u>\$ 122,977</u>	<u>\$ 141,884</u>

10. OPEB expense and deferred outflows of resources related to OPEB

For the fiscal year, the Town recognized OPEB expense of \$2,153 for the Town Plan and \$(16,767) for the Board of Education Plan. There were no reported deferred outflows or inflows of resources related to OPEB.

D. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan

1. Plan description

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

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.

Town of Chester, Connecticut

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

- **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.

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

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

If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

Survivor health care coverage

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

Town of Chester, Connecticut

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

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

3. Contributions

State of Connecticut

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

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	<u>970,134</u>
Total	<u><u>\$ 970,134</u></u>

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

The Town recognized OPEB expense and revenue of \$13,013 for on-behalf amounts for the benefits provided by the State.

Town of Chester, Connecticut

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

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

5. Actuarial assumptions

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

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

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

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

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

Changes in assumptions and inputs

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

- The payroll growth rate assumption was decreased from 3.75% to 3.25% to reflect the decrease in the rate of inflation and the decrease in the rate of real wage increase.
- The demographic assumptions of salary growth, payroll growth, the rates of withdrawal, the rates of retirement, the rates of mortality, and the rates of disability incidence were adjusted based upon the experience study's findings and their adoption by the Board.
- The discount rate has been increased from 3.56% to 3.87% based upon the increase in the municipal bond index.

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

Town of Chester, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2019**D. Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan (continued)****Long-term expected rate of return**

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

Affordable Care Act (ACA)

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

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

6. Discount rate

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

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

The 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, 2018.

Town of Chester, Connecticut

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

VI. Prior period adjustment

Beginning equity balances were restated as follows:

	<u>Governmental Activities</u>	<u>Other Governmental Funds</u>
Net position as previously reported at June 30, 2018	\$ 15,505,069	\$ 514,051
To adjust Cafeteria Fund accounts receivable balance	<u>33,385</u>	<u>33,385</u>
Net position as restated at July 1, 2018	<u>\$ 15,538,454</u>	<u>\$ 547,436</u>

**Required
Supplementary
Information**

Town of Chester, Connecticut
Required Supplementary Information

General Fund
Schedule of Revenues and Other Financing Sources
Budget and Actual
For the Year Ended June 30, 2019

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Property taxes					
Grand list current year	\$ 11,865,566	\$ -	\$ 11,865,566	\$ 11,983,663	\$ 118,097
Prior years' taxes	90,000	-	90,000	116,926	26,926
Interest and lien fees	50,000	-	50,000	68,652	18,652
Telephone access grant	12,000	-	12,000	9,582	(2,418)
Total property taxes	12,017,566	-	12,017,566	12,178,823	161,257
Intergovernmental revenues					
Education: equal (ECS)	620,692	-	620,692	678,413	57,721
Town aid road	190,222	-	190,222	190,371	149
Local capital improvement project	33,173	-	33,173	-	(33,173)
Elderly tax relief - circuit breaker	20,000	-	20,000	-	(20,000)
Gas tax refund	3,000	-	3,000	2,093	(907)
State owned property	380	-	380	9,068	8,688
Mashantucket Pequot	3,278	-	3,278	3,278	-
DUI grant	34,900	-	34,900	19,672	(15,228)
Judicial fine reimbursement	3,500	-	3,500	2,905	(595)
Surplus revenue sharing	89,264	-	89,264	89,264	-
Veterans' tax exemption	2,800	-	2,800	2,928	128
Miscellaneous grants	-	-	-	6,643	6,643
Totally disabled exemption	200	-	200	200	-
Total intergovernmental revenues	1,001,409	-	1,001,409	1,004,835	3,426
Charges for Services					
Building permits	40,000	-	40,000	45,409	5,409
Aircraft registration	13,000	-	13,000	11,430	(1,570)
Planning and zoning permits	3,000	-	3,000	6,743	3,743
Sanitation permits	-	-	-	230	230
Inland wetland permits	800	-	800	1,900	1,100
Zoning board of appeals permits	1,000	-	1,000	653	(347)
Pistol permits	1,500	-	1,500	1,470	(30)
Fire marshal permits	300	-	300	110	(190)
Environmental fund	100	-	100	138	38
Solicitors license	600	-	600	580	(20)
Raffle permits	50	-	50	100	50
Rental - 203 Middlesex Avenue	67,600	-	67,600	67,598	(2)
Conveyance tax	40,000	-	40,000	55,769	15,769
Dog fund	-	-	-	1,463	1,463
Town clerk fees	30,000	-	30,000	26,596	(3,404)
WCPA assessment	16,500	-	16,500	20,526	4,026
Police private duty	17,000	-	17,000	29,448	12,448
Police violations	2,000	-	2,000	4,605	2,605
Parks and recreation park passes	10,500	-	10,500	14,130	3,630
Rental - 20 Water Street	5,000	-	5,000	7,500	2,500
Library fines	1,000	-	1,000	1,395	395
Rental - meeting house - community center	6,000	-	6,000	8,790	2,790
Rental - cedar lake shack	500	-	500	300	(200)
Copier - assessor	300	-	300	188	(112)

