

NEW ISSUE

S&P GLOBAL RATING: AA+

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming the accuracy of representations and continuing compliance by the Town with certain covenants and procedures relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from the gross income of the owners thereof for Federal income tax purposes and will not be treated as a preference item for purposes of computing the Federal alternative minimum tax. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax. (See Appendix B – "Opinion of Bond Counsel and Tax Matters" herein.)

TOWN OF SOMERS, CONNECTICUT

\$9,405,000 GENERAL OBLIGATION BONDS, ISSUE OF 2020

| Dated: Date of Delivery | | | | | Maturity Schedule | | Due: October 15, as shown below | | | | |
|-------------------------|---------------------|--------|-------|--------------------|-------------------|---------------------|---------------------------------|-------|--------------------|--|--|
| Due October 15 | Principal Amount | Coupon | Yield | CUSIP ¹ | Due October 15 | Principal Amount | Coupon | Yield | CUSIP ¹ | | |
| 2022 | \$340,000 | * | | 834494 | 2032 | \$520,000 | * | | 834494 | | |
| 2023 | 360,000 | * | | 834494 | 2033 | 535,000 | * | | 834494 | | |
| 2024 | 380,000 | * | | 834494 | 2034 | 545,000 | * | | 834494 | | |
| 2025 | 400,000 | * | | 834494 | 2035 | 555,000 | * | | 834494 | | |
| 2026 | 420,000 | * | | 834494 | 2036 | 570,000 | * | | 834494 | | |
| 2027 | 440,000 | * | | 834494 | 2037 | 580,000 | * | | 834494 | | |
| 2028 | 460,000 | * | | 834494 | 2038 | 595,000 | * | | 834494 | | |
| 2029 | 475,000 | * | | 834494 | 2039 | 610,000 | * | | 834494 | | |
| 2030 | 490,000 | * | | 834494 | 2040 | 625,000 | * | | 834494 | | |
| 2031 | 505,000 | * | | 834494 | | | | | | | |

Electronic proposals via PARITY® only for the Bonds will be received until 11:30 A.M. (Eastern Time) on Wednesday, September 30, 2020 as described in the Notice of Sale. (See Appendix D)

Interest on the Bonds will be payable on October 15, 2021 and semiannually thereafter on April 15 and October 15 in each year until maturity.

The Bonds will be general obligations of the Town of Somers, Connecticut (the "Town"), and the Town will pledge its full faith and credit to pay the principal and interest on the Bonds when due. See "Security and Remedies" herein.

The Bonds are subject to redemption prior to maturity as described herein. See "Optional Redemption".

The Bonds will be issued by means of a book-entry system, and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. The beneficial owners of the Bonds will not receive physical delivery of bond certificates. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. Purchases of the Bonds will be made in the denominations of \$5,000 or any integral multiples thereof. So long as Cede & Co. is the Bondowner, as nominee for DTC, reference herein to the Bondowner or owners shall mean Cede & Co. and shall not mean the Beneficial Owners (as described herein) of the Bonds. See "Book-Entry-Only Transfer System" herein.

The certifying bank, registrar, transfer and paying agent for the Bonds will be U.S. Bank National Association, Global Corporate Trust, 225 Asylum Street, 23rd Floor, Hartford, Connecticut.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Updike, Kelly and Spellacy, P.C., Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry form will be made to DTC in New York, New York on or about October 15, 2020.

This cover page contains certain information for quick reference only. It is NOT a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

¹ Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Town and are included solely for the convenience of the holders of the Bonds. The Town is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

*Preliminary, subject to change. See Appendix D, Notice of Sale herein.

The Municipal Advisor to the Town has provided the following sentence for inclusion in this Official Statement. The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Town and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

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No dealer, broker, salesman or other person has been authorized by the Town of Somers, Connecticut (the "Town") to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds; and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement has been prepared only in connection with the initial offering and sale of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

The information, estimates and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no material change in the affairs of the Town since the date of this Official Statement.

BOND ISSUE SUMMARY

The information in this Bond Issue Summary and the front cover page is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. This Official Statement speaks only as of its date and information herein is subject to change.

| | |
|---|--|
| Date of Sale: | <u>Wednesday, September 30, 2020, 11:30 A.M. (Eastern Time).</u> |
| Issuer: | Town of Somers, Connecticut (the “Town”). |
| Issue: | \$9,405,000 General Obligation Bonds, Issue of 2020, Book-Entry-Only (the “Bonds”). |
| Dated Date: | Date of delivery. |
| Interest Due: | Semiannually on April 15 and October 15, in each year until maturity, commencing October 15, 2021. |
| Principal Due: | Serially, October 15, 2022 through October 15, 2040 as detailed in this Official Statement. |
| Purpose and Authority: | The proceeds of the Bonds will be used to permanently finance \$6,000,000 in General Obligation Bond Anticipation Notes maturing October 15, 2020 and for new money to fund various capital projects authorized by the voters of the Town of Somers. See “Authorization and Purpose” herein. |
| Redemption: | The Bonds are subject to redemption prior to maturity as more fully described herein. See “Optional Redemption”, herein. |
| Security: | The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due. |
| Credit Rating: | The Town received a credit rating of “AA+” with a stable outlook from S&P Global Ratings (“S&P”) on the Bonds. See “Rating” herein. |
| Bond Insurance: | The Town does not expect to direct purchase a credit enhancement facility. |
| Basis of Award: | Lowest True Interest Cost (TIC), as of dated date. |
| Tax Matters: | Refer to Appendix B, “Opinion of Bond Counsel and Tax Matters” herein. |
| Bank Qualification: | The Bonds shall not be designated as qualified tax-exempt obligations by the Town under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds. |
| Continuing Disclosure: | In accordance with the requirements of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, annual financial information and operating data, timely notice of the occurrence of certain listed events with respect to the Bonds within 10 business days of the occurrence of such events, and timely notices of a failure by the Town to provide the required annual financial information and operating data with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement. |
| Registrar, Transfer Agent, Certifying Agent, and Paying Agent: | U.S. Bank National Association, Global Corporate Trust, 225 Asylum Street, 23 rd Floor, Hartford, Connecticut. |
| Legal Opinion: | Updike, Kelly & Spellacy, P.C. of Hartford, Connecticut will act as Bond Counsel. |
| Delivery and Payment: | It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about October 15, 2020 against payment in Federal Funds . |
| Issuer Official: | Questions concerning this Official Statement should be addressed to Mr. Michael Marinaccio, Treasurer/Chief Financial Officer, Town of Somers, Town Hall, 600 Main Street, P.O. Box 308, Somers, Connecticut 06071. Telephone: 860-763-8204. |
| Municipal Advisor: | Hilltop Securities Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, attention: Susan Caron, Vice President, Telephone: 860-290-3000. |

The Preliminary Official Statement is available in electronic form only at www.i-dealprospectus.com. For additional information please contact the Municipal Advisor at susan.caron@hilltopsecurities.com.

I. SECURITIES OFFERED

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Somers, Connecticut (the “Town”) in connection with the issuance and sale of \$9,405,000 General Obligation Bonds, Issue of 2020 (the “Bonds”) of the Town.

The Bonds are being offered for sale at public bidding. A Notice of Sale dated September 22, 2020 has been furnished to prospective bidders. Reference is made to the Notice of Sale for the terms and conditions of the bidding on the Bonds.

This Official Statement is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. All quotations from and summaries and explanations of provisions of statutes, charters or other laws herein do not purport to be complete and are qualified in their entirety by reference to said laws, and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the official documents evidencing such proceedings.

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town.

Hilltop Securities Inc. (“HilltopSecurities”) is engaged as Municipal Advisor to the Town in connection with the issuance of the Bonds. The Municipal Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities cannot submit a bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. HilltopSecurities, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal and state income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Set forth in Appendix A “Basic Financial Statements” hereto is a copy of the report of the independent auditors for the Town with respect to the financial statements of the Town included in that appendix. The report speaks only as of its date, and only to the matters expressly set forth therein. The auditors have not been engaged to review this Official Statement or to perform audit procedures regarding the post-audit period, nor have the auditors been requested to give their consent to the inclusion of their report in Appendix A. Except as stated in their report, the auditors have not been engaged to verify the financial information set out in Appendix A and are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in that appendix.

Bond Counsel is not passing upon and does not assume responsibility for the accuracy or completeness of the statements made in this Official Statement (other than matters expressly set forth in its opinion in Appendix B, “Opinion of Bond Counsel and Tax Matters” herein), and it makes no representation that it has independently verified the same.

The Town deems this Official Statement to be “final” for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but is subject to revision or amendment.

DESCRIPTION OF THE BONDS

The Bonds will be dated the date of delivery and will mature in annual installments on October 15 in each of the years and in the principal amount set forth on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or any integral multiples thereof. Interest on the Bonds will be payable on October 15, 2021 and semiannually thereafter on April 15 and October 15 in each year until the date of maturity and will be payable to the registered owners of the Bonds as of the close of business on the last business day of March and September in each year. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. A book-entry-

only transfer system will be employed evidencing ownership of the Bonds with transfers of ownership on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry-Only Transfer System” herein. The Certifying Agent, Paying Agent, Registrar and Transfer Agent will be U.S. Bank National Association, Global Corporate Trust, 225 Asylum Street, 23rd Floor, Hartford, Connecticut (email: bhcorporatetrust@usbank.com). The legal opinion on the Bonds will be rendered by Updike, Kelly & Spellacy, P.C., in substantially the form set forth in Appendix B to this Official Statement.

The Bonds are subject to optional redemption prior to maturity as more fully described herein.

OPTIONAL REDEMPTION

The Bonds maturing on or before October 15, 2029 are not subject to redemption prior to maturity. The Bonds maturing on October 15, 2030 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after October 15, 2029, at any time, in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus accrued interest accrued and unpaid to the redemption date:

| <u>Period During Which Redeemed</u> | <u>Redemption Price</u> |
|-------------------------------------|-------------------------|
| October 15, 2029 and thereafter | 100% |

Notice of redemption shall be given by the Town or its agent by mailing a copy of the redemption notice by first-class mail not less than thirty (30) days prior to the redemption date to the registered owner of the Bonds designated for redemption in whole or in part at the address of such registered owner as the same shall last appear on the registration books for the Bonds kept for such purpose. Failure to give such notice by mailing to any registered owner, or any defect therein, shall not affect the validity of redemption of any other Bonds. Upon the giving of such notice, if sufficient funds available solely for redemption are on deposit with the Paying Agent, the Bonds or portions thereof so called for redemption will cease to bear interest after the specified redemption date. So long as Cede & Co., as nominee of The Depository Trust Company (“DTC”), is the registered owner of the Bonds, notice of redemption will be sent only to DTC (or a successor securities depository) or its successor nominee.

If less than all the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot in such manner as the Town in its discretion may determine, provided, however, that the portion of any Bonds to be redeemed shall be in the principal amount of \$5,000 or integral multiples thereof and that, in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

The Town, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. Redemption of a portion of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by Direct Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with Direct Participants. The Direct Participants and Indirect Participants may allocate reductions of the interest in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interests in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town or be the responsibility of the Town, the Registrar or Paying Agent.

BOOK-ENTRY-ONLY TRANSFER SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, and interest on the Bonds are to be paid to and accredited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Town believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Town cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the note documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the

Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds in an issue are being redeemed, DTC's practice is to determine by lot, the amount of interest for each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

REPLACEMENT BONDS

The Town will provide for the issuance of fully registered Bond certificates directly to the Beneficial Owners of the Bonds or the nominees in the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the Town fails to identify another qualified securities depository for the Bonds to replace DTC or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

DTC PRACTICES

The Town can make no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners of the Bonds will act in a manner described in this Official Statement. DTC is required to act according to rules and procedures established by DTC and its participants which are on file with the Securities and Exchange Commission.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Neither the Town, the Paying Agent nor the Underwriter will have any responsibility or obligation to the Participants of DTC or the person for whom they act as nominees with respect to (i) the accuracy of any records maintained by DTC or by any Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Participant of DTC of any Beneficial Owner to receive payment in the event of a partial redemption of the Bonds or (iv) any other actions taken by DTC or its partnership nominees as owner of the Bonds.

SECURITY AND REMEDIES

The Bonds will be general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due.

Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. On the last completed grand list of the Town, there were no acres classified as such forest land. The Town may place a lien on dwelling houses of qualified elderly persons of low income or qualified disabled persons for the amount of tax relief granted, plus interest. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue that the Town would have received except for the statutory limitation on its power to tax such dwelling houses of qualified elderly persons of low income or of qualified disabled persons.

Payment of the Bonds is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds.

There are no statutory provisions for priorities in the payment of general obligations of the Town. There are no statutory provisions for a lien on any portion of the tax levy or other revenues to secure the Bonds, or judgments thereon, in priority to other claims.

The Town is subject to suit on its general obligation bonds and notes, and a court of competent jurisdiction has the power in appropriate proceedings to render a judgment against the Town. Courts of competent jurisdiction also have the power in appropriate proceedings to order payment of a judgment on such bonds and notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and to the exercise of judicial discretion. Section 7-566 of the Connecticut General Statutes, as amended, provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds, notes or other obligations.

CONSIDERATION FOR BONDHOLDERS

In making an investment decision with respect to the Bonds, investors should consider carefully the information in this Official Statement and, in addition to those investment characteristics of fixed-rate municipal debt obligations, consider the following.

The COVID-19 Outbreak

The outbreak of COVID-19, a respiratory virus caused by a new strain of coronavirus, has been declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. The U.S. Centers for Disease Control and Prevention (CDC) has warned that some areas in the United States are experiencing community

spread of COVID-19 and that widespread transmission of COVID-19 in the United States is likely to continue. The outbreak of the virus has affected travel, commerce and financial markets globally, and is widely expected to continue to affect economic growth worldwide.

The ongoing impact of COVID-19 has materially adversely affected State, national, and global activity and increased public health emergency response costs. Businesses and people have altered behaviors in manners that are having negative effects on global and local economies. The financial, stock and bond markets in the United States and globally have seen significant volatility attributed to COVID-19 concerns.

Although COVID-19 has not had a material adverse effect on the Town's finances to date, there can be no assurance that the pandemic will not materially adversely impact the financial condition of the Town in the future, including its credit ratings.

State and Local Efforts to Mitigate the Ongoing Impact of COVID-19

On March 10, 2020, Governor Ned Lamont declared a state of emergency throughout the State of Connecticut as a result of the COVID-19 outbreak. State agencies were directed to use all resources necessary to prepare for and respond to the outbreak. To date, the Governor has issued numerous Executive Orders prohibiting certain activities in an attempt to slow the spread of the pandemic, including the cancellation of all public-school classes for all students for the rest of the prior school year, imposing restrictions on the number of people who can attend social and recreational gatherings, the reduction and suspension of activity at the State Capitol and legislative offices, state agencies and facilities, the suspension of non-exigent operations of the judicial branch, the suspension of in-person municipal voting requirements, limiting restaurant seating, requiring all businesses and not-for-profit entities in the State to employ, to the maximum extent possible, any telecommuting or work from home procedures that they can safely employ and the required closure of all non-essential businesses and not-for-profit entities. Additionally, the Governor extended the date for adoptions of municipal budgets which fell on or before May 15, 2020 by up to 30 days.

Additional Executive Orders may be issued from time to time. The State has a dedicated website providing up-to-date information concerning the State's actions in response to the COVID-19 virus, including the Executive Orders, at: [CT.Gov/coronavirus](https://www.ct.gov/coronavirus). Neither the Town nor any of the other parties involved with the issuance of the Bonds has reviewed the information provided by the State on this website and such parties take no responsibility for the accuracy thereof.

On April 30, 2020, Governor Lamont announced a four-stage plan to reopen the State's economy as a result of steady declines in hospitalizations related to the virus (the "Reopening Plan"). Phase one of the Reopening Plan began on May 20, 2020 and allowed retailers, offices, outdoor restaurants and outdoor recreation facilities to open. Phase two of the Reopening Plan commenced on June 17, 2020 and is currently in place. This phase permits (but did not require) certain businesses to open under sector-specific rules. Those businesses include but are not limited to, hotels, indoor dining, libraries, nail salons and tattoo parlors, and the sector-specific rules include detailed information and requirements about physical distancing, facility capacity, hygiene, sanitizing, signage, personal protective equipment, scheduling, and training. Additionally, at varying dates within phase two, educational and community services, such as selected youth sports, public libraries, day camps and summer schools, are permitted to open.

The Reopening Plan includes phases three and four but entering those phases will depend upon the impact the prior phases have on communities and many other factors including, but not limited to, the continuing decline of new outbreaks of the virus and availability of personal protective equipment for hospital workers.

During phase two of the Reopening Plan and to assist municipalities in addressing the 2020-2021 school year, the State of Connecticut Department of Education released "Adapt, Advance, Achieve: Connecticut's Plan to Learn and Grow Together" which is a comprehensive plan that will serve as a roadmap for school districts as they plan to reopen schools. This plan includes in person schooling for all ages with a structure that ensures safety protocols, provides for students' social-emotional well-being and mitigating any barriers to accessing equitable opportunities that increased during the COVID-19 pandemic. While school districts retain discretion in implementing approaches to reopening, the six guiding principles of Adapt, Advance and Achieve require school districts to develop their reopening plans with a certain amount of regional consistency. Understanding that health developments may influence decisions to transition to different instructional models, school districts are encouraged to be flexible in

their planning with contingency plans in place for blended or remote learning for all grades. To date, the Somers school district began the 2020-21 school year on September 8, 2020 with a choice of either a hybrid in-person option or virtual learning only. However, the Town can't predict how or when this plan may change or the potential fiscal impact any such change will have on the Town.

While the potential long-term impact of the pandemic on the Town cannot be predicted at this time, the continued spread of the virus and any prolonged effects on the national, State and local economy could have a materially adverse effect on the Town and its finances. Also, the ability of the State of Connecticut to provide the same level of assistance to Connecticut municipalities, such as the Town, as in prior fiscal years may be negatively impacted.

On March 1, 2020, the Town declared a local state of emergency until September 30, 2020. This step allows the First Selectman to exercise emergency powers as needed to help the community, and to better position the Town to access emergency federal aid. The Town closed Town Hall to the public except by appointment and operated Town offices with limited staff performing essential services. The Town Library and Town schools were closed to the public, and the Town conducted essential Council and commission meetings remotely. The Town Hall re-opened to the public fully on June 22, 2020. The Town Library re-opened on July 13, 2020 with an appointment structure.

Estimated Financial Results for Fiscal Year 2020

While a potential risk, the pandemic does not appear to have had a materially adverse effect on the Town's financial condition for fiscal year 2020. The Town's finances and financial plans have remained stable. The Town estimates that 101% of total budgeted revenues have been received as of June 30, 2020, including the collection of over 100.67% of budgeted property taxes. The Town is expected to end the recently completed fiscal year with a surplus of approximately \$688,000.

The Town cannot predict at this time the impact that COVID-19 will have on future tax collections. However, tax collections remained stable in July 2020. As of August 1, 2020, 46.76% of fiscal year 2021 taxes have been received. Collections for the same period in fiscal year 2020 were at 50.36% of budgeted amounts.

Municipal Tax Relief Programs

On April 1, 2020, the Governor issued Executive Order No. 7S entitled "Protection of Public Health and Safety During COVID-19 Pandemic and Response – Safe Stores, Relief for Policyholders, Taxpayers, and Tenants", which was subsequently amended by Executive Order No. 7W issued April 9, 2020 (as amended, "Executive Order No. 7S"). Section 6 of Executive Order No. 7S established two programs, a "Deferment Program" and a "Low Interest Rate Program". The Deferment Program, for the period April 1, 2020 through and including July 1, 2020, offers eligible taxpayers, businesses, nonprofits, and residents a deferment by three (3) months of any taxes on real property, personal property or motor vehicles, or municipal water, sewer and electric rates, charges or assessments for such tax, rate, charge, or assessment from the time it became due and payable. Eligible taxpayers, businesses, nonprofits, and residents are those that attest to or document significant economic impact by COVID-19, and/or those that document they are providing relief to those significantly affected by the COVID-19 pandemic. The Low Interest Rate Program provides a three percent (3%) per annum interest rate to all taxpayers on the delinquent portion of the principal of any taxes on real property, personal property or motor vehicles, or municipal water, sewer and electric rates, charges or assessments, or part thereof, for three (3) months from the time when it became due and payable until the same is paid, for any such tax, rate, charge, or assessment due and payable from April 1, 2020 through and including July 1, 2020, unless such delinquent portion is subject to interest and penalties at less than three percent (3%) per annum. Financial institutions and mortgage servicers that hold property tax payments in escrow on behalf of a borrower shall continue to remit property taxes to the municipality, so long as the borrower remains current on their mortgage or is in a forbearance or deferment program, irrespective of the borrower's eligibility for or participation in the Deferment Program or the Low Interest Rate Program. Connecticut municipalities, such as Somers, were required to elect participation in one or both programs by vote of its legislative body no later than April 25, 2020.

On April 16, 2020, the Town's Board of Selectmen approved participation in the 90 day Deferment Program. The Deferment Program offers an extension of 90 days for taxpayers to pay their July 2020 tax bills. The bills were still due July 1, 2020 but the grace period that normally extends to August 1st will now extend until October 1st. The taxpayers can pay their bills up to 90 days after the due date without any penalty or interest. At this time, the Town

does not expect any material impact on the Town's tax collection efforts due to its participation in the Deferment Program.

Federal Government Response to COVID-19's Impact on the Economy

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provides in excess \$2 trillion of relief to industries and entities throughout the country, including state and local governments. Under the CARES Act, \$150 billion will be appropriated to states and other units of government for activities that are directly related to COVID-19; the amount paid to each state will be based on population with a minimum payment of \$1.25 billion. In addition, the CARES Act will provide \$454 billion to the Federal Reserve to purchase business, state or municipal securities in order to provide a level of liquidity to the municipal market. Other financial relief affecting states and local governments includes \$30.9 billion for education, \$10 billion for airports, \$25 billion for transit providers, and \$17 billion for housing, including \$5 billion for Community Development Block Grants for COVID-19 related services.

On March 28, 2020, President Trump approved Governor Lamont's request for a disaster declaration for the State of Connecticut. Under the declaration, it is expected that federal funding will be made available to state, tribal and eligible local governments and certain private nonprofit organizations for emergency protective measures, including direct federal assistance, for all areas of Connecticut impacted by COVID-19. The impacted agencies and towns will be reimbursed for 75 percent of the costs associated with their response and emergency protective measures.

QUALIFICATION FOR FINANCIAL INSTITUTIONS

The Bonds **will not** be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the Bonds.

AVAILABILITY OF CONTINUING DISCLOSURE

The Town prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management within six months of the end of its fiscal year. The Town provides, and will continue to provide, to applicable rating agencies ongoing disclosure in the form of annual audited financial statements, adopted budgets and other materials relating to its management and financial condition, as may be necessary or requested.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreement"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data, (ii) timely notice of the occurrence of certain listed events within 10 business days of the occurrence of such events, with respect to the Bonds and (iii) timely notice of a failure by the Town to provide the required annual financial information and operating data on or before the date specified in the Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5). In the past five years, the Town has not failed to comply, in any material respect, with its undertakings under such agreements.

AUTHORIZATION AND PURPOSE

The Bonds are being issued pursuant to the General Statutes of Connecticut, as amended, and borrowing resolutions approved by the voters of the Town at a referendum on November 6, 2018. The proceeds shall be used as described below in "Use of Bond Proceeds".

USE OF BOND PROCEEDS

The Bonds will be used to finance the following projects authorized by the Town:

| Project | Bonding Authorization | Previously Bonded | Grants Received | Notes Maturing 10/15/20 | Bonds This Issue | Authorized But Unissued |
|--------------------------------|----------------------------------|------------------------------|----------------------------|--|---------------------------------|------------------------------------|
| School Improvements..... | \$6,000,000 | \$0 | \$0 | \$3,977,751 | \$5,550,000 | \$450,000 ¹ |
| Road and Bridge Improvements.. | <u>4,000,000</u> | <u>\$0</u> | <u>143,743</u> | <u>2,022,249</u> | <u>3,855,000</u> | <u>1,257</u> |
| Total..... | \$10,000,000 | \$0 | \$143,743 | \$6,000,000 | \$9,405,000 | \$451,257 |

¹ This project qualifies for State of Connecticut School Construction grants of approximately \$411,000.

RATINGS

The Town received a credit rating of “AA+” with a stable outlook from S&P Global Ratings (“S&P”) on the Bonds.

The rating reflects only the view of such rating agency and an explanation of the significance of the rating may be obtained from S&P Global Ratings, 225 Franklin Street, Boston, Massachusetts, 02110. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Town’s bonds and notes, including the Bonds.

Certain outstanding bonds of the Town have a credit rating of “Aa2” from Moody’s Investors Service, Inc. (“Moody’s”).

II. THE ISSUER



DESCRIPTION OF THE TOWN

The Town of Somers, incorporated in 1734, is located in north central Connecticut. It is bordered on the north by the Commonwealth of Massachusetts, on the south by the Town of Ellington, on the east by the Town of Stafford and on the west by the Town of Enfield.

The Town is traversed by state routes 83, 186 and 190 and has easy access to Routes 5, 30, and Interstate 91, a major north-south highway approximately eight miles from the center of Town. Motor common-carriers provide freight service to the Town. Intrastate buses provide passenger transportation. Bradley International Airport is located approximately 18 miles away in Windsor Locks, Connecticut.

The Town of Somers, covering an area of 28.7 square miles, is a growing suburban residential community in the Hartford, Connecticut - Springfield, Massachusetts area with a population of 11,432 as of July 1, 2018. The Town's proximity to both Hartford, 25 miles to the south, and Springfield, 10 miles to the north, has been a major factor in its advance from a rural area to a residential suburb.

RECENT ACCOMPLISHMENTS AND ECONOMIC DEVELOPMENT

Somers is primarily a suburban residential community. Industry within the Town includes specialty manufacturing, small machine shops, a wholesale nursery and a solar power generation facility. This light industry provides stable employment, however, the primary employment of Town residents is provided from industry in neighboring communities in the area between Hartford, Connecticut and Springfield, Massachusetts. State owned facilities located within the Town, such as the Osborn and Northern Correctional Institutions, provide a stable revenue base.

In an effort to grow its economic base, the Town has taken steps to revamp its zoning regulations to simplify and encourage economic growth and housing development. The Town has also recognized the need to improve its infrastructure, particularly the availability of natural gas which would benefit existing businesses and farms, as well

as attract new businesses. The greatest challenge to such improvement has been the Town's geographical location which has not yielded favorable results under the utility company's gas line extension hurdle tests. The Town has had numerous discussions with the local gas distribution company. The company, in turn, has provided the Town with a number of options, all of which require the Town to make a significant capital investment. The Town is currently exploring funding alternatives which would help facilitate the establishment of a gas line in Town thus enabling a number of proposed developments to proceed.

Recent economic development initiatives include the following: In August 2019, the Town issued permits for the construction of a new 5 megawatt solar panel array on a 43-acre site. In addition the Town is presently conducting zoning hearings for the proposed establishment of a winery. Plans include a vineyard and a commercial tasting room. Completion of these initiatives are expected to expand the local tax base.

In fiscal year 2018, the Town, with the assistance of federal and state grant funding, fully remediated the Somersville Mill property, an abandoned textile mill that had been demolished by fire. The Town took ownership of the site in October, 2016 thus enabling it to commence clean-up and remediation activities. The Town believes the remediation and restoration of the site presents it with the opportunity to restore the natural beauty of the riverfront and return the property to the tax rolls in a revenue producing capacity while offering potential recreational amenities. The Town has determined that this site would be best suited for commercial, recreational, residential, or light industrial use, including mixed-use development. In December 2018, the Town invited experienced, qualified developers to submit proposals for the development of the site. After undergoing a selection process, the Town selected SCG Development, LLC ("SCG") for the development of the property. The SCG proposal met the essential parameters of the Vision Statement for the property. The Town and SCG are in the process of negotiating the agreements necessary to proceed with the construction of the Somerville Mill site, a proposed \$25 million affordable housing/apartment and commercial complex that will expand the tax base and is expected to stimulate added commercial development.

In the summer of 2018, the Town completed the Mountain Road Reconstruction Project. This project was designed to improve the existing road grade and drainage along with resurfacing of the 2.6 miles of roadway. The Town received a State Small Town Economic Assistance Program (STEAP) Grant to supplement its existing general obligation bond funding of the project.

On November 6, 2018 the Town's voters approved two resolutions at referendum. The first was for various school improvements not to exceed \$6 million and the second was for road and bridge improvements not to exceed \$4 million. Financing will be a combination of general obligation bonds and notes and grant funding.

In April 2019, the Town issued short-term \$2 million general obligation bond anticipation notes, the proceeds of which were used to undertake certain planned school and road improvements. The Town rolled these notes over and added additional funding in October 2019 issuing \$6 million in short-term general obligation bond anticipation notes for one year. The Board of Education completed a number of concurrent improvement projects in the summer of 2019. The Town has also completed an aggregate of 30 miles of road resurfacing through this second year of the 3-year road improvement project.

FORM OF GOVERNMENT

Pursuant to its home-rule charter, adopted by the Town of Somers on October 2, 1961, effective November 1, 1961 and amended November 4, 1980, November 2, 1999, November 8, 2006, and November 5, 2013, the Town has a Town Meeting form of government with a three-member Board of Selectmen and a six-member Board of Finance (two positions are filled every two years). Elections are held biennially in November in every odd-numbered year. The inhabitants also have the powers and privileges conferred and granted to towns and cities under the Constitution and the General Statutes of the State of Connecticut.

The First Selectman is the full-time Chief Executive and Administrative Officer of the Town and oversees the execution of all laws and ordinances governing the Town. The First Selectman presides over the Board of Selectmen and has full voting privileges on the Board. The First Selectman, with the approval of the Board of Selectmen, appoints members to various commissions and boards.

The Board of Finance is responsible for proposing annual budgets and special appropriations at Town Meetings.

Somers' full-time professional staff includes a Treasurer who is appointed by the Board of Selectman after being nominated by a panel comprised of two members of the Board of Finance, one member of the Board of Selectmen and one non-elected individual with a finance background. The Treasurer acts as both the Director of Finance and the Chief Financial Officer of the Town pursuant to the Town's charter. The Treasurer is responsible for the coordination of the activities of the accounting/assessor/tax collector staff and treasury management functions of the Town. In addition, the Treasurer is responsible for assisting the Board of Finance in the preparation of the annual budget; the day-to-day administration of the adopted budget; the maintenance of the general ledgers of the various funds and account groups of the Town; financial planning and cost accounting; data processing; financial report preparation; and supervision of the annual independent audit. The Treasurer is also responsible for the investment of all Town Funds.

The Town is in the process of creating formal policies as part of a plan to formalize procedures within the Town.

PRINCIPAL TOWN OFFICIALS

| Office | Name | Manner of Selection/Term | Years of Service |
|--------------------------------------|-----------------------|--------------------------|-----------------------|
| First Selectman..... | C.G. Knorr, Jr. | Elected - 2 Years | 9 Years |
| Selectman..... | Tim Keeney | Elected - 2 Years | 1 Year |
| Selectman..... | Tim Potrikus | Elected - 2 Years | 3 Years |
| Treasurer/Chief Financial Officer... | Michael D. Marinaccio | Appointed | 6 Years |
| Chairman, Board of Finance..... | James W. Persano | Elected - 6 Years | 23 Years ¹ |
| Superintendent of Schools..... | Brian Czaplá | Appointed | 4 Years |

¹ Member of the Board of Finance for 13 years.

Source: Town Officials.

SUMMARY OF MUNICIPAL SERVICES

Police: The Town is served by one supervising Resident State Trooper with additional support from Troop C barracks out of Tolland, Connecticut. The Town of Somers employs three full-time officers and three part-time officers to supplement the coverage provided by the State Troopers. Two of the part-time officers are school resource officers during the school year.

Fire and Emergency Service: The Town of Somers Fire Department ("SFD") provides all fire, medical and rescue services to the community. SFD is a combination department with both career and volunteer members. The department operates out of a centrally located station with two fire engines, two tanker trucks, two Basic Life Support ("BLS") ambulances, and an Advanced Life Support ("ALS") Paramedic Intercept Vehicle. Most of the members are cross-trained for fire and medical responses. There is one paramedic on duty 24 hours per day, 7 days per week, with three more career staff members on duty between 6:00 AM and 6:00 PM during the week. Volunteers primarily staff the department on nights and weekends. For larger incidents, all members assist. Currently there are eight full-time staff, including the Chief. There are also seven part-time firefighters, and the department has a roster of 75 volunteers. The department responds to an average of 1,800 incidents per year with the majority of those being for medical calls. The Town does bill for Emergency Medical Services ("EMS") and those payments are held in the Ambulance Special Revenue Fund. The department also houses the Fire Marshal's Office and members are active in fire safety inspections and community outreach activities year-round.

Health: Services are provided by the Home and Community Health Service of Enfield. Services provided include:

- ◆ Wellness which offers services at home to those in need who are without adequate insurance.
- ◆ Community Services which provide elders wellness such as blood pressure testing and similar services at a center location.
- ◆ Support Services which provide a homemaker for a limited time.

Library: The Somers Public Library provides a variety of programs for children and adults throughout the year. The library currently contains over 68,876 volumes, as well as periodicals, audio-visual materials such as books-on-tape and CD, DVD's, music CD's, and downloadable audio and electronic books. The library circulated 40,968 items last year. The library offers full Internet access as well as up-to-date word processing and spreadsheet

capabilities. Users can access the library's on-line catalog and other databases from their home computers through the library's web page.

Sewers: Limited sewer service is currently available to 9% of the Town's residents. The remainder of residents have private septic systems.

Solid Waste: The Somers Transfer Station/Recycling Center is open four days a week. The Town has transitioned to single stream recycling. The Center also accepts waste oil, auto batteries, tires, refrigerators and air conditioners, brush, woody debris and other bulky wastes for a fee. The Transfer Station requires a \$35 annual residential permit. Homeowners can contract, at their expense, for curbside waste transportation.

The Town changed the way it handles solid waste in Fiscal Year 2012. The Town contracted with USA Hauling for the transport and disposal of all solid waste from Somers. The Town entered into a three year contract effective March 1, 2018 with USA Hauling which may be renewed at the Town's option. USA Hauling maintains its own contracts for the disposal of the solid waste.

Highway: The Highway division is responsible for maintaining 89.35 miles of roadway, 35 miles of drainage pipes, 1770 catch basins, all Town owned detention ponds and waterways, five miles of guide rail as well as parking lots and roadways of all Town facilities.

Recreation: The Town's Recreation Department is responsible for offering and supervising activities and running recreation programs. The Parks division of the Public Works Department maintains all recreation facilities and 118 acres of Town grounds including Field Road Park facilities, Town Hall facilities, Tot's field, Sokol Road soccer fields, Firehouse fields, Somersville playground and soccer fields and the Somersville Mill Pond recreation area.

Facilities: The Facilities Division maintains and repairs all Town Buildings including: Town Hall, Piedmont Hall, Kibbe Fuller, Memorial Field, Senior Center, Police Station, Fire Station, Library, Mill Pond Park Building, Old Blacksmith Shop, Sewer Plant Building, Animal Control Facility and DPW/Transfer Station facilities.

Water: The Connecticut Water Company and The Hazardville Water Company provide water to the Central and Somersville sections of Town. The remaining areas have individual wells.

Utilities: Electricity is provided by Eversource Energy (previously Connecticut Light and Power Company).

TOWN EMPLOYEES

The following table illustrates the full and part-time Town employees for the last five fiscal years:

| Fiscal Year¹ | 2021 | 2020 | 2019 | 2018 | 2017 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|
| General Government.... | 61.0 | 61.0 | 60.0 | 56.5 | 52.5 |
| Board of Education..... | 265.0 | 263.0 | 260.0 | 254.0 | 251.0 |
| Total | 326.0 | 324.0 | 320.0 | 310.5 | 303.5 |

¹Full-time equivalent.

Source: Town Officials.

MUNICIPAL EMPLOYEES' BARGAINING UNITS

| Employee Group | Bargaining Organization | Positions Covered | Current Contract Expiration |
|----------------------------|--|--------------------------|------------------------------------|
| General Government | | | |
| Firefighters - EMT..... | AFSCME - AFL - CIO..... | 7 | June 30, 2022 |
| Board of Education | | | |
| Teachers..... | Somers Educational Association..... | 148 | June 30, 2023 |
| Administrators..... | Somers Administrators Association..... | 8 | June 30, 2021 |
| Secretaries/Aides..... | Somers Educational Secretarial Association..... | 49 | June 30, 2021 |
| Custodial and Maintenance. | United Food and Commercial/Workers Union Local 1459 AFL-CIO. | 15 | June 30, 2023 |
| Nurses..... | Somers Nurses - Local 1303-290 of Council AFSCME-AFL-CIO.... | 4 | June 30, 2023 |

Source: Town of Somers.

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

EDUCATION SYSTEM

The Town's school system services grades pre-kindergarten through 12 and is governed by the local Board of Education. Somers has a nine-member Board of Education elected to 4-year staggered terms. The primary function of the Board is to establish education policy. Some of the areas for which such policies are set include curriculum, budget request submissions, ensuring funds for education as appropriated by the Town are properly expended, implementation of both State and Federal laws, and planning for facilities needed by the system, including construction and renovation.

SCHOOL FACILITIES

| Facility | Grades | Date of Construction | Date of Additions/Renovations | Number of Classroom | 2020-2021 Enrollment | Rated Capacity |
|---------------------------------|---------------|-----------------------------|--------------------------------------|----------------------------|-----------------------------|-----------------------|
| Somers Elementary School..... | PreK-5 | 1959 | 1976, 1995, 2005 | 56 | 610 | 850 |
| Mabelle B. Avery Middle School. | 6-8 | 1966 | 1979, 2007 | 32 | 295 | 725 |
| Somers High School..... | 9-12 | 1993 | 2005 | 44 | 457 | 635 |
| Total | | | | 132 | 1,362 | 2,210 |

SCHOOL ENROLLMENT

| School Year | Grades PreK - 5 | Grades 6 - 8 | Grades 9 - 12 | Total |
|------------------------|----------------------------|-------------------------|--------------------------|--------------|
| <i>Historical</i> | | | | |
| 2016-2017 | 590 | 358 | 475 | 1,423 |
| 2017-2018 | 595 | 358 | 479 | 1,432 |
| 2018-2019 | 576 | 336 | 462 | 1,374 |
| 2019-2020 | 607 | 304 | 438 | 1,349 |
| 2020-2021 | 610 | 295 | 457 | 1,362 |
| <i>Projected</i> | | | | |
| 2021-2022 | 645 | 274 | 438 | 1,357 |
| 2022-2023 | 647 | 290 | 404 | 1,341 |
| 2023-2024 | 658 | 296 | 382 | 1,336 |
| 2024-2025 | 681 | 308 | 346 | 1,335 |
| 2025-2026 | 697 | 316 | 338 | 1,351 |

Source: Superintendent of Schools, Town of Somers.

III. ECONOMIC AND DEMOGRAPHIC INFORMATION

POPULATION TRENDS

| Town of Somers | | | |
|----------------|-------------------------|------------|----------------------|
| Year | Population ¹ | % Increase | Density ² |
| 2018 | 10,835 | (5.3) | 378 |
| 2010 | 11,444 | 9.9 | 399 |
| 2000 | 10,417 | 14.4 | 363 |
| 1990 | 9,108 | 7.5 | 317 |
| 1980 | 8,473 | 22.9 | 295 |
| 1970 | 6,893 | 86.2 | 240 |

¹ U.S. Department of Commerce, Bureau of Census, 1970 – 2010;
Connecticut Department of Public Health, Estimate 2018.

² Per square mile: 28.7 square miles.

AGE DISTRIBUTION OF THE POPULATION

| | Town of Somers | | Tolland County | | State of Connecticut | |
|--------------------|----------------|---------|----------------|---------|----------------------|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Under 5..... | 421 | 3.8% | 6,271 | 4.2% | 181,224 | 5.1% |
| 5 - 19..... | 1,564 | 14.0% | 29,461 | 19.5% | 658,199 | 18.4% |
| 20 - 44 | 3,478 | 31.2% | 51,286 | 34.0% | 1,112,310 | 31.1% |
| 45 - 64..... | 3,555 | 31.9% | 39,622 | 26.3% | 1,007,785 | 28.2% |
| 65 - 84..... | 1,858 | 16.7% | 21,134 | 14.0% | 525,451 | 14.7% |
| 85 and over..... | 261 | 2.3% | 3,147 | 2.1% | 87,696 | 2.5% |
| Totals..... | 11,137 | 100.0% | 150,921 | 100.0% | 3,572,665 | 100.0% |
| Median Age (years) | 45.7 | | 36.7 | | 41.1 | |

Source: U.S. Census Bureau, 2014-2018 American Community Survey.

INCOME DISTRIBUTION

| | Town of Somers | | Tolland County | | State of Connecticut | |
|-----------------------|----------------|---------|----------------|---------|----------------------|---------|
| | Families | Percent | Families | Percent | Families | Percent |
| \$ 0 - \$ 9,999..... | 16 | 0.6% | 337 | 0.9% | 23,466 | 2.6% |
| 10,000 - 14,999..... | 0 | 0.0% | 727 | 2.0% | 19,069 | 2.1% |
| 15,000 - 24,999..... | 50 | 1.8% | 940 | 2.6% | 39,140 | 4.4% |
| 25,000 - 34,999..... | 97 | 3.5% | 1,100 | 3.1% | 51,781 | 5.8% |
| 35,000 - 49,999..... | 178 | 6.5% | 2,246 | 6.3% | 76,648 | 8.6% |
| 50,000 - 74,999..... | 308 | 11.2% | 2,499 | 7.0% | 130,399 | 14.6% |
| 75,000 - 99,999..... | 435 | 15.8% | 5,556 | 15.5% | 112,887 | 12.7% |
| 100,000 - 149,999.... | 774 | 28.2% | 11,440 | 31.9% | 179,729 | 20.2% |
| 150,000 - 199,999.... | 378 | 13.8% | 5,836 | 16.3% | 108,969 | 12.2% |
| 200,000 and over..... | 510 | 18.6% | 5,201 | 14.5% | 149,847 | 16.8% |
| Totals..... | 2,746 | 100.0% | 35,882 | 100.0% | 891,935 | 100.0% |

Source: U.S. Census Bureau, 2014-2018 American Community Survey.

INCOME LEVELS

| | Town of Somers | Tolland County | State of Connecticut |
|---------------------------------------|-------------------|-------------------|-------------------------|
| Per Capita Income, 2018..... | \$43,387 | \$41,535 | \$44,026 |
| Per Capita Income, 2010..... | \$35,134 | \$33,108 | \$35,932 |
| Per Capita Income, 1999..... | \$23,952 | \$25,474 | \$28,766 |
| Median Family Income, 2018..... | \$117,122 | \$115,732 | \$98,100 |
| Median Family Income, 2010..... | \$108,636 | \$91,631 | \$83,106 |
| Median Family Income, 1999..... | \$71,757 | \$70,856 | \$65,521 |
| Percent Below Poverty Level 2018..... | 1.4% | 4.0% | 7.1% |

Source: U.S. Department of Commerce, Bureau of Census, 2000, 2010; U.S. Census Bureau, 2014-2018 American Community Survey.

EDUCATIONAL ATTAINMENT

Years of School Completed Age 25 and Over

| | Town of Somers | | Tolland County | | State of Connecticut | |
|---|----------------|---------|----------------|---------|----------------------|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Less than 9th grade..... | 214 | 2.5% | 1,323 | 1.3% | 97,719 | 3.9% |
| 9th to 12th grade..... | 597 | 7.1% | 2,937 | 3.0% | 128,535 | 5.2% |
| High School graduate..... | 2,539 | 30.1% | 26,960 | 27.3% | 669,967 | 26.9% |
| Some college, no degree..... | 1,412 | 16.7% | 15,797 | 16.0% | 413,974 | 16.6% |
| Associate's degree | 731 | 8.7% | 7,837 | 7.9% | 195,971 | 7.9% |
| Bachelor's degree..... | 1,709 | 20.3% | 23,882 | 24.1% | 544,028 | 21.8% |
| Graduate or professional degree.. | 1,232 | 14.6% | 20,187 | 20.4% | 443,202 | 17.8% |
| Totals..... | 8,434 | 100.0% | 98,923 | 100.0% | 2,493,396 | 100.0% |
| Total high school graduate or higher (%)..... | | 90.4% | | 95.7% | | 90.6% |
| Total bachelor's degree or higher (%)..... | | 34.9% | | 44.5% | | 39.6% |

Source: U.S. Census Bureau, 2014-2018 American Community Survey.

MAJOR EMPLOYERS ¹

As of September 2020

| Employer | Product | Estimated Number of Employees |
|---|-----------------------------------|----------------------------------|
| CT Department of Corrections..... | Correctional Institution | 736 ² |
| Town of Somers..... | Government and Board of Education | 326 |
| Grower Direct, Inc..... | Wholesale Nursery | 150 ³ |
| Geisslers Supermarket..... | Supermarket | 87 |
| Power Specialist Assoc..... | Boiler Service Company | 60 |
| First Student Inc..... | School Bus Service Company | 49 |
| New England Tractor Trailer Training of CT, Inc.... | Driving School | 45 |
| Dymotek..... | Plastic Molding Manufacturer | 35 |
| Lindy Farms..... | Horse Stables/Breeder | 30 |

¹ Numbers may not reflect the impact of the COVID-19 pandemic.

² Connecticut Department of Corrections website, www.ct.gov.

³ Average number based on a high of 300 employees during peak weeks and a low of 75.

Source: Town Officials.

EMPLOYMENT BY INDUSTRY

| Sector | Town of Somers | | Tolland County | | State of Connecticut | |
|--|----------------|---------|----------------|---------|----------------------|---------|
| | Number | Percent | Families | Percent | Families | Percent |
| Agriculture, forestry, fishing and hunting, and mining..... | 52 | 1.1% | 422 | 0.5% | 8,346 | 0.5% |
| Construction..... | 419 | 8.5% | 5,160 | 6.7% | 111,277 | 6.1% |
| Manufacturing..... | 609 | 12.4% | 7,621 | 9.9% | 193,491 | 10.6% |
| Wholesale Trade..... | 190 | 3.9% | 1,656 | 2.2% | 42,558 | 2.3% |
| Retail Trade..... | 448 | 9.1% | 8,472 | 11.0% | 197,200 | 10.8% |
| Transportation and warehousing, and utilities.... | 187 | 3.8% | 2,733 | 3.6% | 79,814 | 4.4% |
| Information | 88 | 1.8% | 1,763 | 2.3% | 36,810 | 2.0% |
| Finance, insurance, real estate, and rental and leasing..... | 498 | 10.1% | 7,174 | 9.3% | 161,050 | 8.8% |
| Professional, scientific, management, administrative, and waste management svcs... | 405 | 8.2% | 7,663 | 10.0% | 211,138 | 11.6% |
| Educational, health and social services..... | 1,285 | 26.1% | 22,784 | 29.7% | 473,504 | 26.0% |
| Arts, entertainment, recreation, accommodation and food services..... | 259 | 5.3% | 5,754 | 7.5% | 153,140 | 8.4% |
| Other services (except public administration)... | 243 | 4.9% | 2,443 | 3.2% | 91,005 | 5.0% |
| Public Administration | 248 | 5.0% | 3,189 | 4.2% | 63,218 | 3.5% |
| Total Labor Force, Employed..... | 4,931 | 100.0% | 76,834 | 100.0% | 1,822,551 | 100.0% |

Source: U.S. Census Bureau, 2014-2018 American Community Survey.

EMPLOYMENT DATA¹

| Period ² | Town of Somers | | Percentage Unemployed | | |
|------------------------|----------------|------------|-----------------------|----------------------|----------------------|
| | Employed | Unemployed | Town of Somers | Enfield Labor Market | State of Connecticut |
| July 2020..... | 4,400 | 422 | 8.8% | 9.8% | 10.3% |
| June 2020..... | 4,315 | 400 | 8.5 | 9.7 | 10.2 |
| May 2020..... | 4,170 | 372 | 8.2 | 9.0 | 9.4 |
| April 2020..... | 4,209 | 346 | 7.6 | 7.9 | 8.0 |
| March 2020..... | 4,953 | 168 | 3.3 | 3.4 | 3.6 |
| February 2020..... | 4,911 | 210 | 4.1 | 4.2 | 4.4 |
| January 2020..... | 4,860 | 207 | 4.1 | 4.3 | 4.4 |
| Annual Averages | | | | | |
| 2019..... | 4,927 | 170 | 3.3% | 3.6% | 3.7% |
| 2018..... | 4,849 | 182 | 3.6 | 4.0 | 4.1 |
| 2017..... | 4,931 | 214 | 4.2 | 4.6 | 4.7 |
| 2016..... | 4,867 | 232 | 4.5 | 5.2 | 5.1 |
| 2015..... | 4,946 | 246 | 4.7 | 5.3 | 5.7 |
| 2014..... | 4,822 | 296 | 5.8 | 6.2 | 6.6 |
| 2013..... | 4,687 | 329 | 6.6 | 7.3 | 7.8 |
| 2012..... | 4,787 | 378 | 7.3 | 7.9 | 8.3 |
| 2011..... | 4,845 | 374 | 7.2 | 8.4 | 8.8 |
| 2010..... | 4,812 | 393 | 7.6 | 8.8 | 9.1 |

¹ According to the State of Connecticut Department of Labor, Connecticut's official unemployment rate for April and May produced by the Bureau of Labor Statistics Local Area Unemployment Statistics program continues to be impacted by pandemic related survey data problems. Data collection and misclassification issues in the Census Bureau's Current Population Survey, the foundation of the state's residential labor force statistics, caused residential unemployment to be underestimated. The Bureau of Labor Statistics is actively working to overcome this problem as quickly as possible.

² Not seasonally adjusted.

Source: Department of Labor, State of Connecticut.

AGE DISTRIBUTION OF HOUSING

| Year Built | Town of Somers | | Tolland County | | State of Connecticut | |
|------------------------------|----------------|---------|----------------|---------|----------------------|---------|
| | Units | Percent | Units | Percent | Units | Percent |
| 1939 or earlier..... | 416 | 11.6% | 8,954 | 14.9% | 321,027 | 21.1% |
| 1940 to 1969..... | 1,007 | 28.0% | 16,696 | 27.8% | 544,770 | 35.8% |
| 1970 to 1979..... | 833 | 23.2% | 8,806 | 14.7% | 206,054 | 13.5% |
| 1980 to 1989..... | 540 | 15.0% | 10,370 | 17.3% | 186,814 | 12.3% |
| 1990 to 1999..... | 307 | 8.5% | 5,185 | 8.6% | 116,912 | 7.7% |
| 2000 to 2009..... | 371 | 10.3% | 7,013 | 11.7% | 99,695 | 6.6% |
| 2010 or Later..... | 124 | 3.4% | 3,017 | 5.0% | 45,851 | 3.0% |
| Total housing units, 2018... | 3,598 | 100.0% | 60,041 | 100.0% | 1,521,123 | 100.0% |
| Percent Owner Occupied, 2018 | | 88.0% | | 71.6% | | 65.8% |

Source: U.S. Census Bureau, 2014-2018 American Community Survey.

HOUSING INVENTORY

| Type | Town of Somers | | Tolland County | | State of Connecticut | |
|----------------------------|----------------|---------|----------------|---------|----------------------|---------|
| | Units | Percent | Units | Percent | Units | Percent |
| 1 unit detached..... | 3,298 | 91.7% | 42,208 | 70.3% | 891,596 | 58.6% |
| 1 unit attached..... | 74 | 2.1% | 1,903 | 3.2% | 81,320 | 5.3% |
| 2 to 4 units..... | 160 | 4.4% | 6,101 | 10.2% | 261,093 | 17.2% |
| 5 to 9 units..... | 10 | 0.3% | 4,496 | 7.5% | 81,988 | 5.4% |
| 10 or more units..... | 56 | 1.6% | 4,505 | 7.5% | 191,365 | 12.6% |
| Mobile home, trailer, othe | 0 | 0.0% | 828 | 1.4% | 13,761 | 0.9% |
| Total Inventory..... | 3,598 | 100.0% | 60,041 | 100.0% | 1,521,123 | 100.0% |

Source: U.S. Census Bureau, 2014-2018 American Community Survey.