(Continued)

Town of Chester, Connecticut

Required Supplementary Information

General Fund
Schedule of Revenues and Other Financing Sources
Budget and Actual
For the Year Ended June 30, 2019

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Copier - library	\$ 400	\$ -	\$ 400	\$ 552	\$ 152
Ambulance billings	190,000	-	190,000	210,485	20,485
Community investment account	1,500	-	1,500	1,242	(258)
Total charges for services	448,650	-	448,650	519,350	70,700
Income from investments	25,000	-	25,000	66,697	41,697
Other revenues	-	-	-	39,470	39,470
Total revenues	13,492,625	-	13,492,625	13,809,175	316,550
Other financing sources					
Appropriation of fund balance	200,000	-	200,000	-	(200,000)
Transfers in	29,377	-	29,377	32,125	2,748
Total other financing sources	229,377	-	229,377	32,125	(197,252)
Total revenues and other financing sources	<u>\$ 13,722,002</u>	<u>\$ -</u>	<u>\$ 13,722,002</u>	<u>\$ 13,841,300</u>	<u>\$ 119,298</u>

(Concluded)

Town of Chester, Connecticut

Required Supplementary Information

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

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
General government					
Selectman	\$ 148,294	\$ -	\$ 148,294	\$ 144,279	\$ 4,015
Finance	108,987	-	108,987	108,986	1
Town office operations	66,888	-	66,888	53,013	13,875
Town clerk	91,745	-	91,745	90,965	780
Treasurer	24,193	-	24,193	23,435	758
Tax collector	58,248	-	58,248	57,717	531
Tax assessor	93,870	(4,500)	89,370	81,453	7,917
Board of assessment appeals	300	-	300	300	-
Board of finance	103,535	(77,500)	26,035	23,476	2,559
Registrar of voters	18,725	-	18,725	16,580	2,145
Building department	26,786	-	26,786	26,115	671
Conservation commission	830	-	830	58	772
Harbor management	100	-	100	-	100
Planning and zoning	58,564	(14,943)	43,621	33,790	9,831
Inland wetland	12,926	126	13,052	13,050	2
Zoning board of appeals	1,200	-	1,200	581	619
Economic development commission	3,950	-	3,950	598	3,352
Parks and recreation commission	136,201	4,500	140,701	138,721	1,980
Library	151,984	-	151,984	147,596	4,388
Total general government	1,107,326	(92,317)	1,015,009	960,713	54,296
Public works					
Highways	531,699	139,764	671,463	671,451	12
Municipal services	152,400	-	152,400	147,648	4,752
Building and grounds	140,500	2,000	142,500	141,062	1,438
Total public works	824,599	141,764	966,363	960,161	6,202
Public safety					
Fire protection	366,822	9,133	375,955	374,225	1,730
Police protection	370,887	-	370,887	325,740	45,147
Safety services	206,500	-	206,500	191,197	15,303
Animal control	18,208	-	18,208	16,915	1,293
Total public safety	962,417	9,133	971,550	908,077	63,473
Health and welfare					
Human services department	89,881	-	89,881	89,414	467
Health services	57,770	-	57,770	55,632	2,138
Sanitation department	1,687	-	1,687	224	1,463
Total health and welfare	149,338	-	149,338	145,270	4,068

(Continued)