OWNER-OCCUPIED HOUSING VALUES

| Specified Owner-Occupied Units | Town of Somers | | Tolland County | | State of Connecticut | |
|---------------------------------|----------------|-----------|----------------|-----------|----------------------|-----------|
| | Number | Percent | Number | Percent | Number | Percent |
| Less than \$50,000..... | 47 | 1.5% | 796 | 2.0% | 18,133 | 2.0% |
| \$50,000 to \$99,999..... | 0 | 0.0% | 853 | 2.1% | 27,730 | 3.1% |
| \$100,000 to \$149,999..... | 69 | 2.3% | 2,568 | 6.5% | 73,088 | 8.1% |
| \$150,000 to \$199,999..... | 149 | 4.9% | 6,839 | 17.2% | 135,794 | 15.0% |
| \$200,000 to \$299,999..... | 1,092 | 35.8% | 14,688 | 36.9% | 252,266 | 27.8% |
| \$300,000 to \$499,999..... | 1,408 | 46.2% | 12,500 | 31.4% | 250,473 | 27.6% |
| \$500,000 to \$999,999..... | 238 | 7.8% | 1,347 | 3.4% | 107,033 | 11.8% |
| \$1,000,000 or more..... | 46 | 1.5% | 218 | 0.5% | 42,254 | 4.7% |
| Totals..... | 3,049 | 100.0% | 39,809 | 100.0% | 906,771 | 100.0% |
| Median Sales Price ¹ | | \$178,800 | | \$166,900 | | \$166,900 |
| Median Sales Price ² | | \$317,100 | | \$262,700 | | \$277,400 |

¹ U.S. Department of Commerce, Bureau of Census, 2000.

² U.S. Census Bureau, 2014-2018 American Community Survey.

Source: U.S. Census Bureau, 2014-2018 American Community Survey.

BUILDING PERMITS
(\$ in thousands)

| Fiscal Year Ended 6/30 | Residential | | Commercial/Industrial | | Other | | Total | |
|---------------------------|-------------|-----------|-----------------------|-------------------------|--------|-------------|--------|-------------|
| | Number | Value | Number | Value | Number | Value | Number | Value |
| 2021 ¹ | 0 | \$0 | 0 | \$0 | 105 | \$1,239,415 | 105 | \$1,239,415 |
| 2020 | 9 | 1,874,000 | 6 | 1,099,000 | 698 | 13,949,716 | 713 | 16,922,716 |
| 2019 | 24 | 5,047,000 | 40 | 5,719,792 | 626 | 5,240,716 | 690 | 16,007,508 |
| 2018 | 9 | 2,619,385 | 5 | 56,500 | 626 | 10,735,799 | 640 | 13,411,684 |
| 2017 | 10 | 2,223,375 | 24 | 1,286,155 | 562 | 6,825,646 | 596 | 10,335,176 |
| 2016 | 15 | 3,237,921 | 9 | 1,390,600 | 609 | 6,475,454 | 633 | 11,103,975 |
| 2015 | 12 | 2,374,900 | 49 | 1,023,300 | 558 | 7,767,398 | 619 | 11,165,598 |
| 2014 | 13 | 3,408,580 | 22 | 1,208,045 | 564 | 4,890,430 | 599 | 9,507,055 |
| 2013 | 12 | 2,448,420 | 27 | 16,094,850 ² | 607 | 4,918,441 | 646 | 23,461,711 |
| 2012 | 14 | 3,429,150 | 33 | 2,455,700 | 646 | 6,973,211 | 693 | 12,858,061 |

¹ As of August 21, 2020.

² Includes Somers Congregational Church permits.

Source: Building Department, Town of Somers.

LAND USE

| Classification | Total Area | | Developed | | Undeveloped | |
|-----------------------------|---------------|----------------|---------------|---------------|--------------|---------------|
| | Acres | Percent | Acres | Percent | Acres | Percent |
| Residential..... | 14,733 | 68.25% | 9,486 | 43.95% | 5,247 | 24.31% |
| Commercial..... | 2,232 | 10.34% | 551 | 2.55% | 1,681 | 0.07% |
| Industrial..... | 267 | 0.25% | 23 | 0.11% | 245 | 1.13% |
| Other..... | 4,354 | 20.17% | 3,218 | 14.91% | 1,135 | 5.26% |
| Total Land Area..... | 21,586 | 100.00% | 13,278 | 31.57% | 8,308 | 68.43% |

Source: June 30, 2019, Assessor's Office, Town of Somers.

IV. TAX BASE DATA

ASSESSMENTS

The Town of Somers completed a statistical revaluation of its real property effective for the October 1, 2015 grand list. The next revaluation, a physical revaluation with full inspection, is scheduled for the assessment year commencing October 1, 2020. Under Section 12-62 of the Connecticut General Statutes the Town must perform a revaluation of its real property every five years and the assessor must fully inspect each parcel, including measuring or verifying the exterior dimensions of a building and entering and examining the interior of the building once every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may choose to phase-in real property assessment increases resulting from a revaluation, but such a phase-in must be implemented in less than five assessment years. The maintenance of an equitable tax base, and the location and appraisal of all real and personal property within the Town of Somers for inclusion onto the Grand List are the responsibilities of the Town's Assessor's Office. The Grand List represents the total of assessed values for all taxable and non-taxable real and personal property and motor vehicles located within the Town on October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70 % of the estimated market value at the time of the last general revaluation.

When a new structure, or modification to an existing structure is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. A physical appraisal is then completed and the structure is classified and priced from a schedule developed at the time of the last revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

All personal property (furniture, fixtures, equipment, and machinery) is revalued annually. An assessor's check and audit is completed periodically. Assessments for personal property are computed at 70% of present market value.

Section 12-71e of the Connecticut General Statutes, as amended, allows municipalities to tax motor vehicles at a different rate than other taxable property but creates a cap on the local property tax rate for motor vehicles at (1) 39.00 mills for the assessment year commencing October 1, 2016 (fiscal year beginning July 1, 2017 and ending June 30, 2018) and (2) 45 mills for the assessment year commencing October 1, 2017 (fiscal year beginning July 1, 2018 and ending June 30, 2019) and each assessment year thereafter. The Town's motor vehicle tax rate for the current October 1, 2019 assessment year (the fiscal year ending June 30, 2021) is 27.37 mills.

Motor vehicle lists are furnished to the Town by the State of Connecticut Department of Motor Vehicles and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule as recommended by the State of Connecticut Office of Policy and Management. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next August 1 in such assessment year are subject to a property tax as if the motor vehicle has been included on the October 1 Grand List. The tax is prorated, and the proration is based on the number of months of ownership between October 1 and the following July 31. Cars purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October 1 Grand List, the taxpayer is entitled to certain credits. Assessments for motor vehicles are computed at 70 % of present actual market value.

PROPERTY TAX COLLECTION PROCEDURE

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real estate taxes are billed in the following July and are payable in two installments on July 1 and January 1, except that real estate taxes of \$100 or less are payable in one installment on July 1. Personal property taxes are billed in the following July and are payable, in full, on July 1. Motor vehicle taxes are billed in the following July and are payable in two installments on July 1 and January 1, except that motor vehicle taxes of \$250 or less are payable in one installment on July 1. Payments not received by the first business day in August and February become delinquent, with interest charged at the rate of 1.50% per month from the due date of the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Each year delinquent motor vehicle, real estate and personal property tax accounts are transferred to a suspense account when collection appears unlikely, at which time they cease to be

carried as receivables. Tax accounts must be transferred to a suspense account no later than 15 years after the due date in accordance with state statutes.

Section 12-165 of the Connecticut General Statutes, as amended, requires each municipality to write off, on an annual basis, the property taxes which are deemed to be uncollectible.

COMPARATIVE ASSESSED VALUATIONS

| Grand List on 10/01 | Residential Real Property (%) | Comm./Ind. Real Property (%) | All Land (%) | Personal Property (%) | Motor Vehicle (%) | Gross Taxable Grand List | Less Exemptions ¹ | Net Taxable Grand List | % Growth |
|---------------------|-------------------------------|------------------------------|--------------|-----------------------|-------------------|--------------------------|------------------------------|------------------------|----------|
| 2019 | 77.2% | 5.4% | 2.2% | 5.1% | 10.1% | \$1,060,237,864 | \$183,530,183 | 876,707,681 | 1.16% |
| 2018 | 77.1 | 4.4 | 2.7 | 4.8 | 9.9 | 1,047,572,677 | 180,957,350 | 866,615,327 | 0.55% |
| 2017 | 80.8 | 4.4 | 2.3 | 4.3 | 8.2 | 1,044,863,724 | 183,001,510 | 861,862,214 | 1.13% |
| 2016 | 81.0 | 4.4 | 2.4 | 4.3 | 8.0 | 1,034,740,557 | 182,466,890 | 852,273,667 | 0.69% |
| 2015 ² | 81.2 | 4.4 | 2.4 | 4.3 | 7.8 | 1,029,006,526 | 182,558,346 | 846,448,180 | 12.44% |
| 2014 | 79.6 | 4.6 | 2.6 | 4.7 | 8.5 | 931,142,510 | 178,320,280 | 752,822,230 | -11.64% |
| 2013 | 79.1 | 5.0 | 2.8 | 4.0 | 9.1 | 860,898,370 | 8,951,131 | 851,947,239 | 2.05% |
| 2012 | 80.3 | 5.1 | 2.9 | 2.8 | 9.0 | 843,691,079 | 8,896,483 | 834,794,596 | 0.49% |
| 2011 | 79.8 | 4.8 | 3.0 | 3.5 | 9.0 | 845,103,887 | 14,387,682 | 830,716,205 | 1.26% |
| 2010 | 80.5 | 4.7 | 3.1 | 3.2 | 8.5 | 834,268,209 | 13,921,721 | 820,346,488 | 0.50% |
| 2009 ² | 80.5 | 4.8 | 3.4 | 3.2 | 8.1 | 830,061,271 | 13,813,278 | 816,247,993 | 6.27% |

¹ Connecticut General Statutes Section 12-81 (72) exempts new manufacturing equipment from property taxation by municipalities.

² Revaluation year.

Source: Assessor's Office, Town of Somers.

COVID-19

On April 1, 2020, Governor Lamont issued Executive Order 7S, which, among other things, calls for Connecticut municipalities, including the Town of Somers, to offer to eligible taxpayers impacted by COVID-19 one or both of the following tax relief programs: a 90 day Deferment Program or a 90 day Low Interest Rate Program. Please see the discussion on page 6 of this Official Statement under the caption **State and Local Efforts to Mitigate the Ongoing Impact of COVID-19.**

PROPERTY TAX LEVIES AND COLLECTIONS

| Grand List of Oct. 1 | Fiscal Year Ending 6/30 | Net Taxable Grand List | Mill Rate | Tax Levy | Percent Annual Levy Collected End of Fiscal Year | Percent Annual Levy Uncollected End of Fiscal Year | Percent Annual Levy Uncollected 6/30/2019 |
|----------------------|-------------------------|------------------------|-----------|--------------|--|--|---|
| 2019 | 2021 | \$876,707,681 | 27.37 | \$23,755,534 | --Collections 7/1/20 and 1/1/21-- | | |
| 2018 | 2020 | 866,615,327 | 27.37 | 23,482,069 | --Unaudited-- | | |
| 2017 | 2019 | 861,862,214 | 27.37 | 23,577,401 | 99.1% | 0.9% | 0.9% |
| 2016 | 2018 | 852,273,667 | 25.47 | 22,534,860 | 98.7% | 1.3% | 0.2% |
| 2015 | 2017 | 846,448,180 | 24.22 | 20,442,173 | 98.7% | 1.3% | 0.1% |
| 2014 | 2016 | 752,822,230 | 23.37 | 20,179,886 | 98.7% | 1.3% | 0.0% |
| 2013 | 2015 | 851,947,239 | 23.37 | 19,584,592 | 98.8% | 1.2% | 0.0% |
| 2012 | 2014 | 834,794,596 | 23.37 | 19,288,638 | 98.7% | 1.3% | 0.0% |
| 2011 | 2013 | 830,716,205 | 23.12 | 18,591,286 | 98.8% | 1.2% | 0.0% |
| 2010 | 2012 | 820,346,488 | 21.62 | 17,707,631 | 99.0% | 1.0% | 0.0% |
| 2009 | 2011 | 816,247,993 | 22.12 | 17,000,633 | 99.0% | 1.0% | 0.0% |

Source: Tax Collector's Office, Town of Somers.

TEN LARGEST TAXPAYERS¹

| Name of Taxpayer | Nature of Business | Assessed Valuation | Percent of Net Taxable Grand List |
|--|-----------------------------------|-------------------------------|--|
| Eversource..... | Utility - Electric | \$14,598,560 | 1.67% |
| Somers Solar Center LLC..... | Solar Photovoltaic Power Plant | 9,191,560 | 1.05% |
| Grower Direct Farms Inc..... | Wholesale Nursery | 7,071,460 | 0.81% |
| Farm Credit Leasing Services..... | Credit/Leasing Company | 2,746,220 | 0.31% |
| Driving Range 349 Main Street LLC..... | Entertainment & Recreation Center | 2,581,970 | 0.29% |
| Somers Crossing, LLC..... | Shopping Center | 2,486,660 | 0.28% |
| Connecticut Water Company..... | Utility - Water | 2,143,725 | 0.24% |
| Pleasant View Farms Realty Co..... | Agricultural & Farming | 2,059,920 | 0.23% |
| Papale John & Lynn..... | Real Estate | 1,984,080 | 0.23% |
| Somers Recreation Inc..... | Public Golf Course | 1,782,790 | 0.20% |
| Total..... | | <u>\$46,646,945</u> | <u>5.32%</u> |

¹Based on a 10/1/19 Net Taxable Grand List of \$876,707,681.

Source: Assessor's Office, Town of Somers.

EQUALIZED NET GRAND LIST

| Grand List of 10/1 | Equalized Net Grand List | % Growth |
|-------------------------------|-------------------------------------|---------------------|
| 2018 | \$1,316,698,431 | 0.32% |
| 2017 | 1,312,447,348 | 2.39% |
| 2016 | 1,281,788,716 | 6.03% |
| 2015 | 1,208,933,114 | -2.78% |
| 2014 | 1,243,529,110 | 3.56% |
| 2013 | 1,200,742,780 | 8.17% |
| 2012 | 1,110,037,653 | -5.12% |
| 2011 | 1,169,982,972 | 2.86% |
| 2010 | 1,137,464,430 | -3.32% |
| 2009 | 1,176,551,830 | -0.14% |

Source: State of Connecticut, Office of Policy and Management.

V. FINANCIAL INFORMATION

FISCAL YEAR

The Town's fiscal year begins July 1 and ends June 30.

BASIS OF ACCOUNTING

Accounting Policies

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town complied with GASB Statement No. 34 beginning with its financial report for Fiscal Year ended June 30, 2002. Please refer to Appendix A "Basic Financial Statements" herein for compliance and implementation details.

The reporting model includes the following segments:

Management's Discussion and Analysis ("MD&A") – provides introductory information on basic financial statements and an analytical overview of the Town's financial activities.

Government-wide financial statements – consist of a statement of net assets and a statement of activities, which are prepared on the accrual basis of accounting. These statements distinguish between governmental activities and business-type activities and exclude fiduciary (employee retirement system and agency funds). Capital assets, including infrastructure and long-term obligations are included along with current assets and liabilities.

Fund financial statements – provide information about the Town's governmental, proprietary and fiduciary funds. These statements emphasize major fund activity and, depending on the fund type, utilize different basis of accounting.

Required supplementary information – in addition to the MD&A, budgetary comparison schedules are presented for the General Fund.

Please refer to Appendix A "Basic Financial Statements" herein for measurement focus and basis of accounting of the government-wide financial statements as well as the fiduciary fund financial statements of the Town of Somers.

BUDGETARY PROCEDURES

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data for the General Fund.

- ◆ The Board of Finance submits a proposed operating budget for the fiscal year commencing July 1 to a public budget hearing, at which taxpayer comments are obtained. The Board of Finance then prepares the recommended Town budget, which it presents at the annual Town Meeting. The operating budget includes proposed expenditures and the means of financing them.
- ◆ Expenditures are budgeted by function, department and object. Management may not exceed appropriations at the object level and must seek approval from the Board of Finance to reassign resources within a department, except for the Board of Education. The Board of Education may reassign resources within its department without seeking Board of Finance approval. The legal level of the budget control is the department level for the Board of Education and the object level for all other departments. A separately issued budgetary report demonstrating legal compliance with the adopted budget is available from the Town. The Board of Finance is authorized to transfer budgeted amounts within and between departments and objects. Additional appropriations of less

than \$20,000 must be approved by the Board of Finance. Appropriations in excess of \$20,000 must be approved at a Town meeting.

- ◆ Formal budgetary integration is employed as a management control device during the year.
- ◆ The budget is prepared on the modified accrual basis of accounting. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and “on-behalf” payments made by the State of Connecticut into the State Teachers’ Retirement System are not recorded for budgetary purposes. In addition, activity of the Revaluation Fund is excluded for budgetary purposes due to perspective differences. 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 budgetary reports as expenditures of the current year.
- ◆ All unexpected and unencumbered appropriations lapse at year-end, except those for Capital Projects Funds.

Connecticut Governor’s Executive Orders Impacting Municipal Budget Adoption Procedures for Fiscal Year 2020-21

On March 15, 2020 and March 21, 2020, Governor Lamont issued emergency Executive Orders No. 7C and 7I, which permit adjustment of the budget adoption process in response to COVID-19 public health concerns. Pursuant to those Executive Orders, the Somers Board of Selectmen at a meeting held on May 5, 2020 authorized the Somers Board of Finance to adopt a budget and set a property tax mill rate for Fiscal Year 2020-21, without submission to the voters at Town Meeting. In doing so, the Board of Finance was required by the Executive Orders to comply with certain public meeting requirements set forth in the Connecticut Governor’s emergency Executive Order No. 7B and to take all reasonable steps to publicize the draft municipal budget for the fiscal year and receive public comment thereon, including but not limited to, publishing draft budgets on the Town website and providing an email address or other means for the public to submit timely comments on the proposed budget. The Board of Finance complied with all such requirements and adopted the Town’s Fiscal Year 2020-21 budget on May 12, 2020.

Municipal General Budget Expenditures Cap

Connecticut General Statutes Section 4-661, as amended (“Section 4-661”), creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State’s municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management (“OPM”) must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceed the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality’s percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality’s population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded. The 2019-2021 biennium budget legislation does not provide funding for the municipal revenue sharing grant in fiscal years ending June 30, 2020 and June 30, 2021, and accordingly, the Town will not receive a municipal revenue sharing grant in such years.

ANNUAL AUDIT

Pursuant to Connecticut Law, the Town is obligated to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management, and a copy of the audit report must be filed with the Office of Policy and Management within six months of the end of the fiscal year. For the fiscal year ended June 30, 2019, the examination was

conducted by the firm of Mahoney Sabol & Company, LLP, Certified Public Accountants of Glastonbury, Connecticut.

Certificate of Achievement for Excellence in Financial Reporting: The Town has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the United States and Canada for its comprehensive annual financial reports for fiscal year ended June 30, 2019. This was the twentieth consecutive year that the Town has received this prestigious award. To be eligible for the award, financial reports must include general purpose financial statements presented in conformity with GAAP, and have been audited in accordance with generally accepted auditing standards. The reports also contain statistical information useful in evaluating the financial condition of a government and conform to certain generally accepted formatting standards established for the Certificate Program. The Town plans to submit its financial statements for fiscal year ended June 30, 2020 to the GFOA to determine its eligibility for another certificate.

PENSION PLANS

DEFINED BENEFIT PLANS

The Town maintains two single-employer, contributory, defined benefit pension plans, the Town Employees' Plan (the "Town Plan") and the Board of Education Employees' Plan (the "Board of Education Plan"), and a single employer, noncontributory, defined benefit pension plan, the Volunteer Firefighters Incentive Plan (the "Volunteer Firefighters' Plan") (collectively, the "Plans"). Collectively, the Plans cover substantially all full-time employees except professional personnel at the Board of Education who are covered by the Teachers' Retirement System. The Plans do not issue stand-alone financial statements and are part of the Town's financial reporting entity. As such, the Plans are accounted for in the fiduciary fund financial statements as Pension Trust Funds.

Town Plan – All Town employees who are not governed by a collective bargaining agreement, under which retirement benefits were the subject of good faith bargaining, are eligible to participate in the Town Plan. Benefits vest after 5 years of service. The normal retirement date is the participant's 65th birthday or the 5th anniversary of joining the plan, if later. Last valuation was July 1, 2019.

Volunteer Firefighters' Plan – Each active volunteer firefighter must have completed one active year of service in order to become a participant in the Volunteer Firefighters' Plan. A participant will be eligible for some accrued benefits at age 65 provided he has accrued at least five years of credited service. The retirement benefit formula is \$5 per month per year of credited service. Last valuation was July 1, 2018.

Board of Education Plan – All secretaries, aides, maintenance and custodial workers and nurses employed by the Board of Education are eligible to participate in the Board of Education Plan. Employees hired on or after July 1, 2018 are no longer eligible to participate in the Board of Education Plan. Benefits vest after 10 years of credited service. The normal retirement date is the participant's 65th birthday or the 5th anniversary of joining the plan, if later. Last valuation was July 1, 2018.

| SCHEDULE OF FUNDING PROGRESS | | | | |
|---|--|--|---|------------------------------|
| Town Plan | | | | |
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded (Unfunded) AAL (UAAL) | Percentage Funded |
| 7/1/2008 | \$ 998,472 | \$ 1,436,982 | \$ (438,510) | 69.5% |
| 7/1/2010 | \$ 1,167,595 | \$ 1,733,314 | \$ (565,719) | 67.4% |
| 7/1/2011 | \$ 1,548,335 | \$ 2,249,894 | \$ (701,559) | 68.8% |
| 7/1/2013 | \$ 2,080,164 | \$ 2,503,410 | \$ (423,246) | 83.1% |
| 7/1/2015 | \$ 3,013,247 | \$ 3,097,905 | \$ (84,658) | 97.3% |
| 7/1/2017 | \$ 3,657,715 | \$ 3,681,328 | \$ (23,613) | 99.4% |
| 7/1/2019 | \$ 4,499,861 | \$ 4,206,792 | \$ 293,069 | 107.0% |
| Firefighters' Plan | | | | |
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded (Unfunded) AAL (UAAL) | Percentage Funded |
| 7/1/2008 | \$ 174,801 | \$ 251,838 | \$ (77,037) | 69.4% |
| 7/1/2010 | \$ 161,742 | \$ 241,244 | \$ (79,502) | 67.0% |
| 7/1/2012 | \$ 212,076 | \$ 273,824 | \$ (61,748) | 77.4% |
| 7/1/2014 | \$ 323,492 | \$ 292,046 | \$ 31,446 | 110.8% |
| 7/1/2016 | \$ 327,592 | \$ 313,668 | \$ 13,924 | 104.4% |
| 7/1/2018 | \$ 339,117 | \$ 333,502 | \$ 5,615 | 101.7% |
| Board of Education Plan | | | | |
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded (Unfunded) AAL (UAAL) | Percentage Funded |
| 7/1/2008 | \$ 2,216,930 | \$ 2,854,225 | \$ (637,295) | 77.7% |
| 7/1/2009 | \$ 1,795,632 | \$ 3,098,451 | \$ (1,302,819) | 58.0% |
| 7/1/2011 | \$ 2,774,740 | \$ 3,502,763 | \$ (728,023) | 79.2% |
| 7/1/2012 | \$ 3,076,024 | \$ 3,751,807 | \$ (675,783) | 82.0% |
| 7/1/2014 | \$ 3,822,553 | \$ 4,867,471 | \$ (1,044,918) | 78.5% |
| 7/1/2016 | \$ 4,086,002 | \$ 5,236,186 | \$ (1,150,184) | 78.0% |
| 7/1/2018 | \$ 4,810,593 | \$ 5,661,857 | \$ (851,264) | 85.0% |

| Eight-Year Trend Information | | | |
|---|--|-----------------------------------|------------------------------------|
| <u>FY Ended</u> | <u>Actuarially Determined Employer Contribution¹</u> | <u>Annual Contribution</u> | <u>% of ARC Contributed</u> |
| <u>Town Plan</u> | | | |
| 2014 | \$186,330 | \$186,330 | 100.0% |
| 2015 | \$131,852 | \$131,852 | 100.0% |
| 2016 | \$137,126 | \$137,126 | 100.0% |
| 2017 | \$114,281 | \$114,281 | 100.0% |
| 2018 | \$118,852 | \$95,000 | 79.9% |
| 2019 | \$113,680 | \$113,680 | 100.0% |
| 2020 | \$118,227 | \$118,227 | 100.0% |
| 2021 ² | \$132,085 | \$132,085 | 100.0% |
| <u>Board of Education Plan</u> | | | |
| 2014 | \$256,031 | \$256,031 | 100.0% |
| 2015 | \$242,592 | \$242,592 | 100.0% |
| 2016 | \$331,755 | \$325,789 | 98.2% |
| 2017 | \$268,290 | \$268,290 | 100.0% |
| 2018 | \$243,276 | \$243,276 | 100.0% |
| 2019 | \$243,276 | \$243,276 | 100.0% |
| 2020 | \$215,392 | \$215,392 | 100.0% |
| 2021 ² | \$210,321 | \$210,321 | 100.0% |
| <u>Volunteer Fire fighters' Plan</u> | | | |
| 2013 | \$11,577 | \$11,577 | 100.0% |
| 2014 | \$11,577 | \$11,577 | 100.0% |
| 2015 | \$11,577 | \$11,577 | 100.0% |
| 2016 | \$2,380 | \$2,380 | 100.0% |
| 2017 | \$2,380 | \$2,380 | 100.0% |
| 2018 | \$5,215 | \$5,215 | 100.0% |
| 2019 | \$5,215 | \$5,215 | 100.0% |
| 2020 | \$5,921 | \$5,921 | 100.0% |
| 2021 ² | \$5,921 | \$5,921 | 100.0% |

¹ Change from ARC reporting to Actuarially Determined Employer Contribution (ADEC) under GASB 68.

² Budgeted.

The Town implemented GASB Statement No. 67 effective in Fiscal Year 2014. The following net pension liability of the Town Plan, the Board of Education Plan and the Volunteer Firefighters' Plan at July 1, 2019, determined by an actuarial valuation as of July 1, 2019 for the Town Plan and as of July 1, 2018 for the Volunteer Firefighters' Plan and the Board of Education Plan and based on actuarial assumptions as of such dates, were as follows:

| GASB 67 Schedules | |
|---|------------------|
| <u>Town Plan</u> | |
| Total pension liability at June 30, 2019 | \$4,206,792 |
| Plan fiduciary net position | <u>4,499,861</u> |
| Town's net pension liability | (293,069) |
| Plan fiduciary net position as % of total pension liability | 106.97% |
| <u>Board of Education Plan</u> | |
| Total pension liability at June 30, 2019 | \$5,917,705 |
| Plan fiduciary net position | <u>5,152,249</u> |
| Town's net pension liability | \$765,456 |
| Plan fiduciary net position as % of total pension liability | 87.06% |
| <u>Volunteer Firefighters' Plan</u> | |
| Total pension liability at June 30, 2019 | \$339,918 |
| Plan fiduciary net position | <u>358,348</u> |
| Town's net pension liability | (\$18,430) |
| Plan fiduciary net position as % of total pension liability | 105.42% |

The following presents the net pension liability, calculated using the discount rate of 6.50% for the Town Plan and Volunteer Firefighters' Plan and 6.00% for the Board of Education Plan, 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>1% Decrease (5.50%)</u> | <u>Current Discount (6.50%)</u> | <u>1% Increase (7.50%)</u> |
|---|--------------------------------|---|--------------------------------|
| <u>Town Plan net pension liability</u> | | | |
| as of June 30, 2019 | \$196,074 | (\$293,069) | (\$706,506) |
| | <u>1% Decrease (5.00%)</u> | <u>Current Discount (6.00%)</u> | <u>1% Increase (7.00%)</u> |
| <u>Board of Education Plan net pension liability</u> | | | |
| as of June 30, 2019 | \$1,342,602 | \$765,456 | \$267,016 |
| | <u>1% Decrease (5.50%)</u> | <u>Current Discount (6.50%)</u> | <u>1% Increase (7.50%)</u> |
| <u>Volunteer Firefighters' Plan net pension liability</u> | | | |
| as of June 30, 2019 | \$31,519 | (\$18,430) | (\$58,582) |

Connecticut State Teachers' Retirement System: The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board.

Certain part-time and all full-time certified teachers are eligible to participate in this plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan. After five years of service, teachers are vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. The State of Connecticut contributes based on actuarially determined amounts.

DEFERRED COMPENSATION PLANS

Volunteer Firefighters' Deferred Compensation Plan - The Town offers its full-time firefighters a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under terms of the plan, the Town is required to contribute 6% of a participant's base wages in addition to accumulated sick time earned up to five days. Deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. The Town has no trustee or other fiduciary responsibilities related to participant accounts and therefore the plan is not accounted for in the fiduciary fund financial statements of the Town.

Town Deferred Compensation Plan - The Town offers all employees who are eligible for benefits a deferred compensation plan created by the State of Connecticut in accordance with Internal Revenue Code Section 457. The Town is not required to make contributions to this plan. Deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. The Town has no trustee or other fiduciary responsibilities related to participant accounts and therefore the plan is not accounted for in the fiduciary fund financial statements of the Town.

BOARD OF EDUCATION 403(b) PLANS

The Board of Education provides through a 403(b) plans for certain employees. Under the provisions of the 403 (b) Plan, all eligible employees (except those covered under a comparable employer plan) may participate. Contribution requirements are established and may be amended by the Board of Education.

Please refer to the Town of Somers' "Notes to the Financial Statements", Note 10, in Appendix A attached hereto for further information on the Pension Plans.

OTHER POST-EMPLOYMENT BENEFITS

The Town's Board of Education administers a single-employer post-employment healthcare plan, the Board of Education Other Post-Employment Benefits (OPEB) Plan (the "OPEB Plan"), that provides health benefits for eligible retirees and their spouses. During June 2018, the Board of Education established an OPEB trust to begin accumulating resources for the purpose of funding future OPEB benefits. The OPEB Plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial statements as an Other Post-Employment Benefits Trust Fund. The Plan does not issue stand-alone financial reports.

Contribution requirements are established by state law and the Board of Education. State law requires that the premium charged to retirees may not be greater than that charged for the same form of coverage for active teachers. In addition, state law requires that the State Teachers' Retirement System (TRS) provide a subsidy to the Board of Education to offset the cost to retirees.

For the year ended June 30, 2019, the amount contributed towards OPEB benefits totaled \$165,758, of which \$28,000 was contributed directly into the OPEB Trust.

The following reflects the results of an actuarial valuation of Other Post-Employment Benefits as of July 1, 2018:

| One-Year Trend Information | | | |
|---|----------------------------------|----------------------------|---------------------------|
| Actuarially Determined | | Annual | % of ADC |
| <u>Year Ended</u> | <u>Contribution (ADC)</u> | <u>Contribution</u> | <u>Contributed</u> |
| <u>Board of Education Employees OPEB</u> | | | |
| 2019 | \$285,605 | \$165,758 | 58.0% |

The Town implemented GASB Statement No. 74 effective in Fiscal Year 2017. The following net OPEB liability of the Board of Education Plan at June 30, 2019, determined by an actuarial valuation as of July 1, 2018 and based on actuarial assumptions as of that date, were as follows:

| GASB 74 Schedules | |
|---|---------------|
| <u>Board of Education Employees</u> | |
| Total OPEB liability at June 30, 2019 | \$2,874,180 |
| Plan fiduciary net position | <u>54,542</u> |
| Town's net OPEB liability | \$2,819,638 |
| Plan fiduciary net position as % of total OPEB liability | 1.90% |

Source: Comprehensive Annual Financial Report 2019.

The following presents the net OPEB liability, calculated using the discount rate of 6.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

| | <u>1% Decrease</u> | <u>Current</u> | <u>1% Increase</u> |
|---|---------------------------|-----------------------|---------------------------|
| | <u>(5.00%)</u> | <u>(6.00%)</u> | <u>(7.00%)</u> |
| Board of Education Employees net OPEB liability | | | |
| as of June 30, 2019 | \$3,150,624 | \$2,819,638 | \$2,538,140 |

Please refer to the Town of Somers' "Notes to the Financial Statements", Note 11, in Appendix A attached hereto for further information on the Other Post-Employment Benefits.

INVESTMENT POLICIES AND PRACTICES

The Town Charter and Sections 7-400 and 7-402 of the Connecticut General Statutes govern the investments the Town is permitted to acquire. Generally, the Town may invest in certificates of deposit, municipal bonds and notes, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the Federal Home Loan Banks, all Federal Land Banks, the Tennessee Valley Authority, or any other agency of the United States government and money market mutual funds.

The Town's investment practices are in compliance with its Charter and the Connecticut General Statutes.

COMPARATIVE GENERAL FUND OPERATING STATEMENT

Budget and Actual
(Budgetary Basis)

| | Fiscal Year 2018-19 | | | Fiscal Year 2019-20 | Fiscal Year 2020-21 |
|---|---------------------|----------------------|--|------------------------|------------------------|
| | Final Budget | Actual Operations | Variance Favorable (Unfavorable) | Adopted Budget | Adopted Budget |
| REVENUES | | | | | |
| Property Taxes..... | \$23,530,333 | \$23,764,097 | \$233,764 | \$23,827,069 | \$24,028,034 |
| Intergovernmental Revenues..... | 7,717,753 | 8,441,043 | 723,290 | 8,198,847 | 8,306,768 |
| Charges for Services..... | 606,600 | 965,474 | 358,874 | 353,350 | 403,600 |
| Investment Earnings..... | 90,000 | 231,931 | 141,931 | 200,000 | 200,000 |
| Other Income..... | - | - | - | 290,770 | 310,250 |
| Appropriation of Fund Balance..... | 49,659 | - | (49,659) | 561,381 | 1,185,836 |
| Transfers In..... | 313,891 | 265,415 | (48,476) | 320,000 | 520,000 |
| TOTAL REVENUES | 32,308,236 | 33,667,960 | 1,359,724 | 33,751,417 | 34,954,488 |
| EXPENDITURES | | | | | |
| General Government..... | 2,837,392 | 2,831,329 | 6,063 | 3,005,848 | 3,103,771 |
| Public Safety..... | 1,582,566 | 1,573,329 | 9,237 | 2,285,719 | 2,417,860 |
| Public Works..... | 1,620,639 | 1,620,638 | 1 | 1,167,764 | 1,200,349 |
| Sanitation..... | 534,472 | 534,471 | 1 | 491,753 | 529,593 |
| Health & Social Services..... | 152,553 | 151,830 | 723 | 61,420 | 165,626 |
| Library..... | 477,256 | 472,755 | 4,501 | 490,275 | 497,230 |
| Culture & Recreation..... | 156,151 | 154,178 | 1,973 | 270,672 | 206,260 |
| Other..... | 33,275 | - | 33,275 | 20,000 | 20,000 |
| Education..... | 22,822,511 | 22,816,741 | 5,770 | 23,884,137 | 24,689,970 |
| Debt Service..... | 1,716,421 | 1,716,420 | 1 | 1,648,829 | 1,648,829 |
| Transfers Out..... | 375,000 | 375,000 | - | 425,000 | 475,000 |
| TOTAL EXPENDITURES | 32,308,236 | 32,246,691 | 61,546 | 33,751,417 | 34,954,488 |
| Excess (deficiency) of revenues over expenses..... | <u>0</u> | <u>1,421,269</u> | <u>1,421,270</u> | <u>0</u> | <u>0</u> |

Source: Audit Report 2019; Budgets 2020 and 2021.

GENERAL FUND BALANCE SHEET
Summary of Audited Assets and Liabilities
(GAAP Basis)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|--------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents..... | \$10,463,803 | \$8,082,229 | \$8,361,997 | \$9,337,832 | \$9,313,907 |
| Investments..... | - | - | - | - | - |
| Receivables: | | | | | |
| Property taxes, interest and lien fees, net... | 344,461 | 380,007 | 370,214 | 412,744 | 348,240 |
| Other..... | 88,813 | 73,967 | 82,130 | 79,641 | 110,392 |
| Due from Other Funds..... | 777,972 | 516,154 | 1,008,034 | 817,406 | 1,311,332 |
| Prepaid Items..... | | | 55,315 | | |
| Advances to Other Funds..... | | | 132,912 | 132,912 | 163,398 |
| TOTAL ASSETS | <u>11,675,049</u> | <u>9,052,357</u> | <u>10,010,602</u> | <u>10,780,535</u> | <u>11,247,269</u> |
| LIABILITIES | | | | | |
| Accounts Payable | 599,035 | 935,866 | 965,904 | 862,776 | 1,033,488 |
| Accrued Liabilities..... | 22,593 | 22,210 | 21,893 | 29,769 | 127,227 |
| Due to Other Funds..... | 186,103 | 542,099 | 1,573,550 | 1,376,008 | 1,751,447 |
| Unearned Revenues..... | 18,118 | 10,552 | 500 | 465,965 | 299,549 |
| TOTAL LIABILITIES | <u>825,849</u> | <u>1,510,727</u> | <u>2,561,847</u> | <u>2,734,518</u> | <u>3,211,711</u> |
| DEFERRED INFLOW OF RESOURCES | | | | | |
| Unavailable Revenues | 344,461 | 367,390 | 309,747 | 352,277 | 263,665 |
| Advance Tax Collections..... | 2,095,508 | 186,278 | 73,281 | - | - |
| TOTAL DEFERRED INFLOWS | <u>2,439,969</u> | <u>553,668</u> | <u>383,028</u> | <u>352,277</u> | <u>263,665</u> |
| FUND BALANCES | | | | | |
| Nonspendable..... | - | - | 188,227 | 132,912 | 163,398 |
| Committed..... | 787,237 | 787,237 | 787,237 | 787,237 | 814,624 |
| Assigned..... | 561,381 | - | 803,174 | 629,566 | 611,645 |
| Unassigned..... | 7,060,613 | 6,200,725 | 5,287,089 | 6,144,025 | 6,182,226 |
| TOTAL FUND BALANCES | <u>8,409,231</u> | <u>6,987,962</u> | <u>7,065,727</u> | <u>7,693,740</u> | <u>7,771,893</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES..... | <u>\$11,675,049</u> | <u>\$9,052,357</u> | <u>\$10,010,602</u> | <u>\$10,780,535</u> | <u>\$11,247,269</u> |

Source: Audit Report 2015-2019.

GENERAL FUND REVENUES AND EXPENDITURES
Summary of Audited Revenues and Expenditures
(GAAP Basis)

| | Actual 2018-19 | Actual 2017-18 | Actual 2016-17 | Actual 2015-16 | Actual 2014-15 |
|--|---------------------------|---------------------------|---------------------------|---------------------------------|---------------------------|
| REVENUES: | | | | | |
| Property Taxes..... | \$23,764,097 | \$22,499,748 | \$20,593,561 | \$20,216,216 | \$19,918,176 |
| Intergovernmental Revenues ... | 12,242,720 | 11,221,878 | 11,912,655 | 12,199,915 | 12,535,916 |
| Charges for Service..... | 964,850 | 762,178 | 707,198 | 666,000 | 789,176 |
| Investment Income..... | 231,931 | 126,714 | 68,733 | 37,868 | 14,512 |
| Transfers In..... | 265,415 | 200,000 | 299,005 | 741,828 ² | 592,324 ¹ |
| Total Revenues and Transfers In..... | \$37,469,013 | \$34,810,518 | \$33,581,152 | \$33,861,827 | \$33,850,104 |
| EXPENDITURES: | | | | | |
| <i>General Operating</i> | | | | | |
| General Government..... | \$2,828,831 | \$2,768,682 | \$2,632,872 | \$2,630,385 | \$2,280,223 |
| Public Safety..... | 1,574,314 | 1,594,169 | 1,669,702 | 1,423,598 | 1,287,305 |
| Public Works..... | 1,620,638 | 1,749,918 | 1,992,622 | 2,111,851 | 2,135,320 |
| Sanitation..... | 534,471 | 458,805 | 478,057 | 525,616 | 484,640 |
| Health & Social Services..... | 151,830 | 147,010 | 128,547 | 179,391 | 192,283 |
| Library..... | 472,755 | 453,616 | 446,201 | 423,459 | 459,749 |
| Culture & Recreation..... | 154,178 | 158,414 | 137,929 | 117,933 | 148,188 |
| Education..... | 26,616,807 | 25,407,430 | 24,662,604 | 24,017,924 | 24,073,247 |
| <i>Debt Service</i> | | | | | |
| Principal..... | 1,400,000 | 1,410,294 | 1,413,331 | 1,426,404 | 1,152,295 |
| Interest..... | 316,420 | 364,945 | 414,296 | 289,569 | 331,250 |
| Capital Outlays..... | | | | 545,429 | |
| Transfers Out..... | 377,500 | 375,000 | 233,004 | 200,000 | 350,000 |
| Total Expenditures and Transfers Out..... | \$36,047,744 | \$34,888,283 | \$34,209,165 | \$33,891,559 | \$32,894,500 |
| Operating Results..... | \$1,421,269 | (\$77,765) | (\$628,013) | (\$29,732) | \$955,604 |
| Fund Balance, July 1..... | \$6,987,962 | \$7,065,727 | \$7,693,740 | \$7,723,472 ³ | \$6,816,289 |
| Fund Balance, June 30..... | \$8,409,231 | \$6,987,962 | \$7,065,727 | \$7,693,740 | \$7,771,893 |

¹ Includes \$417,324 in capital leases.

² Includes \$545,429 in capital lease financing.

³ The Town reclassified a portion of its self-insurance activities from General Fund to an Internal Service Fund.

Source: Audited Financial Statements 2015-2019 Town of Somers.

ANALYSIS OF GENERAL FUND EQUITY
(GAAP BASIS)

| | Actual 2018-19 | Actual 2017-18 | Actual 2016-17 | Actual 2015-16 | Actual 2014-15 |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Nonspendable..... | \$ - | \$ - | \$188,227 | \$132,912 | \$163,398 |
| Assigned..... | 561,381 | - | 803,174 | 629,566 | 611,645 |
| Committed..... | 787,237 | 787,237 | 787,237 | 787,237 | 814,624 |
| Unassigned..... | 7,060,613 | 6,200,725 | 5,287,089 | 6,144,025 | 6,182,226 |
| Total Fund Balance..... | \$8,409,231 | \$6,987,962 | \$7,065,727 | \$7,693,740 | \$7,771,893 |
| Unassigned Fund Balance | | | | | |
| As % of Total Expenditures. | <u>19.59%</u> | <u>17.77%</u> | <u>15.46%</u> | <u>18.13%</u> | <u>18.79%</u> |

Source: Audited Financial Statements 2015-2019, Town of Somers.

PROPERTY TAX REVENUES

| Fiscal Year | General Fund | | Property Tax |
|--------------------|------------------------------------|------------------------------|---|
| | Revenues & Transfers In | Property Tax Revenues | Revenues as a % of General Fund Revenues |
| 2020 ¹ | \$33,751,417 | \$23,827,069 | 70.6% |
| 2019 | 37,469,013 | 23,764,097 | 63.4% |
| 2018 | 34,810,518 | 22,499,748 | 64.6% |
| 2017 | 33,581,152 | 20,593,561 | 61.3% |
| 2016 | 33,861,827 | 20,216,216 | 59.7% |
| 2015 | 33,850,104 | 19,918,176 | 58.8% |
| 2014 | 33,181,084 | 19,400,489 | 58.5% |

¹ Adopted budget 2020.

INTERGOVERNMENTAL REVENUES

| Fiscal Year | General Fund | | Aid as a % |
|--------------------|------------------------------------|-----------------------------------|---------------------------------|
| | Revenues & Transfers In | Federal & State Grants | of General Fund Revenues |
| 2020 ¹ | \$33,751,417 | \$8,198,847 | 24.3% |
| 2019 | 37,469,013 | 12,242,720 | 32.7% |
| 2018 | 34,810,518 | 11,221,878 | 32.2% |
| 2017 | 33,581,152 | 11,912,655 | 35.5% |
| 2016 | 33,861,827 | 12,199,915 | 36.0% |
| 2015 | 33,850,104 | 12,535,916 | 37.0% |
| 2014 | 33,181,084 | 12,786,529 | 38.5% |

¹ Adopted budget 2020.

EXPENDITURES

| Fiscal Year | Education | General Government | Public Safety | Debt Service | Public Works |
|--------------------|------------------|---------------------------|----------------------|---------------------|---------------------|
| 2020 ¹ | 70.8% | 8.9% | 6.8% | 4.9% | 3.5% |
| 2019 | 73.8 | 7.8 | 4.4 | 4.8 | 4.5 |
| 2018 | 70.5 | 7.7 | 4.4 | 4.9 | 4.9 |
| 2017 | 68.4 | 7.3 | 4.6 | 5.1 | 5.5 |
| 2016 | 66.6 | 7.3 | 3.9 | 4.8 | 5.9 |
| 2015 | 66.8 | 6.3 | 3.6 | 4.1 | 5.9 |
| 2014 | 65.0 | 6.2 | 4.1 | 4.8 | 5.5 |

¹ Adopted budget 2020.

VI. DEBT SUMMARY

PRINCIPAL AMOUNT OF INDEBTEDNESS

As of October 15, 2020

(Pro Forma)

Long-Term Debt: Bonds

| <u>Date</u> | <u>Purpose</u> | <u>Rate %</u> | <u>Original Issue</u> | <u>Debt Outstanding As of 10/15/20</u> | <u>Date of Fiscal Year Maturity</u> |
|-------------------------------|----------------------------------|-------------------|----------------------------|--|-------------------------------------|
| <u>General Purpose</u> | | | | | |
| 12/20/12 | General Purpose Refunding. | 1.66 | 2,335,000 | 1,405,440 | 2028 |
| 11/05/14 | General Purpose..... | 2.67 | 4,267,000 | 3,095,000 | 2035 |
| 10/15/20 | General Purpose..... | <i>This Issue</i> | 3,855,000 | 3,855,000 | 2041 |
| | Total..... | | <u>\$10,457,000</u> | <u>\$8,355,440</u> | |
| <u>Schools</u> | | | | | |
| 12/20/12 | Schools Refunding..... | 1.66 | 5,275,000 | 2,304,560 | 2028 |
| 11/05/14 | School..... | 2.67 | 1,053,000 | 800,000 | 2035 |
| 10/15/20 | School..... | <i>This Issue</i> | 5,550,000 | 5,550,000 | 2041 |
| | Total..... | | <u>\$11,878,000</u> | <u>\$8,654,560</u> | |
| | Total Long-Term Debt..... | | <u>\$22,335,000</u> | <u>\$17,010,000</u> | |

Short-Term Debt:

None

Other Long-Term Commitments:

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

| <u>Year Ending June 30:</u> | <u>Governmental Activities</u> |
|---|--------------------------------|
| 2021 | \$168,229 |
| 2022 | 186,690 |
| 2023 | 186,690 |
| 2024 | 164,791 |
| 2025 | 73,203 |
| Thereafter | 279,060 |
| Total minimum lease payments | \$1,058,662 |
| Less: amount representing interest | (48,752) |
| Present value of minimum lease payments | \$1,009,910 |

SCHOOL BUILDING GRANT REIMBURSEMENTS

Pursuant to Section 10-287i of the Connecticut General Statutes, as amended, for all school building projects approved after July 1, 1996, the State provides proportional progress payments during construction for the State's share of the eligible construction costs. The State grant will be paid directly to the Town after it submits its request for progress payments, and accordingly, the Town will issue its bonds or notes only for its share of project costs.

Debt service reimbursements will continue under the prior reimbursement program for all projects approved prior to July 1, 1996. Under the prior program, a municipality issues bonds for the entire amount of the school construction project and the State of Connecticut reimburses the Town for principal and interest costs for eligible school construction projects over the life of the outstanding school bonds and subsequent bond issues necessary to completely fund the approved school project.

ANNUAL BONDED DEBT MATURITY SCHEDULE ²

As of October 15, 2020

(Pro Forma)

| Fiscal Year | | | | | Cumulative |
|--------------------|------------------------------|--------------------|--------------------|--------------------|-------------------|
| Ending | Principal¹ | Interest | Total | These | Percent |
| | | | | Bonds | Principal |
| | | | | | Retired |
| 2021 | 1,375,000 | 221,670 | 1,596,670 | | 7.60 |
| 2022 | 975,000 | 185,588 | 1,160,588 | | 12.98 |
| 2023 | 960,000 | 160,638 | 1,120,638 | \$340,000 * | 20.17 |
| 2024 | 945,000 | 136,038 | 1,081,038 | 360,000 * | 27.38 |
| 2025 | 910,000 | 110,400 | 1,020,400 | 380,000 * | 34.50 |
| 2026 | 600,000 | 89,463 | 689,463 | 400,000 * | 40.03 |
| 2027 | 595,000 | 74,956 | 669,956 | 420,000 * | 45.64 |
| 2028 | 585,000 | 60,850 | 645,850 | 440,000 * | 51.30 |
| 2029 | 250,000 | 50,000 | 300,000 | 460,000 * | 55.22 |
| 2030 | 250,000 | 42,500 | 292,500 | 475,000 * | 59.23 |
| 2031 | 250,000 | 35,000 | 285,000 | 490,000 * | 63.31 |
| 2032 | 250,000 | 27,500 | 277,500 | 505,000 * | 67.49 |
| 2033 | 250,000 | 19,844 | 269,844 | 520,000 * | 71.74 |
| 2034 | 250,000 | 12,031 | 262,031 | 535,000 * | 76.08 |
| 2035 | 250,000 | 4,063 | 254,063 | 545,000 * | 80.47 |
| 2036 | | | | 555,000 * | 83.54 |
| 2037 | | | | 570,000 * | 86.69 |
| 2038 | | | | 580,000 * | 89.89 |
| 2039 | | | | 595,000 * | 93.18 |
| 2040 | | | | 610,000 * | 96.55 |
| 2041 | | | | 625,000 * | 100.00 |
| Totals | \$8,695,000 | \$1,230,539 | \$9,925,539 | \$9,405,000 | |

¹ Includes \$1,090,000 in principal payments made in the current 2020-21 fiscal year.

² Does not include capital leases and other long-term commitments.

*Preliminary, subject to change.

OVERLAPPING/UNDERLYING DEBT

The Town does not have any overlapping or underlying debt.

DEBT STATEMENT ¹

As of October 15, 2020

(Pro Forma)

LONG TERM DEBT

Bonds:

| | |
|--|---------------------|
| General Purpose <i>(Includes this issue)</i> | \$8,355,440 |
| Schools <i>(Includes this issue)</i> | 8,654,560 |
| TOTAL LONG TERM DEBT..... | \$17,010,000 |

| | |
|-------------------------------|---------------------|
| SHORT TERM DEBT: | \$0 |
| TOTAL DIRECT DEBT..... | \$17,010,000 |

| | |
|---|---------------------|
| NET DIRECT INDEBTEDNESS..... | \$17,010,000 |
| OVERLAPPING/UNDERLYING DEBT..... | \$0 |
| TOTAL OVERALL NET DEBT..... | \$17,010,000 |

¹ Does not include capital leases and other long-term commitments.

CURRENT DEBT RATIOS

October 15, 2020

(Pro Forma)

| | |
|--|-----------------|
| Population ¹ | 10,835 |
| Net Taxable Grand List - 10/1/19 @ 70% of full value | \$876,707,681 |
| Estimated Full Value | \$1,252,439,544 |
| Equalized Net Taxable Grand List - 2018 ² | \$1,316,698,431 |
| Money Income per Capita - 2018 ³ | \$43,387 |

| | Total Direct Debt | Total Net Direct Debt | Total Overall Net Debt |
|--|------------------------------|----------------------------------|-----------------------------------|
| | \$17,010,000 | \$17,010,000 | \$17,010,000 |
| Per Capita | \$1,569.91 | \$1,569.91 | \$1,569.91 |
| Ratio to Net Taxable Grand List | 1.94% | 1.94% | 1.94% |
| Ratio to Estimated Full Value | 1.36% | 1.36% | 1.36% |
| Ratio to Equalized Net Grand List | 1.29% | 1.29% | 1.29% |
| Debt per Capita to Money Income per Capita | 3.62% | 3.62% | 3.62% |

¹ Connecticut Department of Public Health, Estimate 2018.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2014-2018 American Community Survey.