Town of Chester, Connecticut

Required Supplementary Information

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

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Benefits and insurance					
Employee benefits	\$ 489,950	\$ (58,580)	\$ 431,370	\$ 424,627	\$ 6,743
Retirement board	205,642	-	205,642	200,312	5,330
Municipal insurance	79,842	-	79,842	77,863	1,979
Payments to organizations	22,608	-	22,608	22,604	4
Total benefits and insurance	798,042	(58,580)	739,462	725,406	14,056
Education					
Regional School District Number 4	4,469,581	-	4,469,581	4,469,581	-
Chester Elementary School	4,632,524	-	4,632,524	4,468,656	163,868
Total education	9,102,105	-	9,102,105	8,938,237	163,868
Debt service					
Interest	13,064	-	13,064	13,064	-
Principal	70,325	-	70,325	70,325	-
Total debt service	83,389	-	83,389	83,389	-
Total expenditures	13,027,216	-	13,027,216	12,721,253	305,963
Other financing uses					
Transfers out					
Capital reserve	663,761	-	663,761	663,761	-
Cafeteria	31,025	-	31,025	31,025	-
Total other financing uses	694,786	-	694,786	694,786	-
Total expenditures and other financing uses	\$ 13,722,002	\$ -	\$ 13,722,002	\$ 13,416,039	\$ 305,963

Reconciliation to Exhibit D

	Revenues	Expenditures
Budgetary Basis - RSI-1 and RSI-2	\$ 13,809,175	\$ 12,721,253
State Teachers' pension on behalf amount	469,018	469,018
State Teachers' OPEB on behalf amount	13,013	13,013
GAAP Basis - Exhibit D	\$ 14,291,206	\$ 13,203,284

(Concluded)

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

A formal, legally approved, annual budget is adopted for the General Fund. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- The Town does not budget for as revenue or expenditures payments made for the State 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.

The Board of Education is authorized under state law to make any transfers required within their budget at their discretion.

No additional appropriations were made during the year.

Town of Chester, Connecticut
Required Supplementary Information
Employee Retirement Plan
Last Six Years (1)

Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 70,205	\$ 59,422	\$ 71,670	\$ 63,974	\$ 69,134	\$ 78,964
Interest	143,366	141,085	146,569	136,065	127,803	118,706
Difference between expected and actual experience	(6,055)	69,666	(51,794)	(23,052)	(23,165)	-
Benefit payments, including refunds of member contributions	<u>(34,438)</u>	<u>(450,718)</u>	<u>(32,926)</u>	<u>(58,971)</u>	<u>(24,782)</u>	<u>(24,782)</u>
Net change in total pension liability	173,078	(180,545)	133,519	118,016	148,990	172,888
Total pension liability - July 1	<u>2,152,398</u>	<u>2,332,943</u>	<u>2,199,424</u>	<u>2,081,408</u>	<u>1,932,418</u>	<u>1,759,530</u>
Total pension liability - June 30 (a)	<u>2,325,476</u>	<u>2,152,398</u>	<u>2,332,943</u>	<u>2,199,424</u>	<u>2,081,408</u>	<u>1,932,418</u>
Plan fiduciary net position						
Contributions - employer	139,255	137,578	146,669	161,804	155,733	155,733
Contributions - member	5,970	4,647	5,915	8,317	8,193	7,416
Net investment income	111,781	92,682	176,495	17,651	30,251	141,011
Benefit payments, including refunds of member contributions	<u>(34,438)</u>	<u>(450,718)</u>	<u>(32,926)</u>	<u>(58,971)</u>	<u>(24,782)</u>	<u>(24,782)</u>
Net change in plan fiduciary net position	222,568	(215,811)	296,153	128,801	169,395	279,378
Plan fiduciary net position - July 1	<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>	<u>886,052</u>
Plan fiduciary net position - June 30 (b)	<u>1,766,536</u>	<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>\$ 558,940</u>	<u>\$ 608,430</u>	<u>\$ 573,164</u>	<u>\$ 735,798</u>	<u>\$ 746,583</u>	<u>\$ 766,988</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>75.96%</u>	<u>71.73%</u>	<u>75.43%</u>	<u>66.55%</u>	<u>64.13%</u>	<u>60.31%</u>
Covered payroll	<u>\$ 937,278</u>	<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>59.63%</u>	<u>63.45%</u>	<u>56.99%</u>	<u>84.94%</u>	<u>88.95%</u>	<u>104.20%</u>

Schedule of Investment Returns

Annual money weighted rate of return, net of investment expense	<u>7.30%</u>	<u>6.45%</u>	<u>11.29%</u>	<u>1.30%</u>	<u>2.61%</u>	<u>16.05%</u>
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(1) These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of Chester, Connecticut

Required Supplementary Information

Employee Retirement Plan
Schedule of Contributions
Last Ten Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 139,255	\$ 137,578	\$ 146,669	\$ 161,804	\$ 155,733	\$ 139,601	\$ 134,345	\$ 126,055	\$ 115,742	\$ 59,980
Contributions in relation to the actuarially determined contribution	<u>139,255</u>	<u>137,578</u>	<u>146,669</u>	<u>161,804</u>	<u>155,733</u>	<u>155,733</u>	<u>134,345</u>	<u>110,000</u>	<u>107,667</u>	<u>60,500</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,132</u>	<u>\$ -</u>	<u>\$ (16,055)</u>	<u>\$ (8,075)</u>	<u>\$ 520</u>
Covered payroll	<u>\$ 937,278</u>	<u>\$ 958,949</u>	<u>\$ 1,005,780</u>	<u>\$ 866,218</u>	<u>\$ 839,376</u>	<u>\$ 736,038</u>	<u>\$ 723,891</u>	<u>\$ 813,548</u>	<u>\$ 860,966</u>	<u>\$ 616,789</u>
Contributions as a percentage of covered payroll	<u>14.86%</u>	<u>14.35%</u>	<u>14.58%</u>	<u>18.68%</u>	<u>18.55%</u>	<u>21.16%</u>	<u>18.56%</u>	<u>13.52%</u>	<u>12.51%</u>	<u>9.81%</u>

Town of Chester, Connecticut

Notes to Required Supplementary Information

Employee Retirement Plan
Schedule of Contributions
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Changes of Benefit Terms	None	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Actuarial methods and assumptions used to determine contribution rates:						
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age	Aggregate cost
Amortization Method	Level dollar amount	Level dollar amount	Level dollar amount	Level dollar amount	Level dollar amount	Level dollar amount
Asset Valuation Method	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Investment Rate of Return	6.50%	6.50%	6.50%	6.50%	6.50%	6.75%
Mortality Rate	GAR 94 Table, Revenue ruling 2001-62 for 417e Mortality Table. Does not include margin for improvements in longevity beyond valuation date. Reflects the Plan's basis for determining lump sum distributions.	GAR 94 Table, Revenue ruling 2001-62 for 417e Mortality Table. Does not include margin for improvements in longevity beyond valuation date. Reflects the Plan's basis for determining lump sum distributions.	GAR 94 Table, Revenue ruling 2001-62 for 417e Mortality Table. Does not include margin for improvements in longevity beyond valuation date. Reflects the Plan's basis for determining lump sum distributions.	GAR 94 Table, Revenue ruling 2001-62 for 417e Mortality Table. Does not include margin for improvements in longevity beyond valuation date. Reflects the Plan's basis for determining lump sum distributions.	GAR 94 Table, Revenue ruling 2001-62 for 417e Mortality Table. Does not include margin for improvements in longevity beyond valuation date. Reflects the Plan's basis for determining lump sum distributions.	GAR 94 Table, Revenue ruling 2001-62 for 417e Mortality Table. Does not include margin for improvements in longevity beyond valuation date. Reflects the Plan's basis for determining lump sum distributions.

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

Town of Chester, Connecticut
Required Supplementary Information
Chester Hose Company VSAP
Last Six Years (1)

Schedule of Changes in Net Pension Liability and Related Ratios

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 11,281	\$ 13,136	\$ 15,705	\$ 13,958	\$ 15,011	\$ 12,829
Interest	48,012	48,884	41,998	40,928	39,225	34,902
Difference between expected and actual experience	23,645	-	91,243	-	-	-
Changes in assumptions	-	(37,134)	18,913	(26,371)	72,217	-
Benefit payments, including refunds of member contributions	<u>(20,282)</u>	<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	62,656	(29,454)	121,013	15,418	82,497	33,601
Total pension liability - July 1	<u>798,913</u>	<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>861,569</u>	<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	30,187	35,827	35,827	34,044	28,562	29,344
Net investment income	78,740	58,293	67,438	23,582	28,366	76,098
Benefit payments, including refunds of member contributions	(20,282)	(54,340)	(46,846)	(13,097)	(43,956)	(14,130)
Administrative expenses	<u>(1,069)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	87,576	39,780	56,419	44,529	12,972	91,312
Plan fiduciary net position - July 1	<u>703,259</u>	<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>790,835</u>	<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>\$ 70,734</u>	<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>91.79%</u>	<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>	<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>	<u>N/A</u>

Schedule of Investment Returns

Annual money weighted rate of return, net of investment expense	<u>11.32%</u>	<u>9.25%</u>	<u>10.73%</u>	<u>4.17%</u>	<u>5.36%</u>	<u>16.80%</u>
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(1) These schedules are intended to present information for 10 years. Additional years will be presented as the information becomes available.