BOND AUTHORIZATION

The Town of Somers has the power to incur indebtedness by issuing its bonds or notes as authorized by the General Statutes of the State of Connecticut subject to statutory debt limitations and the procedural requirements of the Town Charter. The issuance of bonds and notes is authorized by the Town Meeting, at which all electors and certain nonresident property owners can vote upon the recommendations of the Board of Finance. The Selectmen may remove such bond resolution from vote at Town Meeting to a voting machine under state statute. Notwithstanding the foregoing, refunding bonds, may be issued pursuant to a resolution of the Board of Selectmen (CGS Sec. 7-370c).

Except for refunding bonds that achieve net present value savings or are approved by a two-thirds vote of the municipality's legislative body, general obligation (serial or term) bonds are required to be payable in maturities wherein a succeeding maturity may not exceed any prior maturity by more than 50%, or aggregate annual principal

and interest payments must be substantially equal. The term of the issue may not exceed twenty years, except in the case of sewer and school bonds or other bonds issued on or after July 1, 2017, but prior to July 1, 2022, which may mature in up to thirty years.

TEMPORARY FINANCING

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of temporary notes when they become due and payable, and the legislative body schedules principal reductions no later than the end of the third year and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time by which temporary financing exceeds two years, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than ten years from the initial borrowing date except for sewer or school project notes issued in anticipation of State and/or Federal grants. If a written commitment exists for State and/or Federal grants, the municipality may renew the sewer or school project notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

Temporary notes may also be issued for up to fifteen years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by at least 1/15th of the total amount of the notes issued by funds derived from certain sources of payment.

Temporary notes may be issued in one year maturities for up to fifteen years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

LIMITATION OF INDEBTEDNESS

Municipalities shall not incur indebtedness through the issuance of bonds, which will cause aggregate indebtedness by class to exceed the following:

| | |
|------------------------------|--|
| General Purposes: | 2.25 times annual receipts from taxation |
| School Purposes: | 4.50 times annual receipts from taxation |
| Sewer Purposes: | 3.75 times annual receipts from taxation |
| Urban Renewal Purposes: | 3.25 times annual receipts from taxation |
| Pension Obligation Purposes: | 3.00 times annual receipts from taxation |

In no case however, shall total indebtedness exceed seven times the annual receipts from taxation. "Annual receipts from taxation," are defined as total tax collections including interest penalties, late payment taxes and payments made by the state to the Town under CGS Sections 12-129d and 7-528.

The Connecticut General Statutes also provide for exclusion from the debt limit calculation debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, for the supply of gas, for the supply of electricity, for electric demand response, for conservation and load management, for distributed generation, for renewable energy projects, for the construction of subways for cables, wires and pipes, for the construction of underground conduits for cables, wires and pipes, for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from any state or federal grant for which the Town has received a written commitment or for which an allocation has been approved by the State Bond Commission or from a contract with the state, a state agency or another municipality providing for the reimbursement of capital costs, but only to the extent such indebtedness can be paid from such proceeds; (v) issued for water pollution control projects in order to meet the requirements of an abatement order of the Commissioner of Environmental Protection, provided the municipality supplies a certificate signed by its chief fiscal officer with the commissioner demonstrating to the satisfaction of the commission that the municipality has a plan for levying a system of charges, assessments or other revenues which are sufficient, together with other

available funds of the municipality, to repay such obligations as the same become due and payable; and (vi) upon placement in escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient, together with such investment earnings thereon as are to be retained in said escrow, to provide for the payment when due of the principal of an interest on such bond, note or other evidence of indebtedness.

STATEMENT OF STATUTORY DEBT LIMITATION

As of October 15, 2020

(Pro Forma)

TOTAL TAX COLLECTIONS (including interest and lien fees)

received by the Treasurer for the year ended June 30, 2019..... \$23,742,802

REIMBURSEMENT FOR REVENUE LOSS ON:

Tax Relief for Elderly..... 7,104

BASE..... \$23,749,906

| DEBT LIMITATION: | General Purposes | Schools | Sewers | Urban Renewal | Pension Obligation |
|---|-----------------------------|----------------------------|----------------------------|----------------------------|-------------------------------|
| 2¼ times base | \$53,437,289 | | | | |
| 4½ times base | | \$106,874,577 | | | |
| 3¾ times base | | | \$89,062,148 | | |
| 3¼ times base | | | | \$77,187,195 | |
| 3 times base | | | | | <u>\$71,249,718</u> |
| Total debt limitation | <u>\$53,437,289</u> | <u>\$106,874,577</u> | <u>\$89,062,148</u> | <u>\$77,187,195</u> | <u>\$71,249,718</u> |
| INDEBTEDNESS: | | | | | |
| Bonds Payable <i>(Includes this issue)</i> | \$8,355,440 | \$8,654,560 | \$0 | \$0 | \$0 |
| Notes Payable | 0 | 0 | 0 | 0 | 0 |
| Authorized but Unissued Debt | 1,257 | 450,000 | 0 | 0 | 0 |
| TOTAL DIRECT INDEBTEDNESS: | <u>\$8,356,697</u> | <u>\$9,104,560</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| TOTAL NET INDEBTEDNESS | <u>\$8,356,697</u> | <u>\$9,104,560</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| DEBT LIMITATION IN EXCESS OF OUTSTANDING AND AUTHORIZED DEBT | <u>\$45,080,592</u> | <u>\$97,770,017</u> | <u>\$89,062,148</u> | <u>\$77,187,195</u> | <u>\$71,249,718</u> |

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$166,249,342.

AUTHORIZED BUT UNISSUED DEBT

As of October 15, 2020

(Pro Forma)

| Project | Authorized | Previously Bonded | Paydowns/ Grants | Notes Maturing 10/15/2020 | Bonds This Issue | Debt Authorized but Unissued | | | |
|-------------------------------------|---------------------|------------------------------|-----------------------------|--|-----------------------------|-------------------------------------|------------------|---------------|----------------------|
| | | | | | | General Purpose | Schools | Sewers | Total |
| 2018 Road and Bridge Improvements.. | \$4,000,000 | | \$143,743 | \$2,022,249 | \$3,855,000 | \$1,257 | | | \$1,257 |
| 2018 School Improvements..... | 6,000,000 | | | 3,977,751 | 5,550,000 | | 450,000 | | 450,000 ¹ |
| Total..... | \$10,000,000 | \$0 | \$0 | \$6,000,000 | \$9,405,000 | \$1,257 | \$450,000 | \$0 | \$451,257 |

¹ This project qualifies for State of Connecticut School Construction grants of approximately \$411,000.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT

Last Six Fiscal Years

| Long-Term Debt | 2020 Est. | 2019 | 2018 | 2017 | 2016 | 2015 |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Bonds..... | \$8,695,000 | \$10,075,000 | \$11,475,000 | \$12,780,000 | \$14,090,000 | \$15,415,000 |
| Short-Term Debt | | | | | | |
| Bond Anticipation Notes.. | 6,000,000 | 2,000,000 | 0 | 0 | 0 | 0 |
| Totals..... | \$14,695,000 | \$12,075,000 | \$11,475,000 | \$12,780,000 | \$14,090,000 | \$15,415,000 |

Source: Audited Financial Statements 2015-2019, Estimate 2020.

RATIO OF DIRECT DEBT TO VALUATION, POPULATION AND INCOME¹

| Fiscal Year Ended 6/30 | Net Assessed Value | Estimated Full Value | Direct Debt¹ | Ratio of Direct Debt to Assessed Value (%) | Ratio of Direct Debt to Estimated Full Value (%) | Population² | Direct Debt per Capita | Ratio of Direct Debt per Capita to Per Capita Income (%)³ |
|-----------------------------------|-----------------------------------|---------------------------------|------------------------------------|---|---|-------------------------------|---------------------------------------|---|
| 2020 Est. | \$866,615,327 | \$1,238,021,896 | \$14,695,000 | 1.70% | 1.19% | 11,137 | \$1,319.48 | 3.04% |
| 2019 | 861,862,214 | 1,231,231,734 | 12,075,000 | 1.40% | 0.98% | 11,137 | 1,084.22 | 2.50% |
| 2018 | 852,273,667 | 1,217,533,810 | 11,475,000 | 1.35% | 0.94% | 11,137 | 1,030.35 | 2.37% |
| 2017 | 846,448,180 | 1,209,211,686 | 12,780,000 | 1.51% | 1.06% | 11,137 | 1,147.53 | 2.64% |
| 2016 | 752,822,230 | 1,075,460,329 | 14,090,000 | 1.87% | 1.31% | 11,137 | 1,265.15 | 2.92% |
| 2015 | 851,947,239 | 1,217,067,484 | 15,415,000 | 1.81% | 1.27% | 11,137 | 1,384.12 | 3.19% |

¹ Does not reflect State of Connecticut school construction and interest subsidy grants applied to the retirement of the outstanding debt.

² U.S. Census Bureau, 2014-2018 American Community Survey.

³ Income per Capita: \$43,387 – U.S. Census Bureau, 2014-2018 American Community Survey.

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES TO TOTAL GENERAL FUND EXPENDITURES AND TRANSFERS OUT

| Fiscal Year Ended 6/30 | Total Debt Service Payments | Total General Fund Expenditures | Ratio of General Fund Debt Service to Total General Fund Expenditures % |
|-----------------------------------|--|--|--|
| 2020 Est. | \$1,648,829 | \$33,751,417 | 4.89% |
| 2019 | 1,716,420 | 36,047,744 | 4.76% |
| 2018 | 1,775,239 | 34,888,283 | 5.09% |
| 2017 | 1,827,627 | 34,209,165 | 5.34% |
| 2016 | 1,715,973 | 33,891,559 | 5.06% |
| 2015 | 1,483,545 | 32,894,500 | 4.51% |

Source: Audited Financial Statements 2015-2019, Estimate 2020.

**THE TOWN OF SOMERS HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR
INTEREST ON ITS BONDS OR NOTES.**

VII. LEGAL AND OTHER LITIGATION

LITIGATION

The Town of Somers, its officers, employees, boards and commissions, are defendants in a number of lawsuits. It is the opinion of the Town Attorney that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the Town which would have a materially adverse affect upon its financial position.

MUNICIPAL ADVISOR

The Town has retained Hilltop Securities Inc. (the "Municipal Advisor") to serve as its municipal advisor in connection with the issuance of the Bonds. The Municipal Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds, and receipt by the Town of payment therefor. The Town may engage the Municipal Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of Bond proceeds.

TRANSCRIPT AND CLOSING DOCUMENTS

Upon the delivery of the Bonds, the original purchaser(s) will be furnished with the following:

1. A Signature and No Litigation Certificate stating that at the time of delivery of the Bonds no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay them.
2. A Certificate on behalf of the Town signed by the First Selectman and the Treasurer, which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the bids on the Bonds were accepted, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Updike, Kelly & Spellacy, P.C., Bond Counsel, of Hartford, Connecticut substantially in the form of Appendix B attached hereto.
5. An executed Continuing Disclosure Agreement for the Bonds substantially in the form of Appendix C attached hereto.
6. The Town of Somers has prepared this Preliminary Official Statement for this Bond issue which is dated September 22, 2020. The Town deems such Preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(5). The Town will make available to each winning purchaser(s) of the Bonds 100 copies of the final Official Statement at the Town's expense within seven business days of the bid opening. Additional copies may be obtained by the purchaser at their own expense by arrangement with the printer.

A transcript of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the offices of U.S. Bank National Association, Global Corporate Trust, 225 Asylum Street, 23rd Floor, Hartford, Connecticut and will be available for examination upon reasonable request.

CONCLUDING STATEMENT

This Official Statement is not to be construed as a contract or agreement between the Town and the purchaser or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any of such opinion or estimate will be realized.

No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

This Official Statement is submitted only in connection with the sale of the Bonds by the Town and may not be reproduced or used in whole or in part for any other purpose. This Official Statement has been duly prepared and delivered by the Town, and executed for and on behalf of the Town of Somers by the following officials:

TOWN OF SOMERS, CONNECTICUT

C.G. Knorr, Jr., *First Selectman*

Michael D. Marinaccio, *Treasurer*

October __, 2020

APPENDIX A - BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Appendix A – Basic Financial Statements – is taken from the Comprehensive Annual Financial Report of the Town of Somers for the Fiscal Year ended June 30, 2019 as presented by the Auditors and does not include all of the schedules or management letter made in such report. A copy of the complete report is available upon request to the Chief Financial Officer, Town of Somers, Connecticut.

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Somers, 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 Somers, Connecticut (the "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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Somers, Connecticut, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the information on pages 69 through 86 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information


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

The combining and individual fund financial statements and schedules on pages 87 through 107 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section on pages i through ix and the statistical section on pages 108 through 124 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 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 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.



Certified Public Accountants
Glastonbury, Connecticut
December 16, 2019

Management's Discussion and Analysis

TOWN OF SOMERS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

The management of the Town of Somers, Connecticut (the "Town") offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - vii of this Comprehensive Annual Financial Report ("Report").

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$50,941,781 (net position). Of this amount, \$4,876,460 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's total net position increased by \$1,232,628.
- The Town's total long-term debt consisting of general obligation bonds and capital leases decreased by \$1,476,056 or 12.3% during the current fiscal year due to scheduled debt service repayments. No new long-term debt was issued during the year ended June 30, 2019.
- The Town issued \$2,000,000 in short-term bond anticipation notes during the year ended June 30, 2019 to temporarily finance various school improvements and road and bridge improvements. The \$2,000,000 in short-term bond anticipation notes were issued against the November 2018 authorization of \$6,000,000 for various school improvements and \$4,000,000 for road and bridge improvements. The Town intends to permanently finance the costs of the projects through the issuance of general obligation bonds.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$12,080,596, an increase of \$1,003,911 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,060,613. Unassigned fund balance is sufficient to cover 2.5 months of and represents 20.9% of the General Fund budgetary expenditure appropriation for fiscal year 2020.

OVERVIEW OF THE 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

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 giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

Both of the government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include: general government, public safety, public works, sanitation, health and social services, library, culture and recreation, and education. The Town does not have any business-type activities.

The government-wide financial statements include only the Town itself because there are no legally separate organizations for which the Town is financially accountable.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary 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 funds 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 the Town's near-term financing requirements.

Because the focus of governmental funds financial statements 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains a number of individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided as supplementary information in the form of combining statements.

The basic governmental fund financial statements can be found on pages 16 through 20 of this report.

Proprietary Funds

The Town maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for dental insurance benefits. Because these services benefit governmental functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 21 through 23 of this report.

TOWN OF SOMERS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. The accounting used for fiduciary funds is much like that used for the government-wide financial statements.

The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information, combining and individual fund statements and schedules, and a statistical section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

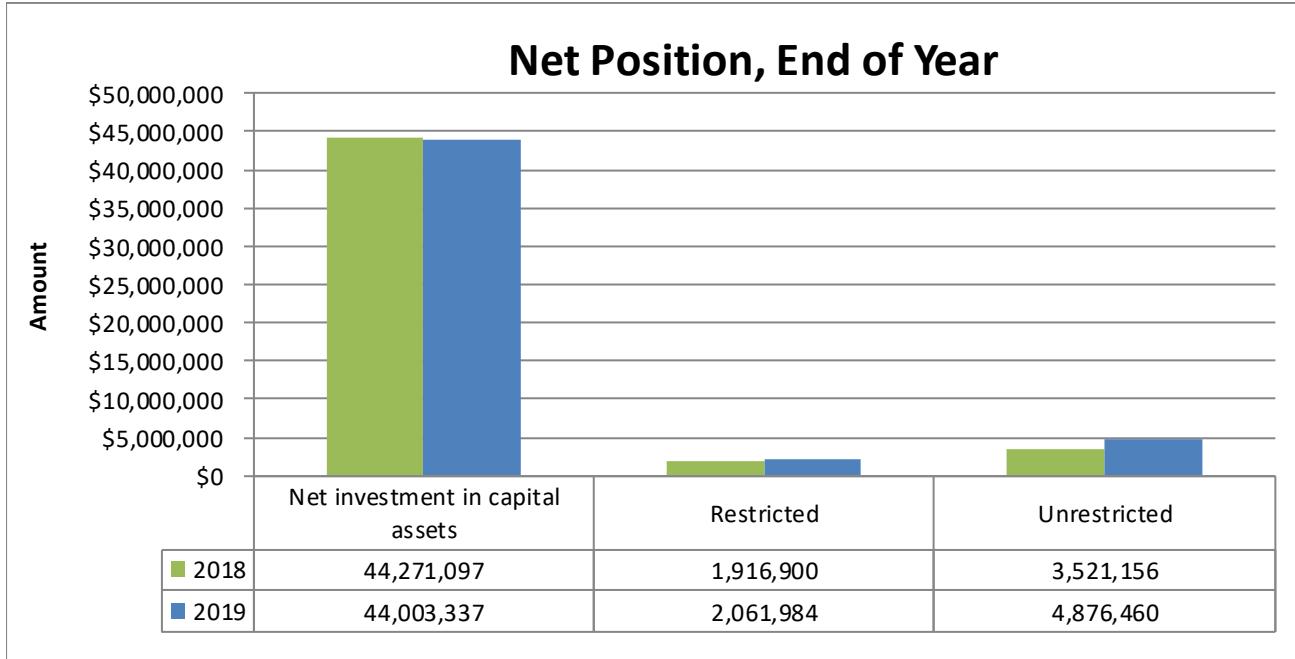
Over time, net position may serve as one measure of a government's financial position. The net position of the Town totaled \$50,941,781 as of June 30, 2019 and \$49,709,153 as of June 30, 2018 and is summarized as follows.

| | <u>2019</u> | <u>2018</u> | <u>\$ Variance</u> | <u>% Variance</u> |
|----------------------------------|----------------------|----------------------|---------------------|-------------------|
| Current and other assets | \$ 18,152,207 | \$ 13,257,943 | \$ 4,894,264 | 36.9% |
| Capital assets, net | 54,754,319 | 56,004,435 | (1,250,116) | -2.2% |
| Total assets | <u>72,906,526</u> | <u>69,262,378</u> | <u>3,644,148</u> | 5.3% |
| Deferred outflows of resources | <u>344,852</u> | <u>535,444</u> | <u>(190,592)</u> | -35.6% |
| Current and other liabilities | 3,127,731 | 1,348,639 | 1,779,092 | 131.9% |
| Long-term liabilities | 15,668,879 | 18,032,662 | (2,363,783) | -13.1% |
| Total liabilities | <u>18,796,610</u> | <u>19,381,301</u> | <u>(584,691)</u> | -3.0% |
| Deferred inflows of resources | <u>3,512,987</u> | <u>707,368</u> | <u>2,805,619</u> | 396.6% |
| Net position: | | | | |
| Net investment in capital assets | 44,003,337 | 44,271,097 | (267,760) | -0.6% |
| Restricted | 2,061,984 | 1,916,900 | 145,084 | 7.6% |
| Unrestricted | 4,876,460 | 3,521,156 | 1,355,304 | 38.5% |
| Total net position | <u>\$ 50,941,781</u> | <u>\$ 49,709,153</u> | <u>\$ 1,232,628</u> | 2.5% |

TOWN OF SOMERS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)



86.4% of the Town's net position as of June 30, 2019 reflects its investment in capital assets, 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.

4.0% of the Town's net position as of June 30, 2019 is subject to external restrictions on how they may be used and are, therefore, presented as restricted.

The remainder of the Town's net position is considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

TOWN OF SOMERS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position

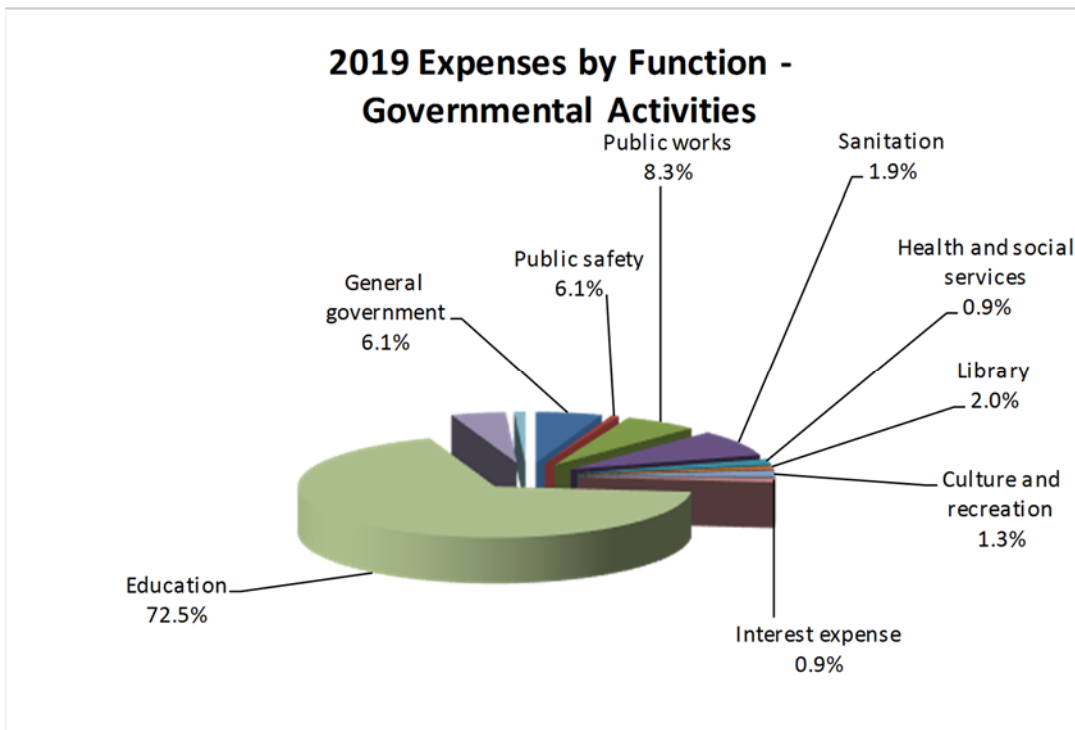
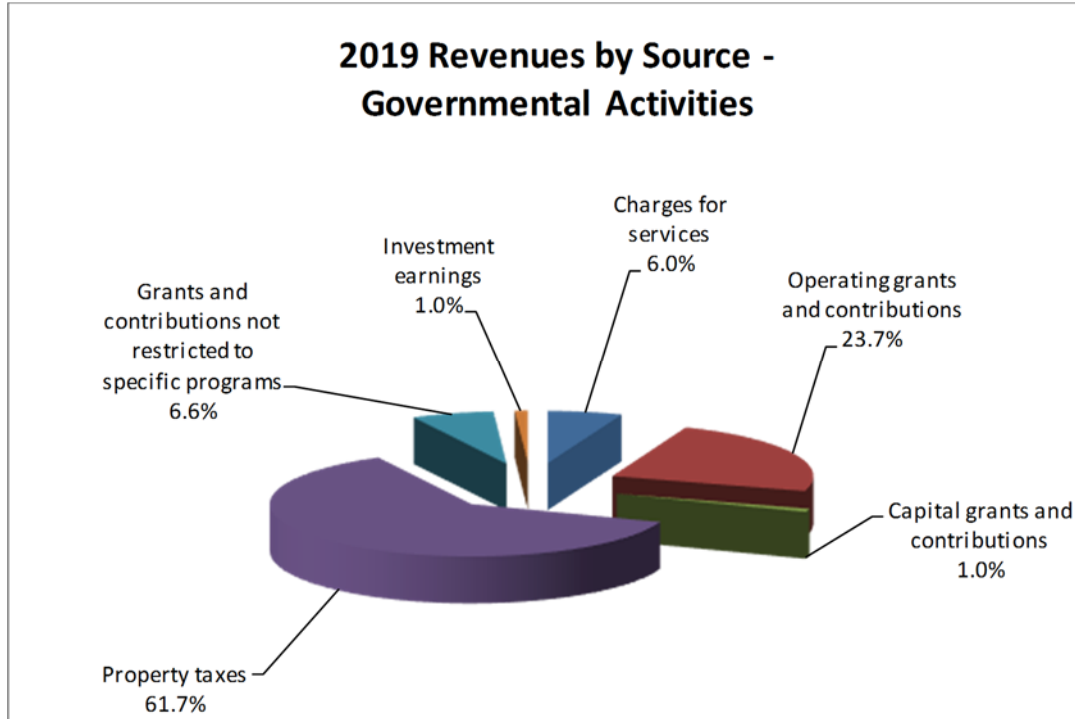
Changes in net position for the years ended June 30, 2019 and 2018 are as follows. Certain reclassifications have been made to the amounts reported for the year ended June 30, 2018 to conform with the current year presentation.

| | <u>2019</u> | <u>2018</u> | <u>\$ Variance</u> | <u>% Variance</u> |
|--|----------------------|----------------------|--------------------|-------------------|
| Revenues | | | | |
| Program revenues: | | | | |
| Charges for services | \$ 2,300,412 | \$ 2,057,451 | \$ 242,961 | 11.8% |
| Operating grants and contributions | 9,095,382 | 14,903,617 | (5,808,235) | -39.0% |
| Capital grants and contributions | 369,181 | 707,582 | (338,401) | -47.8% |
| General revenues: | | | | |
| Property taxes | 23,741,168 | 22,557,391 | 1,183,777 | 5.2% |
| Grants and contributions not restricted to specific programs | 2,537,378 | 2,834,538 | (297,160) | -10.5% |
| Investment earnings | 401,210 | 217,487 | 183,723 | 84.5% |
| Total revenues | <u>38,444,731</u> | <u>43,278,066</u> | <u>(4,833,335)</u> | -11.2% |
| Program expenses | | | | |
| General government | 2,031,308 | 2,019,281 | 12,027 | 0.6% |
| General government - Mill remediation | 240,064 | 1,886,789 | (1,646,725) | -87.3% |
| Public safety | 2,276,243 | 2,241,666 | 34,577 | 1.5% |
| Public works | 3,080,041 | 2,861,556 | 218,485 | 7.6% |
| Sanitation | 709,466 | 592,701 | 116,765 | 19.7% |
| Health and social services | 343,674 | 290,005 | 53,669 | 18.5% |
| Library | 757,731 | 691,750 | 65,981 | 9.5% |
| Culture and recreation | 489,167 | 410,187 | 78,980 | 19.3% |
| Education | 25,279,918 | 26,574,404 | (1,294,486) | -4.9% |
| Education - State Teachers' Retirement | 1,666,408 | 4,534,031 | (2,867,623) | -63.2% |
| Interest expense | 338,083 | 380,625 | (42,542) | -11.2% |
| Total expenses | <u>37,212,103</u> | <u>42,482,995</u> | <u>(5,270,892)</u> | -12.4% |
| Change in net position | 1,232,628 | 795,071 | <u>\$ 437,557</u> | 55.0% |
| Net position - beginning | <u>49,709,153</u> | <u>48,914,082</u> | | |
| Net position - ending | <u>\$ 50,941,781</u> | <u>\$ 49,709,153</u> | | |

TOWN OF SOMERS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position (Continued)



TOWN OF SOMERS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Position *(Continued)*

The Town's net position increased by \$1,232,628 during the year ended June 30, 2019, compared to an increase of \$795,071 during the year ended June 30, 2018.