Town of Chester, Connecticut

Required Supplementary Information

Chester Hose Company VSAP
Schedule of Contributions
Last Ten Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 30,187	\$ 40,959	\$ 30,827	\$ 34,044	\$ 28,526	\$ 29,316	\$ 29,344	\$ 27,777	\$ 24,498	\$ 14,809
Contributions in relation to the actuarially determined contribution	<u>30,187</u>	<u>35,827</u>	<u>35,827</u>	<u>34,044</u>	<u>28,562</u>	<u>29,344</u>	<u>27,777</u>	<u>20,000</u>	<u>13,840</u>	<u>19,000</u>
Contribution excess (deficiency)	<u>\$ -</u>	<u>\$ (5,132)</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 36</u>	<u>\$ 28</u>	<u>\$ (1,567)</u>	<u>\$ (7,777)</u>	<u>\$ (10,658)</u>	<u>\$ 4,191</u>
Covered payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contributions 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>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

N/A - Volunteer plan

Town of Chester, Connecticut
Notes to Required Supplementary Information

Chester Hose Company VSAP
Schedule of Contributions
Last Six Years (1)

	2019	2018	2017	2016	2015	2014
Changes of Benefit Terms	None	None	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.	None	None	None
The actuarially determined contribution rates are calculated as of	July 1, 2018	July 1, 2017	July 1, 2016	January 1, 2015	January 1, 2014	January 1, 2014
Actuarial methods and assumptions used to determine contribution rates:						
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age	Aggregate cost
Amortization Method	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Asset Valuation Method	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases	N/A - Volunteer plan	N/A - Volunteer plan	N/A - Volunteer plan	N/A - Volunteer plan	N/A - Volunteer plan	N/A - Volunteer plan
Investment Rate of Return	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Mortality Rate	None	None	None	None	None	None

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

Town of Chester, Connecticut

Required Supplementary Information

Connecticut State Teachers' Retirement System
Last Five Years (3)Schedule of Proportionate Share of the Net Pension Liability

	<u>2019</u>	<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%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	4,852,854	4,221,104	4,456,288	3,698,179	3,418,225
Total	\$ 4,852,854	\$ 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	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%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.51%

Schedule of Contributions

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	N/A
Contributions as a percentage of covered payroll	0.00%	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.

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

Town of Chester, Connecticut
Notes to Required Supplementary Information
Connecticut State Teachers' Retirement System
Schedule of Contributions
Last Five Years (1)

	2019	2018	2017	2016	2015
Changes of Benefit Terms	Beginning January 1, 2018, member contributions increased from 6% to 7% of salary	None	None	None	None
The actuarially determined contribution rates are calculated as of	July 1, 2018	July 1, 2016	July 1, 2016	July 1, 2014	July 1, 2014
Actuarial methods and assumptions used to determine contribution rates:					
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed
Remaining Amortization Period	17.6 years	20.4 years	20.4 years	21.4 years	22.4 years
Asset Valuation Method	4 year smoothed market	4 year smoothed market	4 year smoothed market	4 year smoothed market	4 year smoothed market
Inflation	2.75%	2.75%	2.75%	3.00%	3.00%
Salary Increases	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.75%-7.00%, average, including inflation	3.75%-7.00%, average, including inflation
Investment Rate of Return	8.00%	8.00%	8.00%	8.50%	8.50%
Mortality	RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB	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	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	RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.	RP-2000 Combined Mortality Table projected 19 years using scale AA, with a two year setback for males and females for the period after service retirement and for dependent beneficiaries.

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

Town of Chester, Connecticut
Required Supplementary Information
Other Post-Employment Benefit (OPEB) Plan
Last Two Years (1)

Schedule of Changes in OPEB Liability

<u>Town Plan</u>	<u>2019</u>	<u>2018</u>
OPEB liability		
Service cost	\$ 1,399	\$ 1,432
Interest	802	615
Changes in assumptions	<u>(48)</u>	<u>(543)</u>
Net change in total OPEB liability	2,153	1,504
Total OPEB liability - July 1	<u>21,119</u>	<u>19,615</u>
Total OPEB liability - June 30 *	<u><u>\$ 23,272</u></u>	<u><u>\$ 21,119</u></u>
 <u>Board of Education Plan</u>		
Total OPEB liability		
Service cost	\$ 8,896	\$ 9,323
Interest	5,292	4,158
Difference between expected and actual experience	(3,834)	-
Changes in assumptions	<u>(27,121)</u>	<u>(6,821)</u>
Net change in total OPEB liability	(16,767)	6,660
Total OPEB liability - July 1	<u>139,744</u>	<u>133,084</u>
Total OPEB liability - June 30 *	<u><u>\$ 122,977</u></u>	<u><u>\$ 139,744</u></u>

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

Covered payroll information was not available.