Overall revenues decreased by \$4,833,335 or 11.2% over the prior year. The change over the prior year was driven by a decrease in operating grants and contributions, offset by an increase in property tax revenues. Operating grants in the prior year included \$1.74 million in state grants, which funded the demolition, remediation and restoration of the Somersville Mill property. The Mill project was substantially completed in the prior year, resulting in a decrease in the related funding and costs. In addition, the recognized a decrease in operating grants and contributions in the amount of \$2,867,623, which relates to changes in the amount of pension and OPEB expense recognized by the State of Connecticut in connection with the Town's participation in the Connecticut Teachers' Retirement System.

Overall expenses decreased by \$5,270,892 or 12.4% over the prior year. The change over the prior year was also driven by non-recurring costs associated with the demolition, remediation and restoration of the Somersville Mill property and decreases in the amount of pension and OPEB expense recognized in the current year by the State of Connecticut in connection with the Town's participation in the Connecticut Teachers' Retirement System.

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, unrestricted fund balance (committed, assigned, and unassigned) may serve as a useful measure of the 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 \$12,080,596, an increase of \$1,003,911 over the prior year. Approximately 67.4% or \$8,143,377 of this total amount is unrestricted (committed, assigned or unassigned) and is available for spending at the Town's discretion.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, fund balance of the General Fund was \$8,409,231. Of this amount, \$7,060,613 represents unassigned fund balance that may be appropriated for future spending. Included in fund balance is \$780,737, which is committed for funding of other post-employment benefits, and \$561,381, which is assigned for use in the Town's fiscal year 2020 budget. Unassigned fund balance is sufficient to cover 2.5 months of and represents 20.9% of the General Fund budgetary expenditure appropriation for fiscal year 2020.

The fund balance of the Town's General Fund increased by \$1,421,269 during the current fiscal year.

TOWN OF SOMERS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS *(Continued)*

Governmental Funds *(Continued)*

Capital Projects Fund

At the close of the current fiscal year, the fund balance of the Capital Projects Fund totaled \$101,590. Fund balance consisted of unspent bond proceeds restricted for the authorized capital projects in the amount of \$1,875,235 and \$226,355 of fund balance committed for related capital purposes. The Fund presented a \$2,000,000 deficit in unassigned fund balance, which reflects the use of short-term debt to temporarily finance authorized capital projects. The Town intends to permanently finance the costs of the authorized capital projects through the issuance of general obligation bonds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget for the year ended June 30, 2019 planned for the utilization of fund balance in the amount of \$49,659. The actual change in fund balance of the General Fund on a budgetary basis was an increase of \$1,421,269. Revenues were \$1,409,383 more than expected and expenditures were \$61,545 lower than budgeted.

The overall revenue surplus was impacted by a revision in the amount of education cost sharing funds provided by the State of Connecticut Department of Education to the Town. This resulted in additional grant revenue in the amount of \$653,580. In addition, the Town benefited from better than expected tax collections, earnings on investments and building permit fees.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities (net of accumulated depreciation) as of June 30, 2019 and 2018 totaled \$56,754,319 and \$56,004,435, respectively. This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure, including park facilities, roads, and bridges. The net decrease in the Town's investment in capital assets for the current fiscal year was \$1,250,116 or 2.2%.

There were no major capital asset events during the current fiscal year. Current year additions totaled \$1,112,292, which was offset by depreciation and amortization of \$2,330,063 and disposals of \$32,345

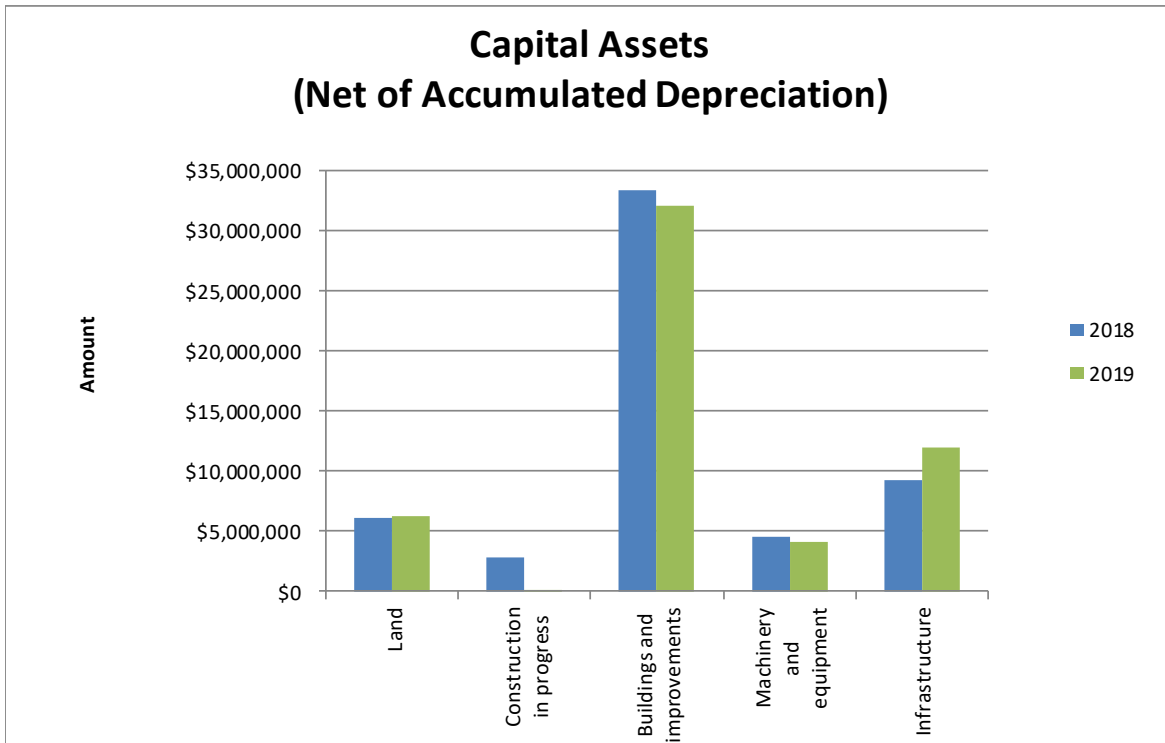
The following table is a two year comparison of the investment in capital assets, net of accumulated depreciation and amortization:

| | 2019 | 2018 | \$ Variance | % Variance |
|----------------------------|----------------------|----------------------|-----------------------|-------------------|
| Land | \$ 6,322,158 | \$ 6,161,758 | \$ 160,400 | 2.6% |
| Construction in progress | 208,302 | 2,797,988 | (2,589,686) | -92.6% |
| Buildings and improvements | 32,040,103 | 33,288,248 | (1,248,145) | -3.7% |
| Machinery and equipment | 4,171,393 | 4,497,348 | (325,955) | -7.2% |
| Infrastructure | 12,012,363 | 9,259,093 | 2,753,270 | 29.7% |
| Totals | <u>\$ 54,754,319</u> | <u>\$ 56,004,435</u> | <u>\$ (1,250,116)</u> | -2.2% |

TOWN OF SOMERS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Capital Assets *(Continued)*



Additional information on the Town's capital assets can be found in Note 4 to the basic financial statements beginning on page 38.

Long-term Debt

At the end of the current fiscal year, the Town had total long-term debt, consisting of bonds and capital lease obligations, outstanding of \$10,548,402. This entire amount is comprised of debt backed by the full faith and credit of the Town.

The Town's total long-term debt decreased by \$1,476,056 during the current fiscal year due to scheduled principal repayments.

The Town's capital plan is established to control the level of capital expenditures and debt service expenditures in order to maintain a level amount of debt service expenditures and to avoid any sharp increase in property tax rates. Debt levels are managed to ensure that debt service requirements of new debt reasonably coincide with the normal amortization of existing debt service expenditures.

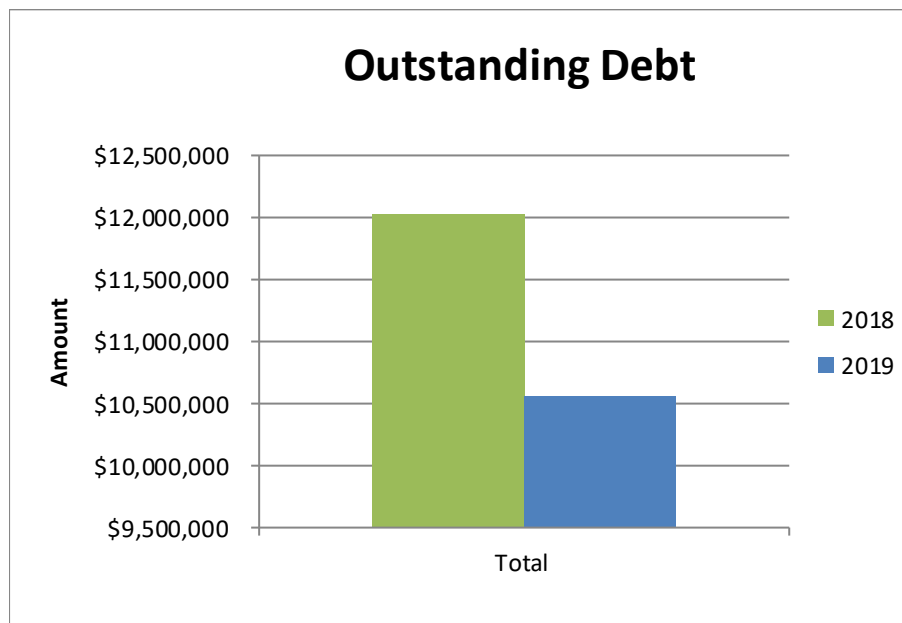
TOWN OF SOMERS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term Debt

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current capacity of borrowing for the Town is significantly in excess of the Town's outstanding general obligation debt. The following table is a two year comparison of long-term debt:

| | 2019 | 2018 | \$ Variance | % Variance |
|---------------------------------------|----------------------|----------------------|-----------------------|-------------------|
| General obligation bonds | \$ 10,075,000 | \$ 11,475,000 | \$ (1,400,000) | -12.2% |
| Capital leases from direct borrowings | 473,402 | 549,458 | (76,056) | -13.8% |
| Total | \$ 10,548,402 | \$ 12,024,458 | \$ (1,476,056) | -12.3% |



In November 2018, the Town authorized the issuance of general obligation bonds to fund appropriations of \$6,000,000 for various school improvements and \$4,000,000 for road and bridge improvements. During the year ended June 30, 2019, the Town issued short-term bond anticipation notes in the amount of \$2,000,000 to provide temporary financing for the authorized capital projects. The Town intends to permanently finance the costs of the projects through the issuance of general obligation bonds.

Additional information on the Town's long-term debt can be found in Note 8 to the basic financial statements beginning on page 40.

TOWN OF SOMERS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

A summary of key economic factors affecting the Town are as follows:

- Inflationary trends in the region approximate the national indices.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
 - For purposes of calculating property tax revenues for fiscal year 2020, the Assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on-behalf of certain taxpayers.
 - The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the Town will receive. The Town's budget for such grants were based on estimates from the State.
 - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Building Department, the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2020.

The fiscal year 2020 budget was adopted by the Town in May 2019. The fiscal year 2020 budget is \$33,751,417, which represents an overall increase of 4.47% from the fiscal year 2019 adopted budget of \$32,308,235. The budget has been developed on principles designed to keep the Town financially sound; keep the community safe; support public education; improve and promote economic development; maintain existing facilities and infrastructure and improve the quality of life for all Town residents. The budget contemplates the use of General Fund fund balance in the amount of \$561,381 and resulted in no increase in the Town's mill rate from the prior 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 information should be addressed to the Chief Financial Officer, Town of Somers, 600 Main Street, Somers, Connecticut 06071.

Basic Financial Statements

TOWN OF SOMERS, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2019

| | Governmental Activities |
|---------------------------------------|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 14,925,948 |
| Investments | 1,574,746 |
| Receivables: | |
| Property taxes, interest and fees | 344,461 |
| Grants and contracts | 598,197 |
| Assessments and user charges | 67,985 |
| Other | 329,371 |
| Net pension assets | 311,499 |
| Capital assets: | |
| Non-depreciable | 6,530,460 |
| Depreciable, net | 48,223,859 |
| Total assets | <u>72,906,526</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred charges on pensions | 122,496 |
| Deferred charges on OPEB | 1,072 |
| Deferred charges on refundings | 221,284 |
| Total deferred outflows of resources | <u>344,852</u> |
| LIABILITIES | |
| Accounts payable | 851,072 |
| Bond anticipation note payable | 2,000,000 |
| Accrued liabilities | 91,682 |
| Unearned revenue | 184,977 |
| Noncurrent liabilities: | |
| Due within one year | 1,930,329 |
| Due in more than one year | 13,738,550 |
| Total liabilities | <u>18,796,610</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred charges on pensions | 617,754 |
| Deferred charges on OPEB | 799,725 |
| Advanced tax collections | 2,095,508 |
| Total deferred inflows of resources | <u>3,512,987</u> |
| NET POSITION | |
| Net investment in capital assets | 44,003,337 |
| Restricted for: | |
| Cemetery - Expendable | 948,329 |
| Library - Expendable | 657,594 |
| Library - Nonexpendable | 75,000 |
| Other purposes | 381,061 |
| Unrestricted | 4,876,460 |
| Total net position | <u>\$ 50,941,781</u> |

The accompanying notes are an integral part of these financial statements .

TOWN OF SOMERS, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position - Governmental Activities |
|--|----------------------|--------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| General government | \$ 2,031,308 | \$ 628,702 | \$ 1,983 | \$ - | \$ (1,400,623) |
| General government - Mill remediation | 240,064 | - | 234,378 | - | (5,686) |
| Public safety | 2,276,243 | 492,392 | 82,346 | 28,923 | (1,672,582) |
| Public works | 3,080,041 | - | 354,143 | 294,000 | (2,431,898) |
| Sanitation | 709,466 | 310,057 | - | - | (399,409) |
| Health and social services | 343,674 | 67,374 | - | 46,258 | (230,042) |
| Library | 757,731 | 10,439 | 5,344 | - | (741,948) |
| Culture and recreation | 489,167 | 321,574 | 103,500 | - | (64,093) |
| Education | 25,279,918 | 469,874 | 6,647,280 | - | (18,162,764) |
| Education - State Teachers' Retirement | 1,666,408 | - | 1,666,408 | - | - |
| Interest expense | 338,083 | - | - | - | (338,083) |
| Total governmental activities | <u>\$ 37,212,103</u> | <u>\$ 2,300,412</u> | <u>\$ 9,095,382</u> | <u>\$ 369,181</u> | <u>(25,447,128)</u> |
| General revenues: | | | | | |
| Property taxes, levied for general purposes | | | | | 23,741,168 |
| Grants and contributions not restricted to specific programs | | | | | 2,537,378 |
| Unrestricted investment earnings | | | | | 272,717 |
| Restricted investment earnings | | | | | 128,493 |
| Total general revenues | | | | | <u>26,679,756</u> |
| | | Change in net position | | | 1,232,628 |
| | | Net position - beginning | | | <u>49,709,153</u> |
| | | Net position - ending | | | <u>\$ 50,941,781</u> |

The accompanying notes are an integral part of these financial statements .

TOWN OF SOMERS, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|--------------------------------------|---|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 10,463,803 | \$ 2,078,470 | \$ 2,284,857 | \$ 14,827,130 |
| Investments | - | - | 1,574,746 | 1,574,746 |
| Receivables: | | | | |
| Property taxes, interest and lien fees, net | 344,461 | - | - | 344,461 |
| Assessments and user charges | - | - | 67,985 | 67,985 |
| Grants and contracts | - | 545,576 | 52,621 | 598,197 |
| Other | 88,813 | - | 240,558 | 329,371 |
| Due from other funds | 777,972 | - | 171,287 | 949,259 |
| Total assets | <u>\$ 11,675,049</u> | <u>\$ 2,624,046</u> | <u>\$ 4,392,054</u> | <u>\$ 18,691,149</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 599,035 | \$ 125,860 | \$ 122,735 | \$ 847,630 |
| Bond anticipation notes payable | - | 2,000,000 | - | 2,000,000 |
| Accrued liabilities | 22,593 | - | - | 22,593 |
| Due to other funds | 186,103 | 396,596 | 381,376 | 964,075 |
| Unearned revenue | 18,118 | - | 166,859 | 184,977 |
| Total liabilities | <u>825,849</u> | <u>2,522,456</u> | <u>670,970</u> | <u>4,019,275</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenues | 344,461 | - | 151,309 | 495,770 |
| Advanced tax collections | 2,095,508 | - | - | 2,095,508 |
| Total deferred inflows of resources | <u>2,439,969</u> | <u>-</u> | <u>151,309</u> | <u>2,591,278</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | 75,000 | 75,000 |
| Restricted for: | | | | |
| Capital purposes | - | 1,875,235 | - | 1,875,235 |
| Other purposes | - | - | 1,986,984 | 1,986,984 |
| Committed for: | | | | |
| Capital purposes | - | 226,355 | 120,174 | 346,529 |
| Other purposes | 787,237 | - | 1,323,561 | 2,110,798 |
| Assigned | 561,381 | - | 64,056 | 625,437 |
| Unassigned | 7,060,613 | (2,000,000) | - | 5,060,613 |
| Total fund balances | <u>8,409,231</u> | <u>101,590</u> | <u>3,569,775</u> | <u>12,080,596</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 11,675,049</u> | <u>\$ 2,624,046</u> | <u>\$ 4,392,054</u> | <u>\$ 18,691,149</u> |

The accompanying notes are an integral part of these financial statements .

TOWN OF SOMERS, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

| | |
|---|-----------------------------|
| Total fund balances for governmental funds | \$ 12,080,596 |
| Total net position reported for governmental activities in the statement of net position is different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 54,754,319 |
| Deferred charges on refundings are not recognized as expenditures in the governmental funds. However, these costs are deferred and amortized over the life of the related debt in the statement of net position. | 221,284 |
| Net pension assets are not recognized in the governmental funds. Net pension assets results from the difference between the pension plan's fiduciary net position and the portion of the present value of projected benefit payments to be provided through the pension plan. | 311,499 |
| Some of the Town's taxes, assessments and fees will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. | 495,770 |
| Deferred outflows and inflows of resources resulting from changes in the components of Town's net pension and OPEB assets/liabilities are reported in the statement of net position. | (1,293,911) |
| Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Those liabilities consist of: | |
| Long-term debt: | |
| Bonds payable | \$ (10,075,000) |
| Premium on bonds payable | (299,099) |
| Obligations under capital lease | (473,402) |
| Accrued interest payable | (69,089) |
| Other long-term liabilities: | |
| Compensated absences | (1,152,284) |
| Landfill post-closure care costs | (84,000) |
| Net pension liability | (765,456) |
| Net OPEB liability | (2,819,638) |
| Total long-term liabilities | <u>(15,737,968)</u> |
| Internal service funds are used by the Town to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | <u>110,192</u> |
| Net position of governmental activities | <u><u>\$ 50,941,781</u></u> |

The accompanying notes are an integral part of these financial statements .

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

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------------|--------------------------------------|---|---|
| REVENUES | | | | |
| Property taxes | \$ 23,764,097 | \$ - | \$ - | \$ 23,764,097 |
| Intergovernmental | 12,242,720 | 250,681 | 1,056,824 | 13,550,225 |
| Charges for services | 964,850 | - | 1,273,503 | 2,238,353 |
| Investment income | 231,931 | 11,103 | 158,176 | 401,210 |
| Other | - | - | 120,771 | 120,771 |
| Total revenues | <u>37,203,598</u> | <u>261,784</u> | <u>2,609,274</u> | <u>40,074,656</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,828,831 | - | 400 | 2,829,231 |
| Public safety | 1,574,314 | - | 77,469 | 1,651,783 |
| Public works | 1,620,638 | - | 553,573 | 2,174,211 |
| Sanitation | 534,471 | - | 132,577 | 667,048 |
| Health and social services | 151,830 | - | 77,354 | 229,184 |
| Library | 472,755 | - | 28,019 | 500,774 |
| Culture and recreation | 154,178 | - | 243,540 | 397,718 |
| Education | 26,616,807 | - | 1,054,490 | 27,671,297 |
| Debt service: | | | | |
| Principal payments | 1,400,000 | - | 177,413 | 1,577,413 |
| Interest and fiscal charges | 316,420 | 19,761 | 13,934 | 350,115 |
| Capital outlays | - | 699,637 | 427,211 | 1,126,848 |
| Total expenditures | <u>35,670,244</u> | <u>719,398</u> | <u>2,785,980</u> | <u>39,175,622</u> |
| Excess (deficiency) of revenues over expenditures | 1,533,354 | (457,614) | (176,706) | 899,034 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Premium on bond anticipation notes | - | 3,520 | - | 3,520 |
| Capital lease financing | - | - | 101,357 | 101,357 |
| Transfers in | 265,415 | 129,546 | 431,500 | 826,461 |
| Transfers out | (377,500) | - | (448,961) | (826,461) |
| Total other financing sources (uses) | <u>(112,085)</u> | <u>133,066</u> | <u>83,896</u> | <u>104,877</u> |
| Net change in fund balances | 1,421,269 | (324,548) | (92,810) | 1,003,911 |
| Fund balances - beginning | <u>6,987,962</u> | <u>426,138</u> | <u>3,662,585</u> | <u>11,076,685</u> |
| Fund balances - ending | <u>\$ 8,409,231</u> | <u>\$ 101,590</u> | <u>\$ 3,569,775</u> | <u>\$ 12,080,596</u> |

The accompanying notes are an integral part of these financial statements .

TOWN OF SOMERS, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

| | |
|--|--------------|
| Net change in fund balances for governmental funds | \$ 1,003,911 |
|--|--------------|

Total change in net position reported for governmental activities in the statement of activities is different because:

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 and amortization expense. The difference between depreciation and amortization and capital outlays in the current period is as follows:

| | | |
|---------------------------------------|--------------------|-------------|
| Expenditures for capital assets | \$ 818,292 | |
| Depreciation and amortization expense | <u>(2,330,063)</u> | |
| Net adjustment | | (1,511,771) |

| | |
|--|---------|
| Contributions of capital assets to the Town increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. This amount represents that value of capital assets contributed to the Town. | 294,000 |
|--|---------|

| | |
|--|----------|
| The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposal of capital assets. This amount represents the loss on disposal of capital assets. | (32,345) |
|--|----------|

Repayment of principal on long-term debt consumes the current financial resources of governmental funds. However, such repayments do not have any effect on net position. The net effect of these repayments in the treatment of long-term debt is as follows:

| | | |
|---------------------------------|---------------|-----------|
| Principal repayments: | | |
| Bonds payable | 1,400,000 | |
| Obligations under capital lease | <u>76,056</u> | |
| Net adjustment | | 1,476,056 |

| | |
|--|--------|
| Certain revenues reported in the statement of activities do not provide current financial resources and, therefore, are reported as deferred inflows of resources in the governmental funds. This amount represents the change in deferred inflows of resources. | 21,859 |
|--|--------|

Continued

TOWN OF SOMERS, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2019

Deferred inflows and outflows of resources resulting from changes in the components of net pension and OPEB assets/liabilities are amortized as a component of pension expense in the statement of activities.

\$ (1,019,887)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. Also, governmental funds recognize 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 net effect of such items is as follows:

| | | |
|--|----------------|----------------|
| Compensated absences | \$ (79,974) | |
| Accrued interest | 10,775 | |
| Amortization of deferred charges on refundings | (67,094) | |
| Amortization of bond premium | 64,831 | |
| Landfill post-closure care costs | 14,000 | |
| Net pension assets | 155,192 | |
| Net pension liability | 85,808 | |
| Net OPEB liability | <u>803,062</u> | |
| | | <u>986,600</u> |

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of a certain internal service fund is reported with governmental activities.

14,205

Change in net position of governmental activities

\$ 1,232,628

Concluded

TOWN OF SOMERS, CONNECTICUT

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2019

| | Governmental Activities - Internal Service Fund - Dental Benefits Fund |
|----------------------|---|
| ASSETS | |
| Current assets: | |
| Cash | \$ 98,818 |
| Due from other funds | 14,816 |
| Total assets | <u>113,634</u> |
| LIABILITIES | |
| Current liabilities: | |
| Claims payable | <u>3,442</u> |
| Total liabilities | <u>3,442</u> |
| NET POSITION | |
| Unrestricted | <u><u>\$ 110,192</u></u> |

The accompanying notes are an integral part of these financial statements .

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

| | Governmental Activities - Internal Service Fund - Dental Benefits Fund |
|---------------------------|---|
| OPERATING REVENUES | |
| Charges for services | \$ 177,050 |
| Total operating revenues | <u>177,050</u> |
| OPERATING EXPENSES | |
| Claims incurred | 148,430 |
| Administration | <u>14,415</u> |
| Total operating expenses | <u>162,845</u> |
| Change in net position | 14,205 |
| Net position - beginning | <u>95,987</u> |
| Net position - ending | <u><u>\$ 110,192</u></u> |

The accompanying notes are an integral part of these financial statements .

TOWN OF SOMERS, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2019

| | Governmental Activities - Internal Service Fund - Dental Benefits Fund |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from participants | \$ 51,210 |
| Receipts from employer | 120,168 |
| Payments for claims | (160,032) |
| Payments for administration | (14,415) |
| Net cash from operating activities | <u>(3,069)</u> |
| Net decrease in cash | (3,069) |
| Cash, beginning of year | <u>101,887</u> |
| Cash, end of year | <u><u>\$ 98,818</u></u> |
| Reconciliation of change in net position to net cash from operating activities: | |
| Change in net position | \$ 14,205 |
| Adjustments to reconcile change in net position to net cash used in operating activities: | |
| Increase in due from other funds | (5,672) |
| Increase in claims payable | (11,602) |
| Net cash from operating activities | <u><u>\$ (3,069)</u></u> |

The accompanying notes are an integral part of these financial statements .

TOWN OF SOMERS, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

| | Pension Trust Funds | Agency Funds |
|---|------------------------------------|-------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 471,058 | \$ 430,970 |
| Investments: | | |
| Mutual funds | 193,621 | - |
| Fixed income securities | 2,474,407 | - |
| Certificate of deposits | 63,001 | - |
| Equity securities | 6,861,962 | - |
| Accrued income receivable | 16,558 | - |
| Total assets | <u>10,080,607</u> | <u>\$ 430,970</u> |
| LIABILITIES | | |
| Accounts payable | 15,606 | 157,235 |
| Due to others | - | 273,735 |
| Total liabilities | <u>15,606</u> | <u>\$ 430,970</u> |
| NET POSITION | | |
| Restricted for pensions and other post-employment benefits | <u>\$ 10,065,001</u> | |

The accompanying notes are an integral part of these financial statements .

TOWN OF SOMERS, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

| | Pension Trust Funds |
|--|---------------------------------|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 390,171 |
| Plan members | 194,552 |
| Total contributions | <u>584,723</u> |
| Investment earnings: | |
| Interest and dividends | 205,900 |
| Net change in the fair value of investments, net of investment fees | <u>534,070</u> |
| Total investment earnings, net | <u>739,970</u> |
| Total additions | <u>1,324,693</u> |
| DEDUCTIONS | |
| Benefit payments | 404,242 |
| Administrative expenses | <u>3,172</u> |
| Total deductions | <u>407,414</u> |
| Change in net position | 917,279 |
| Net position - beginning | <u>9,147,722</u> |
| Net position - ending | <u><u>\$ 10,065,001</u></u> |

The accompanying notes are an integral part of these financial statements .

Financial Statements and Notes

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Somers, Connecticut (the "Town") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

Financial Reporting Entity

The Town of Somers, Connecticut is governed by an elected Board of Selectmen, a Board of Finance and through Town meetings. The Town provides services as authorized by its charter including public safety, public works, sanitation, health and social services, library, culture and recreation, education and general administrative services.

The legislative power of the Town is with the Board of Selectmen and Town Meeting. The Board of Selectmen may enact, amend or repeal ordinances and resolutions. The Board of Finance is responsible for financial and taxation matters as prescribed by Connecticut General Statutes and is responsible for presenting fiscal operating budgets for Town Meeting approval.

Accounting principles generally accepted in the United States of America require that the reporting entity include, the primary government, organizations for which the primary government is financially accountable and 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 has determined that there are no agencies or entities, which should be presented within the Town's financial statements based on these criteria.

Related Organization

The Town is responsible for appointing members to the Board of Directors of the Housing Authority of the Town of Somers (the "Authority"), but the Town's accountability for the Authority does not extend beyond making the appointments. The Town made no appropriations for the operation of this agency for the fiscal year ended June 30, 2019.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government-wide and Fund Financial Statements *(Continued)*

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental fund:

General Fund - This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund - This fund is used to account for revenues and expenditures associated with the construction of Town facilities and infrastructure.

In addition, the Town reports the following fiduciary fund types:

Internal Service Fund - This fund accounts for the cost of providing dental insurance benefits to employees of the Board of Education.

Pension Trust Funds - These funds are used to account for resources held in trust for the members and beneficiaries of the Town's retirement pension and other post-employment benefits plans. The Town utilizes these funds to account for activities of the following defined and other post-employment benefits (OPEB) plans: the Town Employees' Plan, the Board of Education Employees' Plan, the Volunteer Firefighters' Incentive Plan, and the Board of Education's Other Post-Employment Benefits Plan.

Agency Funds - These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets of the following: student activities funds and the bond deposit fund. The student activities funds account for monies generated by student activities in the Town's school system. The bond deposit fund accounts for monies received to ensure that driveways and lawns are installed to correct specifications for new home construction.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures 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 governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is available to be received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when the cash is received.

The pension trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Implementation of New Accounting Standards

Effective July 1, 2018, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The adoption of this statement did not have a material effect on the Town's financial statements.

Effective July 1, 2018, the Town adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). The Statement established criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The adoption of this statement did not have a material effect on the Town's financial statements.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Cash Equivalents

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

Investments

Investments are measured by the Town at fair value (generally based on quoted market prices), except for investments in certain external investment pools as described below.

Investments in certain external investment pools consist of money market mutual funds and the Short-Term Investment Fund (STIF), which is managed by the State of Connecticut Treasurer's Office. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs, are measured by the Town at the net asset value per share as determined by the pool.

Donor-restricted Endowments

The Town allocates investment income on endowment investments in accordance with donor restrictions and Connecticut law. The State of Connecticut has adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the Town. Amounts of net appreciation of endowments available for expenditure totaled \$1,605,923 as of June 30, 2019 and is reported as a component of restricted net position and fund balance.

Property Taxes and Assessments

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Taxes become delinquent thirty days after the installment is due and liens are filed on delinquent real estate taxes within one year. Based on historical collection experience and other factors, no allowance for uncollectible taxes and interest has been recorded as of June 30, 2019.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Property Taxes and Assessments (Continued)

Upon completion of projects, water assessments are levied and assessed to users each February over a twenty year period. Assessments are due and payable within thirty days and delinquent assessments are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full.

Upon completion of projects, sewer assessments are levied and assessed to users each October. Usage charges are billed annually on October 1. Assessments and user charges are due and payable within thirty days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets 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 for infrastructure assets and more than \$2,000 for all other assets. 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 costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight line method over the following estimated useful lives:

| Assets | Years |
|----------------------------|---------|
| Buildings and improvements | 20 - 50 |
| Infrastructure | 12 - 60 |
| Machinery and equipment | 5 - 20 |

Unearned Revenue

Unearned revenue represents resources that have been received but not yet earned.

Compensated Absences

Employees are granted vacation and sick leave based upon length of employment. For Town employees, unused vacation and sick days can be accumulated from year to year up to certain limits. For Board of Education employees, only unused vacation days can be accumulated from year to year up to certain limits. However, teachers hired on or before June 30, 1994 who retire under the State Teachers' Retirement System and who receive pension payments, will be paid out an amount equivalent to 2½ days compensation at the time of retirement or death for each full-time equivalent year of contracted service to the Town.

All compensated absences are accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements in the current year to the extent they have matured, or the vested amount is expected to be paid with available resources.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts in the year the debt is issued. 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. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows and Inflows of Resources

Deferred outflows and inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources until that time.

Deferred outflows of resources consists of deferred charges on refundings and deferred charges on pension and OPEB expenses reported in the government-wide statement of net position. Deferred charges on refundings are amortized to interest expense using the effective-interest method over the life of the related bonds. Deferred charges on pension and OPEB expenses are amortized as a component of pension and OPEB expense on a systematic and rational basis.

Deferred inflows of resources consist of revenue that is considered unavailable in the governmental funds balance sheet and advanced tax collections and deferred charges on pension and OPEB expenses in the government-wide statement of net position. Unavailable revenue is recognized as an inflow of resources in the period that the amounts become available. Advanced tax collections are recognized as an inflow of resources in the period that the taxes are levied. Deferred charges on pension and OPEB expenses are amortized as a component of pension and OPEB expense on a systematic and rational basis.

Net Position and Fund Equity

The government-wide statement of net position presents the Town's non-fiduciary assets, deferred outflows and inflows of resources, and liabilities, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets - This category consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

Restricted - This category of net position consists of amounts whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This category of net position consists of amounts which do not meet the definition of the two preceding categories.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance *(Continued)*

Net Position and Fund Equity *(Continued)*

The Town's governmental funds report the following fund balance categories:

Nonspendable - Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

Restricted - Constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation.

Committed - Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Finance (the highest level of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action. The formal action required to be taken by the Board of Finance to commit fund balance includes formal voting procedures regulated by the Town Charter (passing of a resolution).

Assigned - Amounts are constrained by the Town's intent to be used for specific purposes, but are not restricted or committed. The Board of Finance has delegated the responsibility to assign funds to the Town's Chief Financial Officer, with the exception of those amounts assigned by the Board of Finance during the Town's annual budgeting process. Funds are assigned through the approval of a valid purchase order resulting in an encumbering of the funds as of year end.

Unassigned - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, a negative unassigned fund balance will be reported in that fund.

The Town does not have a formal policy over the use of net position or fund balance. In accordance with the applicable accounting guidance, when both restricted and unrestricted resources are available for use, it is assumed that the Town will use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is assumed that the Town will use committed resources first, then assigned resources and then unassigned resources as they are needed.

Interfund Activities

Interfund Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a restricted fund balance designation (non-spendable) in the General Fund and by a restricted, committed or assigned fund balance designation of other governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance *(Continued)*

Interfund Activities *(Continued)*

Interfund Services Provided and Used

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers.

Interfund Reimbursements

Interfund reimbursements represent repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town's policy provides for uninsured demand and time deposits with banks and savings and loan institutions to be collateralized as prescribed in the Connecticut General Statutes, as described below. In addition, in order to anticipate market changes and provide for a level of security for all funds, all public deposits shall be held in qualified public depositories. As of June 30, 2019, the carrying amount of the Town's cash deposits was \$11,073,410. As of June 30, 2019, \$10,674,276 of the Town's bank balance of \$11,424,732 was exposed to custodial credit risk as follows:

| | |
|--|-----------------------------|
| Uninsured and uncollateralized | \$ 9,606,848 |
| Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name | <u>1,067,428</u> |
| | <u><u>\$ 10,674,276</u></u> |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

Cash Deposits – Custodial Credit Risk (Continued)

All of the Town's deposits were in qualified public institutions as defined by Connecticut General Statutes. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

A reconciliation of the Town's cash and cash equivalents as of June 30, 2019 is as follows:

| | |
|--|-----------------------------|
| Government-wide statement of net position: | |
| Cash and cash equivalents | \$ 14,925,948 |
| Statement of fiduciary net position: | |
| Cash and cash equivalents | <u>902,028</u> |
| | 15,827,976 |
| Less: cash equivalents considered investments for disclosure purposes | <u>(4,754,566)</u> |
| | <u><u>\$ 11,073,410</u></u> |

Investments

A reconciliation of the Town's investments as of June 30, 2019 is as follows:

| | |
|---|-----------------------------|
| Government-wide statement of net position: | |
| Investments | \$ 1,574,746 |
| Statement of fiduciary net position: | |
| Investments | <u>9,592,991</u> |
| | 11,167,737 |
| Add: cash equivalents considered investments for disclosure purposes | <u>4,754,566</u> |
| | <u><u>\$ 15,922,303</u></u> |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2019, the Town's investments consisted of the following:

| Investment type | Valuation Basis | Value | Investment Maturities (In Years) | | | |
|---|-----------------|---------------|-------------------------------------|--------------|------------|--------------|
| | | | Less Than 1 | 1 to 5 | 6 to 10 | More Than 10 |
| Debt Securities: | | | | | | |
| Governmental Activities (excluding Permanent Funds): | | | | | | |
| Short-term Investment Fund | Net asset value | \$ 4,549,109 | \$ 4,549,109 | \$ - | \$ - | \$ - |
| Permanent Funds: | | | | | | |
| Money market mutual funds | Net asset value | 90,944 | - | 29,314 | 61,630 | - |
| Fixed income securities | Fair value | 260,691 | 36,739 | 218,665 | 5,287 | - |
| Fiduciary Funds: | | | | | | |
| Money market mutual funds | Net asset value | 114,513 | 114,513 | - | - | - |
| Negotiable certificates of deposit | Amortized cost | 63,001 | 63,001 | - | - | - |
| Fixed income securities | Fair value | 2,474,407 | 277,160 | 1,809,204 | 388,043 | - |
| | | 7,552,665 | \$ 5,040,522 | \$ 2,057,183 | \$ 454,960 | \$ - |
| Other investments: | | | | | | |
| Permanent Funds: | | | | | | |
| Mutual funds | Fair value | 663,602 | | | | |
| Equity securities | Fair value | 650,453 | | | | |
| Fiduciary Funds: | | | | | | |
| Mutual funds | Fair value | 193,621 | | | | |
| Equity securities | Fair value | 6,861,962 | | | | |
| | | \$ 15,922,303 | | | | |

Investment maturities of the Town's investments in STIF and money market mutual funds were based on the weighted average maturities of those investments.

Interest Rate Risk

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.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. The Town's investments in external investment pools, mutual funds and group annuity contracts are not evidenced by securities and are therefore not exposed to custodial credit risk. The Town's investments in negotiable certificates of deposit are held in book entry form in the name of the Town and are therefore also not exposed to custodial credit risk.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk

The Town has no investment policy that would further limit its investment choices beyond those already limited by Connecticut state statutes. Connecticut state statutes permit the Town to invest in: (1) obligations of the United States, including its instrumentalities and agencies; (2) in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; (3) in shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations; (4) or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. Other provisions of the statutes cover specific municipal funds with particular investment authority. The provisions of the statutes regarding the investment of municipal pension funds does not specify permitted investments. Therefore, the investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan. The Town's investment policy for its pension trust funds pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes, discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The Town's investments in debt securities, excluding U.S. Treasury securities in the amount of \$413,830, were rated as follows at June 30, 2019:

| Investment type | AAA | AA | A | BBB | Unrated |
|--|--------------|-----------|----------|------------|----------------|
| Debt Securities: | | | | | |
| <i>Governmental Activities</i> | | | | | |
| <i>(excluding Permanent Funds):</i> | | | | | |
| Short-term Investment Fund | \$ 4,549,109 | \$ - | \$ - | \$ - | \$ - |
| <i>Permanent Funds:</i> | | | | | |
| Corporate and municipal bonds | - | 34,458 | 125,519 | 100,714 | - |
| <i>Fiduciary Funds:</i> | | | | | |
| Negotiable certificates of deposit | - | - | - | - | 63,001 |
| Corporate and municipal bonds | 15,100 | 246,605 | 879,907 | 918,965 | - |

Concentrations of Credit Risk

The Town places no limit on the amount of investment in any one issuer. As of June 30, 2019, more than 10.0% of the Town's governmental activities (excluding permanent funds) investments are invested in the Short-term Investment Fund (100.0%), which is managed by the State of Connecticut Office of the Treasurer. None of the Town's Permanent Funds or Fiduciary Funds investments in any one issuer exceeded 10.0% as of June 30, 2019.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Town categorizes its fair value measurements as either Level 1 (inputs which are based on quoted prices in active markets for identical assets or liabilities), Level 2 (inputs, other than quoted prices, which are based on observable prices for the asset or liability), and Level 3 (inputs which are based on unobservable prices). Fair value measurements are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2019, by level within the fair value hierarchy are presented in the table below.

| Financial Assets Measured at Fair Value | Prices in Active Market (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|--|--|--|
| <i>Permanent Funds:</i> | | | |
| Corporate and municipal bonds | \$ - | \$ 260,691 | \$ - |
| Mutual funds | 663,602 | - | - |
| Equity securities | 650,453 | - | - |
| <i>Fiduciary Funds:</i> | | | |
| U.S. Treasury securities | 413,830 | - | - |
| Corporate and municipal bonds | - | 2,060,577 | - |
| Mutual funds | 193,621 | - | - |
| Equity securities | 6,861,962 | - | - |

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 consisted of the following:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|---------------------|-----------------------|---------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 6,161,758 | \$ 160,400 | \$ - | \$ 6,322,158 |
| Construction in progress | 2,797,988 | 118,907 | (2,708,593) | 208,302 |
| Total capital assets, not being depreciated | <u>8,959,746</u> | <u>279,307</u> | <u>(2,708,593)</u> | <u>6,530,460</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 62,213,487 | - | - | 62,213,487 |
| Vehicles, machinery and equipment | 9,823,890 | 382,195 | (48,519) | 10,157,566 |
| Infrastructure | 18,831,714 | 3,159,383 | | 21,991,097 |
| Total capital assets, being depreciated | <u>90,869,091</u> | <u>3,541,578</u> | <u>(48,519)</u> | <u>94,362,150</u> |
| Less accumulated depreciation and amortization for: | | | | |
| Buildings and improvements | (28,925,239) | (1,248,145) | - | (30,173,384) |
| Vehicles, machinery and equipment | (5,326,542) | (675,805) | 16,174 | (5,986,173) |
| Infrastructure | (9,572,621) | (406,113) | - | (9,978,734) |
| Total accumulated depreciation and amortization | <u>(43,824,402)</u> | <u>(2,330,063)</u> | <u>16,174</u> | <u>(46,138,291)</u> |
| Total capital assets, being depreciated, net | <u>47,044,689</u> | <u>1,211,515</u> | <u>(32,345)</u> | <u>48,223,859</u> |
| Governmental activities capital assets, net | <u>\$ 56,004,435</u> | <u>\$ 1,490,822</u> | <u>\$ (2,740,938)</u> | <u>\$ 54,754,319</u> |

Depreciation and amortization expense was charged to functions of the Town as follows:

| | |
|--|---------------------|
| Governmental Activities: | |
| General government | \$ 62,229 |
| Public safety | 226,528 |
| Public works | 611,927 |
| Sanitation | 22,389 |
| Health and social services | 27,178 |
| Library | 117,765 |
| Culture and recreation | 1,976 |
| Education | <u>1,260,071</u> |
| Total depreciation and amortization expense - governmental activities | <u>\$ 2,330,063</u> |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2019 are as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|-------------------|
| Governmental Funds: | | |
| General Fund | Nonmajor Governmental Funds | \$ 381,376 |
| | Capital Projects Fund | 396,596 |
| | | <u>777,972</u> |
| Nonmajor Governmental Funds | General Fund | 171,287 |
| | | <u>\$ 949,259</u> |
| Proprietary Funds: | | |
| Internal Service Fund | General Fund | <u>\$ 14,816</u> |

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2019 consisted of the following:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|-------------------|
| Governmental Funds | | |
| General Fund | Nonmajor Governmental Funds | \$ 265,415 |
| Capital Improvement Fund | General fund | 250,000 |
| | Nonmajor Governmental Funds | 54,000 |
| | | <u>304,000</u> |
| Nonmajor Governmental Funds | General Fund | 257,046 |
| | Nonmajor Governmental Funds | 23,000 |
| | | <u>280,046</u> |
| Total transfers | | <u>\$ 849,461</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) account for unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - SHORT-TERM DEBT

In April 2019, the Town issued \$2,000,000 in general obligation bond anticipation notes (the "notes"). The notes bear a coupon rate of 2.25% and matured in October 2019 (see *Note 16*). The purpose of the notes is to provide temporary financing for school, bridge, and road improvements until permanent financing is obtained.

The following is a summary of changes in short-term debt for the year ended June 30, 2019:

| <u>Governmental Activities</u> | <u>Maturity Date</u> | <u>Coupon</u> | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|----------------------|---------------|--------------------------|------------------|------------------|-----------------------|
| General obligation bond anticipation notes payable | 10/17/2019 | 2.25% | \$ - | \$ 2,000,000 | \$ - | \$ 2,000,000 |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---------------------------------------|------------------------------|-------------------|-----------------------|---------------------------|--------------------------------|
| Bonds payable: | | | | | |
| General obligation bonds | \$ 11,475,000 | \$ - | \$ (1,400,000) | \$ 10,075,000 | \$ 1,380,000 |
| Unamortized premium | 363,930 | - | (64,831) | 299,099 | - |
| Total bonds payable | <u>\$ 11,838,930</u> | <u>\$ -</u> | <u>\$ (1,464,831)</u> | <u>\$ 10,374,099</u> | <u>\$ 1,380,000</u> |
| Capital leases from direct borrowings | <u>\$ 549,458</u> | <u>\$ 101,357</u> | <u>\$ (177,413)</u> | <u>\$ 473,402</u> | <u>\$ 178,847</u> |

Long-term debt has typically been liquidated in the General Fund.

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2019 is as follows:

| Governmental Activities | Fiscal Year of Issue | Original Issue | Interest Rates | Maturity Date | Amount Outstanding |
|------------------------------------|---------------------------------|---------------------------|---------------------------|--------------------------|-------------------------------|
| Bonds Payable | | | | | |
| General Obligation Refunding Bonds | 2005 | \$ 5,700,000 | 3.77% | 7/2020 | \$ 775,000 |
| General Obligation Refunding Bonds | 2013 | 7,610,000 | 2.0% - 3.0% | 8/2027 | 5,120,000 |
| General Obligation Bonds | 2015 | 5,320,000 | 2.0% - 4.0% | 11/2034 | 4,180,000 |
| | | | | | <u>\$ 10,075,000</u> |

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2019:

| Year ending June 30: | Governmental Activities | | |
|---------------------------------|--------------------------------|---------------------|----------------------|
| | Bonds Payable | | |
| | Principal | Interest | Total |
| 2020 | \$ 1,380,000 | \$ 268,829 | \$ 1,648,829 |
| 2021 | 1,375,000 | 221,666 | 1,596,666 |
| 2022 | 975,000 | 185,588 | 1,160,588 |
| 2023 | 960,000 | 160,638 | 1,120,638 |
| 2024 | 945,000 | 136,038 | 1,081,038 |
| 2025-2029 | 2,940,000 | 385,668 | 3,325,668 |
| 2030-2034 | 1,250,000 | 136,876 | 1,386,876 |
| 2035 | 250,000 | 4,061 | 254,061 |
| | <u>\$ 10,075,000</u> | <u>\$ 1,499,364</u> | <u>\$ 11,574,364</u> |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8 - LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

Debt Refunding

The Town has advanced refunded general obligation bonds in prior years. The difference between the reacquisition price (the amount placed in escrow) and the net carrying amount of the refunded bonds resulted in deferred charges on refundings in the amount of \$735,165. This amount, net of accumulated amortization of \$513,881, has been presented as a deferred outflow of resources in the government-wide financial statements and is being amortized to interest expense using the effective-interest method over the life of the new bonds. Amortization of deferred charges on refundings totaled \$67,094 for the year ended June 30, 2019.

Statutory Debt Limitation

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2019.

Authorized and unissued debt as of June 30, 2019 totaled \$3,100,000 for bridge and road improvements and \$4,900,000 for school improvements.

Capital Leases from Direct Borrowings

The Town has six capital lease arrangements outstanding as of June 30, 2019. Interest rates on the leases range from 2.25% to 3.12%. Each lease includes a non-appropriation clause and provides the obligor with a security interest in the underlying equipment in the event of default.

A summary of assets under capital lease as of June 30, 2019 is as follows:

| | Governmental Activities |
|--------------------------------|------------------------------------|
| Machinery and equipment | \$ 1,124,926 |
| Less: accumulated amortization | 327,162 |
| | <u>\$ 797,764</u> |

Amortization expense relative to leased property under capital leases as of June 30, 2019 totaled \$95,585 for the year ended June 30, 2019 and is included in depreciation and amortization expense disclosed in Note 4.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 8 - LONG-TERM DEBT (Continued)

Capital Leases from Direct Borrowings

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019 are as follows:

| Year ending June 30: | Governmental Activities |
|---|------------------------------------|
| 2020 | \$ 191,331 |
| 2021 | 76,622 |
| 2022 | 41,178 |
| 2023 | 41,179 |
| 2024 | 20,642 |
| Thereafter | 161,201 |
| Total minimum lease payments | 532,153 |
| Less: amount representing interest | (58,751) |
| Present value of minimum lease payments | <u>\$ 473,402</u> |

NOTE 9 - OTHER LONG-TERM LIABILITIES

Changes in other long-term liabilities for the year ended June 30, 2019 are as follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--------------------------------------|------------------------------|-------------------|-----------------------|---------------------------|--------------------------------|
| Other long-term liabilities: | | | | | |
| Compensated absences | \$ 1,072,310 | \$ 407,410 | \$ (327,436) | \$ 1,152,284 | \$ 357,482 |
| Landfill post closure care liability | 98,000 | - | (14,000) | 84,000 | 14,000 |
| Net pension liability (see Note 10) | 851,264 | - | (85,808) | 765,456 | - |
| Net OPEB liability (see Note 11) | 3,622,700 | - | (803,062) | 2,819,638 | - |
| | <u>\$ 18,032,662</u> | <u>\$ 407,410</u> | <u>\$ (1,230,306)</u> | <u>\$ 4,821,378</u> | <u>\$ 371,482</u> |

Landfill Post-Closure Care Liability

The Town landfill has been closed. State and federal laws and regulations require landfill closures to meet certain standards. Monitoring costs for the next 7 years are estimated to be \$84,000. This amount is based on estimates, which are subject to change due to inflation, technology or applicable laws and regulations.

NOTE 10 - PENSION PLANS

Defined Benefit Plans

Plan Description

The Town maintains two single employer, contributory, defined benefit pension plans: the Town Employees' Plan (the "Town Plan") and the Board of Education Employees' Plan ("Board of Education Plan") and a single employer, noncontributory, defined benefit pension plan: the Volunteer Firefighters Incentive Plan ("Volunteer Firefighters' Plan") (collectively the "Pension Plans"). Collectively, the Plans cover substantially all full time employees except professional personnel at the Board of Education who are covered by the Teachers' Retirement System. The Plans do not issue stand-alone financial statements and are part of the Town's financial reporting entity. As such, the Plans are accounted for in the fiduciary fund financial statements as Pension Trust Funds.

Summary of Significant Accounting Policies

The Plans are accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plans are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

Investments - Investments are generally measured at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments in money market mutual funds are measured at net asset value per share as determined by the fund. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

Investment policy - The Town policy in regard to the allocation of invested assets is established and may be amended by the Board of Selectman for the Town Plan and Volunteer Firefighters' Plan and by the Board of Education for the Board of Education Plan. The Town pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes, discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Concentrations - The Plans' investments were not subject to significant concentration risks as of June 30, 2019. As of June 30, 2019, there were no amounts invested with one issuer that represented more than 10.0% of the total assets for each Plan.

Rate of return - For the year ended June 30, 2019, the annual money-weighted rate of return on the Town Plan's, the Board of Education Plan's and the Volunteer Firefighters' Plan's pension plan investments, net of pension plan investment expense, was 10.37%, 6.09% and 10.06%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Administrative costs - A portion of the administrative costs of the Plans are funded through the Town's General Fund with the remaining portion funded from investment earnings of the Plans.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - PENSION PLANS (Continued)

Defined Benefit Plans (Continued)

Plan Membership

Membership of the Plans consisted of the following as of at the date of the latest actuarial valuations:

| | Town Plan | Board of Education Plan | Firefighters' Plan |
|--|------------------|--|-------------------------------|
| Retired participants and beneficiaries receiving benefits | 5 | 33 | 18 |
| Terminated members entitled to, but not yet receiving benefits | 10 | 10 | 27 |
| Active members | 36 | 50 | 49 |
| | <u>51</u> | <u>93</u> | <u>94</u> |

Benefit Provisions

Town Plan

All Town employees who are not governed by a collective bargaining agreement, under which retirement benefits were the subject of good faith bargaining, are eligible to participate in the plan. Benefits vest after 5 years of service. Normal retirement date is the participant's 65th birthday or the 5th anniversary of joining the plan, if later.