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

Town of Chester, Connecticut

Required Supplementary Information

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

		<u>2019</u>	<u>2018</u>
<u>Schedule of Proportionate Share of the Net OPEB Liability</u>			
Town's proportionate share of the net OPEB liability		<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the collective net OPEB liability		\$ -	\$ -
State of Connecticut's proportionate share of the net OPEB liability associated with the Town		<u>970,134</u>	<u>1,086,462</u>
Total		<u>\$ 970,134</u>	<u>\$ 1,086,462</u>
Town's covered payroll	(2)	<u>N/A</u>	<u>N/A</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll		<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total OPEB liability		<u>1.49%</u>	<u>1.79%</u>

Schedule of Contributions

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

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

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

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

Town of Chester, Connecticut

Notes to Required Supplementary Information

Connecticut State Teachers' Retirement Board Retiree Health Insurance Plan
 Schedule of Contributions
 Last Two Years (1)

	2019	2018
Changes of Benefit Terms	None	None
The actuarially determined contribution rates are calculated as of	July 1, 2018	July 1, 2016
Actuarial methods and assumptions used to determine contribution rates:		
Actuarial Cost Method	Entry age	Entry age
Amortization Method	Level percentage, open	Level percentage, open
Amortization Period	30 years	30 years
Asset Valuation Method	Fair Value	Fair Value
Inflation	2.75%	2.75%
Healthcare Inflation Rate	Initial 7.25% decreasing to 5.00% (ultimate) by 2022	Initial 7.25% decreasing to 5.00% (ultimate) by 2022
Salary Increases	3.25% to 6.50%, including inflation	3.25% to 6.50%, including inflation
Investment Rate of Return	3.00%	4.25%
Mortality Rate	RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale.	RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. For disabled retirees, the RPH-2014 Disabled Mortality table projected to 2017 using the BB improvement scale.

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

Supplemental Schedules

General Fund

Town of Chester Connecticut
Report of Tax Collector
For the Year Ended June 30, 2019

Grand List Year	Uncollected Taxes July 1, 2018	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2019
			Additions	Deductions			Net Taxes Collected	Interest and Liens	Total	
2002	\$ 3,180	\$ -	\$ -	\$ 3,180	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2003	4,419	-	-	4,419	-	-	-	-	-	-
2004	4,464	-	-	4,464	-	-	-	-	-	-
2005	4,514	-	-	4,514	-	-	-	-	-	-
2006	4,666	-	-	4,666	-	-	-	-	-	-
2007	5,162	-	-	5,162	-	-	-	-	-	-
2008	4,729	-	-	4,729	-	-	-	-	-	-
2009	4,952	-	-	4,952	-	-	-	-	-	-
2010	4,952	-	-	4,952	-	-	-	-	-	-
2011	5,327	-	-	5,327	-	-	-	-	-	-
2012	10,005	-	-	4,917	395	4,693	-	2,800	2,800	4,693
2013	10,106	-	-	5,153	789	4,164	-	-	-	4,164
2014	12,387	-	-	5,256	1,741	5,390	1,142	301	1,443	4,248
2015	54,026	-	-	5,843	2,391	45,792	39,534	10,254	49,788	6,258
2016	<u>124,435</u>	<u>-</u>	<u>292</u>	<u>9,297</u>	<u>3,024</u>	<u>112,406</u>	<u>71,179</u>	<u>17,657</u>	<u>88,836</u>	<u>41,227</u>
Total Prior Years	257,324	-	292	76,831	8,340	172,445	111,855	31,012	142,867	60,590
2017	<u>-</u>	<u>12,120,599</u>	<u>10,854</u>	<u>30,478</u>	<u>1,785</u>	<u>12,099,190</u>	<u>11,990,160</u>	<u>33,824</u>	<u>12,023,984</u>	<u>109,030</u>
Total	<u>\$ 257,324</u>	<u>\$ 12,120,599</u>	<u>\$ 11,146</u>	<u>\$ 107,309</u>	<u>\$ 10,125</u>	<u>\$ 12,271,635</u>	<u>\$ 12,102,015</u>	<u>\$ 64,836</u>	<u>\$ 12,166,851</u>	169,620
								Interest and liens receivable		31,254
								Allowance for doubtful accounts		<u>(40,000)</u>
								Taxes, interest and liens receivable (net)		<u>\$ 160,874</u>

Other Governmental Funds

Town of Chester, Connecticut
Combining Balance Sheet
Other Governmental Funds
June 30, 2019

		Special Revenue Funds				
		Emergency Fuel/ Community Fund	Cafeteria Fund	Parks and Recreation Fund	Small Cities Fund	Historic Records Preservation Fund
<u>Assets</u>						
Cash		\$ -	\$ 9,608	\$ 5,090	\$ -	\$ 5,068
Investments		17,548	-	57,484	195,843	-
Receivables						
Accounts		-	17,176	-	-	-
Intergovernmental		-	4,258	-	-	-
Loans		-	-	-	90,715	-
User fees		-	-	-	-	-
Other		-	2,375	-	-	-
Total assets		<u>\$ 17,548</u>	<u>\$ 33,417</u>	<u>\$ 62,574</u>	<u>\$ 286,558</u>	<u>\$ 5,068</u>
<u>Liabilities</u>						
Accounts payable		<u>\$ -</u>	<u>\$ 1,886</u>	<u>\$ 2,138</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Deferred Inflows of Resources</u>						
Unavailable revenues						
User fees		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>						
Restricted		17,548	31,531	-	286,558	5,068
Assigned		<u>-</u>	<u>-</u>	<u>60,436</u>	<u>-</u>	<u>-</u>
Total fund balances		<u>17,548</u>	<u>31,531</u>	<u>60,436</u>	<u>286,558</u>	<u>5,068</u>
Total liabilities, deferred inflows of resources and fund balances		<u>\$ 17,548</u>	<u>\$ 33,417</u>	<u>\$ 62,574</u>	<u>\$ 286,558</u>	<u>\$ 5,068</u>

(Continued)

Town of Chester, Connecticut

Combining Balance Sheet
Other Governmental Funds
June 30, 2019

Special Revenue Funds

	Library Fund	Harbor Fund	Town Grants Fund	Sewer System Fund	Total Other Governmental Funds
<u>Assets</u>					
Cash	\$ 18,496	\$ -	\$ -	\$ -	\$ 38,262
Investments	53,303	1,728	8,747	40,757	375,410
Receivables					
Accounts	-	-	6,000	2,150	25,326
Intergovernmental	-	-	-	-	4,258
Loans	-	-	-	-	90,715
User fees	-	-	-	12,495	12,495
Other	-	-	-	-	2,375
	<u>\$ 71,799</u>	<u>\$ 1,728</u>	<u>\$ 14,747</u>	<u>\$ 55,402</u>	<u>\$ 548,841</u>
<u>Liabilities</u>					
Accounts payable	\$ -	\$ -	\$ 1,339	\$ 31,525	\$ 36,888
<u>Deferred Inflows of Resources</u>					
Unavailable revenues					
User fees	-	-	-	12,495	12,495
	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,495</u>	<u>12,495</u>
<u>Fund Balances</u>					
Restricted	-	-	13,408	11,382	365,495
Assigned	71,799	1,728	-	-	133,963
	<u>71,799</u>	<u>1,728</u>	<u>13,408</u>	<u>11,382</u>	<u>499,458</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 71,799</u>	<u>\$ 1,728</u>	<u>\$ 14,747</u>	<u>\$ 55,402</u>	<u>\$ 548,841</u>

(Concluded)

Town of Chester, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2019

Special Revenue Funds

	Emergency Fuel/ Community Fund	Cafeteria Fund	Parks and Recreation Fund	Small Cities Fund	Historic Records Preservation Fund
Revenues					
Intergovernmental	\$ -	\$ 37,169	\$ -	\$ -	\$ -
Charges for services	12,048	41,387	56,377	-	30,995
Income from investments	-	-	36	388	-
Contributions	-	-	-	-	-
Total revenues	<u>12,048</u>	<u>78,556</u>	<u>56,413</u>	<u>388</u>	<u>30,995</u>
Expenditures					
Current:					
General government	-	-	24,669	-	29,984
Public works	-	-	-	-	-
Health and welfare	10,887	-	-	-	-
Education	-	101,493	-	-	-
Total expenditures	<u>10,887</u>	<u>101,493</u>	<u>24,669</u>	<u>-</u>	<u>29,984</u>
Excess (deficiency) of revenues over expenditures	<u>1,161</u>	<u>(22,937)</u>	<u>31,744</u>	<u>388</u>	<u>1,011</u>
Other financing sources (uses)					
Insurance proceeds	-	-	-	-	-
Transfers in	-	31,025	-	-	-
Transfers out	-	-	(32,125)	-	-
Net other financing sources (uses)	<u>-</u>	<u>31,025</u>	<u>(32,125)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,161	8,088	(381)	388	1,011
Fund balances - July 1, 2018 (as restated)	<u>16,387</u>	<u>23,443</u>	<u>60,817</u>	<u>286,170</u>	<u>4,057</u>
Fund balances - June 30, 2019	<u>\$ 17,548</u>	<u>\$ 31,531</u>	<u>\$ 60,436</u>	<u>\$ 286,558</u>	<u>\$ 5,068</u>

(Continued)

Town of Chester, Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2019

Special Revenue Funds

	Library Fund	Education Grants Fund	Harbor Fund	Town Grants Fund	Sewer System Fund	Total Other Governmental Funds
Revenues						
Intergovernmental	\$ 95	\$ 66,118	\$ -	\$ 4,500	\$ -	\$ 107,882
Charges for services	-	-	500	6,000	96,337	243,644
Income from investments	77	-	-	11	84	596
Contributions	17,719	-	-	6,897	-	24,616
Total revenues	17,891	66,118	500	17,408	96,421	376,738
Expenditures						
Current:						
General government	5,125	-	460	38,284	-	98,522
Public works	-	-	-	-	152,850	152,850
Health and welfare	-	-	-	-	-	10,887
Education	-	66,118	-	-	-	167,611
Total expenditures	5,125	66,118	460	38,284	152,850	429,870
Excess (deficiency) of revenues over expenditures	12,766	-	40	(20,876)	(56,429)	(53,132)
Other financing sources (uses)						
Insurance proceeds	-	-	-	6,254	-	6,254
Transfers in	-	-	-	-	-	31,025
Transfers out	-	-	-	-	-	(32,125)
Net other financing sources (uses)	-	-	-	6,254	-	5,154
Net change in fund balances	12,766	-	40	(14,622)	(56,429)	(47,978)
Fund balances - July 1, 2018 (as restated)	59,033	-	1,688	28,030	67,811	547,436
Fund balances - June 30, 2019	\$ 71,799	\$ -	\$ 1,728	\$ 13,408	\$ 11,382	\$ 499,458

(Concluded)

Trend Information

Town of Chester, Connecticut
Property Tax Rates, Levies and Collections
Last Nine Years
(Unaudited)

Year Ended June 30	(1) Mill Rate	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
2019	27.11	2017	\$ 12,099,190	\$ 11,990,160	99.1%	\$ -	\$ 11,990,160	99.1%	\$ 109,030
2018	26.36	2016	11,662,786	11,538,351	98.9%	83,208	11,621,559	99.6%	41,227
2017	26.29	2015	11,248,049	11,151,365	98.3%	90,425	11,241,790	98.3%	6,258
2016	26.07	2014	11,093,191	10,952,639	98.1%	136,303	11,088,942	98.1%	4,248
2015	25.69	2013	10,816,762	10,800,076	98.3%	12,522	10,812,598	100.0%	4,164
2014	23.40	2012	11,049,224	10,900,177	97.9%	144,354	11,044,531	100.0%	4,693
2013	23.00	2011	11,286,214	11,177,921	98.1%	108,293	11,286,214	100.0%	-
2012	22.46	2010	11,050,679	10,955,634	98.3%	95,045	11,050,679	100.0%	-
2011	21.45	2009	11,034,592	10,898,819	98.3%	135,773	11,034,592	100.0%	-

Source: Town Audit Reports.

Notes:

(1) Tax levy is per \$1,000 of the assessed value of taxable property. 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, 2019
(Unaudited)

Tax Base:

Total tax collections (including interest and lien fees) for prior year \$ 11,673,125

Debt limitation:	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
2 1/4 times base	\$ 26,264,531	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	52,529,063	-	-	-
3 3/4 times base	-	-	43,774,219	-	-
3 1/4 times base	-	-	-	37,937,656	-
3 times base	-	-	-	-	35,019,375
Total debt limitation	26,264,531	52,529,063	43,774,219	37,937,656	35,019,375
Indebtedness:					
Overlapping debt of Regional School District 4	-	1,271,820	-	-	-
Debt limitation in excess of outstanding debt	<u>\$ 26,264,531</u>	<u>\$ 51,257,243</u>	<u>\$ 43,774,219</u>	<u>\$ 37,937,656</u>	<u>\$ 35,019,375</u>
The total net indebtedness above amounts to:					<u>\$ 1,271,820</u>
In no event shall total indebtedness exceed seven time the base for debt limitation computation:					<u>\$ 81,711,875</u>