Pension benefits for normal retirement under the plan are based on the average annual earnings received during the five consecutive plan years immediately preceding the date on which the participants' employment terminates. The participant's monthly benefit shall be equal to 1.67% of the average monthly compensation multiplied by the total number of years of employment with the Town (limited to 25 years). The plan permits early retirement for participants at age 55 with 10 years of service. Benefits for early retirement shall be equal to the present value of the participants' accrued benefit. Prior to September 1, 2011, non-union participants contributed 1% and union participants contributed 2.0% of their annual earnings. Effective September 1, 2011, participants were required to make a picked-up contribution to the plan, which the Town agreed to make on the participant's behalf. The amount of the picked-up contribution to the plan was 2.0% for certain union participants and 4.0% for all other employees through June 30, 2015 and 5.0% effective July 1, 2015.

Board of Education Plan

All secretaries, aides, maintenance and custodial workers and nurses employed by the Board of Education are eligible to participate in the plan. Employees hired on or after July 1, 2018 are no longer eligible to participate in the plan. Benefits vest after 10 years of credited service. Normal retirement date is the participants' 65th birthday or the 5th anniversary of joining the plan, if later.

Pension benefits for normal retirement under the plan are based on the average monthly compensation during the five consecutive years of service, at which the participants' earnings were at their highest level. The participant's monthly benefit shall be equal to 1.67% of the average monthly compensation multiplied by the total number of years of employment with the Town (limited to 20 years). Effective July 1, 2018, participants are required to contribute 4.0% (previously 3.5%) of their annual earnings.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - PENSION PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Benefit Provisions *(Continued)*

Volunteer Firefighters' Plan

Each active volunteer firefighter must have completed one active year of service in order to become a participant in the plan. A participant will be eligible for some accrued benefits at age 65 provided he has accrued at least five years of credited service. The retirement benefit formula is \$5 per month per year of credited service.

Other Plan Provisions

The Town Plan does not provide disability benefits. If an employee becomes disabled and must cease employment, he will be entitled to the same benefits as a participant who has terminated employment. In the event of death, a beneficiary shall receive benefits payable upon death, which are subject to certain limitations imposed by law. Death benefits will be equal to the present value of the accrued benefits.

The Board of Education Plan provides a disability retirement benefit, which is equal to the present value of the employee's vested accrued benefit at the disability retirement date.

The Volunteer Firefighters Plan does not provide disability benefits.

Funding Policy

The contribution requirements of plan members and the Town are established and may be amended by the Board of Selectmen. The Town's funding policy provides for periodic employer contributions at rates that, when expressed as a percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contribution rates for normal costs for all Plans were determined using the Aggregate Actuarial Cost Method.

For the year ended June 30, 2019, employer contributions to the Town Plan represented approximately 5.0% of covered payroll.

For the year ended June 30, 2019, employer contributions to the Board of Education Plan represented approximately 12.9% of covered payroll.

Net Pension Liability (Asset)

The components of the Town's net pension liability (asset) for each of its Plans as of June 30, 2019, were as follows:

| | Town Plan | Board of Education Plan | Firefighters' Plan |
|---|---------------------|--|-------------------------------|
| Total pension liability | \$ 4,206,792 | \$ 5,917,705 | \$ 333,502 |
| Plan fiduciary net position | 4,499,861 | 5,152,249 | 339,117 |
| Town's net pension liability (asset) | <u>\$ (293,069)</u> | <u>\$ 765,456</u> | <u>\$ (5,615)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 106.97% | 87.06% | 101.68% |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - PENSION PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Net Pension Liability (Asset) *(Continued)*

The components of the changes in the net pension liability (asset) for each of the Town's Plans for the year ended June 30, 2019, were as follows:

| | Increase (Decrease) | | |
|-------------------------------------|------------------------------------|--|--|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
| Town Plan | | | |
| Balance as of June 30, 2018 | \$ 3,822,320 | \$ 3,973,012 | \$ (150,692) |
| Changes for the year: | | | |
| Service cost | 242,331 | - | 242,331 |
| Interest | 260,419 | - | 260,419 |
| Actuarial (gains) losses | - | - | - |
| Contributions | - | 232,417 | (232,417) |
| Net investment income | - | 413,354 | (413,354) |
| Benefit payments, including refunds | (118,278) | (118,278) | - |
| Administrative expenses | - | (644) | 644 |
| Net changes | 384,472 | 526,849 | (142,377) |
| Balance as of June 30, 2019 | \$ 4,206,792 | \$ 4,499,861 | \$ (293,069) |
| | | | |
| | Increase (Decrease) | | |
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Board of Education Plan | | | |
| Balance as of June 30, 2018 | \$ 5,661,857 | \$ 4,810,593 | \$ 851,264 |
| Changes for the year: | | | |
| Service cost | 178,892 | - | 178,892 |
| Interest | 342,577 | - | 342,577 |
| Actuarial (gains) losses | 510 | - | 510 |
| Contributions | - | 319,091 | (319,091) |
| Net investment income | - | 291,599 | (291,599) |
| Benefit payments, including refunds | (266,131) | (266,131) | - |
| Administrative expenses | - | (2,903) | 2,903 |
| Net changes | 255,848 | 341,656 | (85,808) |
| Balance as of June 30, 2019 | \$ 5,917,705 | \$ 5,152,249 | \$ 765,456 |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - PENSION PLANS (Continued)

Defined Benefit Plans (Continued)

Net Pension Liability (Asset) (Continued)

| | Increase (Decrease) | | |
|-------------------------------------|--------------------------------|------------------------------------|--------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Asset</u> |
| Firefighters' Plan | | | |
| Balance as of June 30, 2018 | \$ 333,502 | \$ 339,117 | \$ (5,615) |
| Changes for the year: | | | |
| Service cost | 7,507 | - | 7,507 |
| Interest | 21,552 | - | 21,552 |
| Actuarial (gains) losses | (3,454) | - | (3,454) |
| Contributions | - | 5,215 | (5,215) |
| Net investment income | - | 33,205 | (33,205) |
| Benefit payments, including refunds | (19,189) | (19,189) | - |
| Administrative expenses | - | - | - |
| Net changes | 6,416 | 19,231 | (12,815) |
| Balance as of June 30, 2019 | <u>\$ 339,918</u> | <u>\$ 358,348</u> | <u>\$ (18,430)</u> |

Actuarial assumptions - The total pension liabilities were determined by actuarial valuations as of July 1, 2017 for the Town Plan, as of July 1, 2018 for the Volunteer Firefighters' Plan, and as of July 1, 2017 for the Board of Education Plan, using the following actuarial assumptions, applied to all periods included in the measurement:

| | <u>Town Plan</u> | <u>Board of Education Plan</u> | <u>Firefighters' Plan</u> |
|---|------------------|--------------------------------|---------------------------|
| Inflation | 3.0% | 2.6% | 2.6% |
| Salary increases (average, including inflation) | 4.0% | 4.0% | Not applicable |
| Investment rate of return (net of investment expense) | 6.5% | 6.0% | 6.5% |

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017 for the Town Plan, the RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined tables for non-annuitants and annuitants, projected to the valuation date with Scale AA for the Board of Education Plan, and the RP-2014 Adjusted to 2006 Blue Collar Mortality Table projected to the valuation date with Scale MP-2016 for the Volunteer Firefighters' Plan.

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

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - PENSION PLANS *(Continued)*

Defined Benefit Plans *(Continued)*

Net Pension Liability (Asset) *(Continued)*

| Asset Class | Target Allocation | | | Long-term Expected Real Rate of Return | | |
|--------------|-------------------|----------------|--------------------|--|----------------|--------------------|
| | Board of | | | Board of | | |
| | Town Plan | Education Plan | Firefighters' Plan | Town Plan | Education Plan | Firefighters' Plan |
| Equity | 60% | 65% | 60% | 7.52% | 5.75% | 6.66% |
| Fixed income | 37% | 30% | 37% | 2.30% | 3.11% | 1.80% |
| Cash | 3% | 5% | 3% | 1.30% | 0.00% | 0.70% |

Discount rate - The discount rate used to measure the total pension liability for the Town Plan, Board of Education Plan and the Volunteer Firefighters' Plan was 6.5%, 6.0% and 6.5%, respectively. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that the Town's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the each of the 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 rates of return on each Plan's investments were applied to all periods of projected benefit payments to determine each Plan's total pension liability.

Sensitivity of the net pension liability to changes in the discount rate - The following presents the net pension liability (asset) for each Plan, calculated using the discount rate disclosed above, as well as what the Town's net pension liability (asset) would be for each of the Plans if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | Discount Rates | | |
|--|----------------|--------------|--------------|
| | -1.0% | Current | +1.0% |
| Town Plan - Net pension liability (asset) | \$ 196,074 | \$ (293,069) | \$ (706,506) |
| Board of Education Plan - Net pension liability | 1,342,602 | 765,456 | 267,016 |
| Firefighters' Plan - Net pension liability (asset) | 31,519 | (18,430) | (58,582) |

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the Town recognized pension expense of \$81,291 for the Town Plan, \$207,487 for the Board of Education Plan and \$9,225 for the Volunteer Firefighters' Plan. At June 30, 2019, the Town reported deferred outflows and inflows of resources related to each of the Plans from the following sources:

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - PENSION PLANS (Continued)

Defined Benefit Plans (Continued)

Pension Expense and Deferred Outflows and Inflows of Resources (Continued)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Net Deferred Outflows (Inflows) of Resources</u> |
|--|---|--|---|
| Town Plan | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ (116,934) | \$ (116,934) |
| Differences between expected and actual experience | - | (309,254) | (309,254) |
| Changes of assumptions | 53,180 | (22,368) | 30,812 |
| | <u>53,180</u> | <u>(448,556)</u> | <u>(395,376)</u> |
| Board of Education Plan | | | |
| Net difference between projected and actual earnings on pension plan investments | 42,211 | - | 42,211 |
| Differences between expected and actual experience | 21,673 | (155,900) | (134,227) |
| Changes of assumptions | - | - | - |
| | <u>63,884</u> | <u>(155,900)</u> | <u>(92,016)</u> |
| Firefighters' Plan | | | |
| Net difference between projected and actual earnings on pension plan investments | - | (5,141) | (5,141) |
| Differences between expected and actual experience | 213 | (5,285) | (5,072) |
| Changes of assumptions | 5,219 | (2,872) | 2,347 |
| | <u>5,432</u> | <u>(13,298)</u> | <u>(7,866)</u> |
| Total | <u>\$ 122,496</u> | <u>\$ (617,754)</u> | <u>\$ (495,258)</u> |

Amounts reported as deferred outflow and inflows of resources related each of the Plans will be recognized as a component of pension expense in future years as follows:

| | <u>Amortization of Deferred Outflows (Inflows) of Resources</u> | | |
|---------------------|---|--|-------------------------------|
| | <u>Town Plan</u> | <u>Board of Education Plan</u> | <u>Firefighters' Plan</u> |
| Year ended June 30, | | | |
| 2020 | \$ (61,576) | \$ 1,708 | \$ 129 |
| 2021 | (77,511) | 1,708 | (1,999) |
| 2022 | (63,563) | (33,260) | (1,592) |
| 2023 | (69,336) | (24,413) | (2,571) |
| 2024 | (38,763) | (22,544) | (223) |
| Thereafter | (84,627) | (15,215) | (1,610) |
| Total | <u>\$ (395,376)</u> | <u>\$ (92,016)</u> | <u>\$ (7,866)</u> |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - PENSION PLANS (Continued)

Defined Benefit Plans (Continued)

Pension Plans Financial Statements

The following presents the statement of fiduciary net position and the statement of changes in fiduciary net position for each of the Plans as of and for the year ended June 30, 2019.

| | Town Plan | Board of Education Plan | Firefighters' Plan |
|--|---------------------|--|-------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 219,797 | \$ 233,421 | \$ 16,082 |
| Investments | 4,288,647 | 4,906,723 | 344,836 |
| Accrued income receivable | 4,453 | 12,105 | - |
| Total assets | <u>4,512,897</u> | <u>5,152,249</u> | <u>360,918</u> |
| Liabilities | | | |
| Accounts payable | 13,036 | - | 2,575 |
| Total liabilities | <u>13,036</u> | <u>-</u> | <u>2,575</u> |
| Net Position | | | |
| Restricted for pension benefits | <u>\$ 4,499,861</u> | <u>\$ 5,152,249</u> | <u>\$ 358,343</u> |
| Additions | | | |
| Contributions: | | | |
| Employer | \$ 113,680 | \$ 243,276 | \$ 5,215 |
| Plan members | 118,737 | 75,815 | - |
| Total contributions | <u>232,417</u> | <u>319,091</u> | <u>5,215</u> |
| Investment earnings: | | | |
| Interest and dividends | 106,722 | 90,236 | 7,647 |
| Net change in the fair value of investments, net of investment fees | 306,632 | 201,363 | 25,558 |
| Total investment earnings, net | <u>413,354</u> | <u>291,599</u> | <u>33,205</u> |
| Total additions | <u>645,771</u> | <u>610,690</u> | <u>38,420</u> |
| Deductions | | | |
| Benefit payments | 118,922 | 266,131 | 19,189 |
| Administrative expenses | - | 2,903 | - |
| Total deductions | <u>118,922</u> | <u>269,034</u> | <u>19,189</u> |
| Change in net position | 526,849 | 341,656 | 19,231 |
| Net Position Restricted for Pension Benefits | | | |
| Beginning | 3,973,012 | 4,810,493 | 339,117 |
| Ending | <u>\$ 4,499,861</u> | <u>\$ 5,152,149</u> | <u>\$ 358,348</u> |

NOTE 10 - PENSION PLANS (Continued)

Connecticut State Teachers' Retirement System

Plan Description

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") Title 10, Chapter 167a and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The TRS is included as a fiduciary pension trust fund in the State of Connecticut's Comprehensive Annual Financial Report and the Board issues publicly available financial reports. These reports can be obtained from the Connecticut Office of the State Comptroller.

Benefit Provisions

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

Normal Retirement: Retirement benefits for the employees are calculated as 2.0% of the average annual salary times the years of credited service (maximum benefit is 75.0% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of the 6.0% contributions made prior to July 1, 1989 and voluntary contributions are payable.

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6.0% per year for the first five years preceding normal retirement age and 4.0% per year for the next five years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.0% per year by which retirement precedes normal retirement date.

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly benefit of \$1,200 to teachers who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Disability Retirement: There is no service requirement if incurred in the performance of duty. Employees are eligible for five years of credited service if not incurred in the performance of duty. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary.

A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

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.

Contributions

Per CGS 10-183z, contribution requirements of active employees and the State are amended and certified by the 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 amounts to finance any unfunded accrued liability.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - PENSION PLANS (Continued)

Connecticut State Teachers' Retirement System (Continued)

Contributions (Continued)

In accordance with CGS Section 10-183z, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute 100% of an employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Effective January, 1, 2018, active employees are required to contribute 7.0%, previously 6.0%, of their annual earnings to the plan.

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.

Administrative Expenses

Administrative costs of the plan are funded by the State.

Basis of Presentation

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net pension liability that is attributed to the Town as of June 30, 2019.

Allocation Methodology

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2018 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. For fiscal year 2018, the Town's expected contribution effort for allocation purposes totaled \$3,514,678 or 0.276% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective pension expense and deferred outflows and inflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective pension expense allocated to the Town totaled \$4,081,423.

The total collective net pension liability of participating employers for the TRS was approximately \$13.164 billion as of the June 30, 2018 measurement date. The portion attributed to the Town totaled \$36,365,843 or approximately 0.276% of the total collective net pension liability.

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:

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - PENSION PLANS (Continued)

Connecticut State Teachers' Retirement System (Continued)

Actuarial Assumptions (Continued)

| | |
|---------------------------|--|
| 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 |
| Administrative expenses | \$0 assumption as expenses are paid for by the General Assembly |

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

Future cost-of-living increases for teachers who retired prior to September 1, 1992, 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%.

Long-Term Rate of Return

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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|-----------------------------|--------------------------|---|
| Large Cap U.S. Equities | 21.0% | 5.8% |
| Developed Non-U.S. Equities | 18.0% | 6.6% |
| Emerging Markets (Non-U.S.) | 9.0% | 8.3% |
| Real Estate | 7.0% | 5.1% |
| Private equity | 11.0% | 7.6% |
| Alternative investments | 8.0% | 4.1% |
| Core fixed income | 7.0% | 1.3% |
| High Yield Bonds | 5.0% | 3.9% |
| Emerging market bond | 5.0% | 3.7% |
| Inflation linked bond fund | 3.0% | 1.0% |
| Cash | 6.0% | 0.4% |
| | <u>100.0%</u> | |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - PENSION PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

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 the State 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.

Proportionate Share of the Collective Net Pension Liability

The following presents the proportionate share of the net pension liability attributed to the Town as of the June 30, 2018 measurement date, calculated using a discount rate of 8.00%, as well as what the proportionate share of the net pension liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

| | 1.00% Decrease (7.00%) | Current Rate (8.00%) | 1.00% Increase (9.00%) |
|--|---------------------------------------|-------------------------------------|---------------------------------------|
| Town's proportionate share of the net pension liability (rounded to nearest thousand) | \$ 45,960,000 | \$ 36,366,000 | \$ 28,253,000 |

Volunteer Firefighters' Deferred Compensation Plan

The Town offers its full-time firefighters a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under terms of the plan, the Town is required to contribute 6.0% of a participant's base wages in addition to accumulated sick time earned up to five days. Deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Town has no trustee or other fiduciary responsibilities related to participant accounts and therefore the plan is not accounted for in the fiduciary fund financial statements of the Town.

Amounts contributed by the Town into this plan totaled \$17,946 for the year ended June 30, 2019.

Town Deferred Compensation Plan

The Town offers all employees who are eligible for benefits a deferred compensation plan created by the State of Connecticut in accordance with Internal Revenue Code Section 457. The Town is not required to make contributions to this plan. Deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. The Town has no trustee or other fiduciary responsibilities related to participant accounts and therefore the plan is not accounted for in the fiduciary fund financial statements of the Town.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 10 - PENSION PLANS (Continued)

Board of Education 403(b) Plans

The Board of Education provides retirement benefits through a 403(b) plans for certain employees. Under the provisions of the Plan, all eligible employees (except those covered under a comparable employer plan) may participate. Contribution requirements are established and may be amended by the Board of Education. Amounts contributed by the Board of Education into 403(b) plan totaled \$25,415 for the year ended June 30, 2019.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Board of Education Plan

Plan Description

Plan administration - The Town's Board of Education administers a single-employer post-retirement healthcare plan, the Board of Education Other Post-Employment Benefits (OPEB) Plan (the "OPEB Plan"), that provides health benefits for eligible retirees and their spouses. During June 2018, the Board of Education established an OPEB trust to begin accumulating resources for the purpose of funding future OPEB benefits. The OPEB Plan is considered to be part of the Town's financial reporting entity and is included in the Town's financial statements as an Other Post-Employment Benefits Trust Fund. The Plan does not issue stand-alone financial reports.

Plan membership - As of July 1, 2018, the date of the most recent actuarial valuation, membership data was as follows:

| | |
|---|-------------------|
| Active plan members | 208 |
| Retirees and beneficiaries receiving benefits | <u>16</u> |
| | <u><u>224</u></u> |

Benefits provided - Health benefits for retired teachers are determined by State law. Retired or disabled teachers receiving benefits from the State Teachers' Retirement System (TRS) can receive health insurance coverage from the Teachers' Retirement Board if they are eligible for Medicare Part A hospital insurance. Those who are not eligible for Medicare Part A are allowed to participate by law in the same plan offer by the Board Education to active teachers if they were last employed by the Board of Education. Benefits are established by contract and state law.

Contributions - Contribution requirements are established by state law and the Board of Education. State law requires that the premium charged to retirees may not be greater than that charged for the same form of coverage for active teachers. In addition, state law requires that the TRS provide a subsidy to the Board of Education to offset the cost to retirees. In 2000, the subsidy amount was statutorily frozen at \$110 per person per month.

For the year ended June 30, 2019, the amount contributed towards OPEB benefits totaled \$165,758, of which \$28,000 was contributed directly into the OPEB Trust.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Board of Education Plan (Continued)

Summary of Significant Accounting Policies

The OPEB Plan is accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Board of Education contributions are recognized when due and when the Board of Education has made a formal commitment to provide the contributions. Benefits and refunds are recognized when they are due and payable in accordance with terms of the OPEB Plan.

Investments - Investments are recorded at fair value. Short-term investments are reported at cost, which approximates fair value. Fair value of other securities is determined by the most recent bid and asked prices as obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Board of Education, with the assistance of a valuation service. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

Investment policy - The OPEB Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Board of Education. The Board of Education pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes, discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Rate of return - For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB plan investments, net of investment expense, was 6.07%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

The components of the Town's net OPEB liability for the OPEB Plan at June 30, 2019, were as follows:

| | |
|--|----------------------------|
| Total OPEB liability | \$ 2,874,180 |
| Plan fiduciary net position | <u>54,542</u> |
| Town's net OPEB liability | <u><u>\$ 2,819,638</u></u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 1.90% |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Board of Education Plan (Continued)

Net OPEB Liability (Continued)

The components of the change in the Town's net OPEB liability for the OPEB Plan for the year ended June 30, 2019, were as follows:

| | Increase (Decrease) | | |
|-------------------------------------|---------------------------------|--|-------------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance as of June 30, 2018 | \$ 3,647,700 | \$ 25,000 | \$ 3,622,700 |
| Changes for the year: | | | |
| Service cost | 42,290 | - | 42,290 |
| Interest | 216,390 | - | 216,390 |
| Actuarial (gains) losses | (862,762) | - | (862,762) |
| Contributions - employer | - | 165,758 | (165,758) |
| Contributions - TRB subsidies | - | 31,680 | (31,680) |
| Net investment income | - | 1,542 | (1,542) |
| Benefit payments, including refunds | (169,438) | (169,438) | - |
| Administrative expenses | - | - | - |
| Net changes | (773,520) | 29,542 | (803,062) |
| Balance as of June 30, 2019 | \$ 2,874,180 | \$ 54,542 | \$ 2,819,638 |

Actuarial Assumptions - The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|--------------------------------|
| Investment rate of return | 6.00% |
| Discount rate | 6.00% |
| Inflation rate | 2.60% |
| Healthcare cost trend rate: | |
| Initial | 7.00% decreasing 0.5% per year |
| Ultimate | 4.60% |

It has been assumed that 60% (previously 80%) of active eligible employees at retirement will continue with medical coverage through the Board of Education. In addition, it has been assumed that 20% of non-Medicare eligible retirees age 65 and older will continue with medical coverage through the Board of Education.

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables and for non-annuitants and annuitants, projected to the valuation date with Scale MP- 2018 (previously RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2015).

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Board of Education Plan *(Continued)*

Net OPEB Liability *(Continued)*

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

| Asset Class | Allocation | Long-term Expected Rate of Return |
|--------------------|-------------------|--|
| Equity | 65.0% | 5.75% |
| Fixed income | 30.0% | 3.11% |
| Cash | 5.0% | 0.00% |

Discount rate - The discount rate used to measure the total OPEB liability was 6.0%. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that the Board of Education's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on the OPEB Plan's investments were applied to all periods of projected benefit payments to determine the OPEB Plan's total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents the Town's net OPEB liability for the OPEB Plan, calculated using the discount rate disclosed above, as well as what the Town's net OPEB liability would be for the OPEB Plan if it were calculated using a discount rate that is 1-percentage-point lower (5.0%) or 1-percentage-point higher (7.0%) than the current rate (6.0%):

| | Discount Rates | | |
|--|-----------------------|----------------|--------------|
| | -1.0% | Current | +1.0% |
| Net OPEB liability as of June 30, 2019 | \$ 3,150,624 | \$ 2,819,638 | \$ 2,538,140 |

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the Town's net OPEB asset for the OPEB Plan, calculated using the discount rate disclosed above, as well as what the Town's net OPEB liability would be for the OPEB Plan if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | Healthcare Cost Trend Rates | | |
|--|------------------------------------|----------------|--------------|
| | -1.0% | Current | +1.0% |
| Net OPEB liability as of June 30, 2019 | \$ 2,504,588 | \$ 2,819,638 | \$ 3,190,706 |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Board of Education Plan *(Continued)*

OPEB Plan Financial Statements

The following presents the statements of fiduciary net position and the statement of changes in fiduciary net position for the Town's OPEB Plan as of and for the year ended June 30, 2019.

| | |
|--|------------------|
| Assets | |
| Cash and cash equivalents | \$ 1,186 |
| Investments | 53,357 |
| Total assets | <u>54,543</u> |
| Net Position | |
| Restricted for OPEB benefits | <u>\$ 54,543</u> |
| Additions | |
| Contributions: | |
| Employer | \$ 28,000 |
| Total contributions | <u>28,000</u> |
| Investment earnings: | |
| Interest and dividends | 1,295 |
| Net change in the fair value of investments, net of investment fees | <u>517</u> |
| Total investment earnings, net | <u>1,812</u> |
| Total additions | <u>29,812</u> |
| Deductions | |
| Benefit payments | - |
| Administrative expenses | <u>269</u> |
| Total deductions | <u>269</u> |
| Change in net position | 29,543 |
| Net Position Restricted for OPEB Benefits | |
| Beginning | <u>25,000</u> |
| Ending | <u>\$ 54,543</u> |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Board of Education Plan (Continued)

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2019, the Town recognized OPEB expense of \$158,605. As of June 30, 2019, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Net Deferred Outflows (Inflows) of Resources</u> |
|--|---|--|---|
| Net difference between projected and actual earnings on pension plan investments | \$ 1,072 | \$ - | \$ 1,072 |
| Differences between expected and actual experience | | (799,725) | (799,725) |
| Changes of assumptions | - | - | - |
| Total | <u>\$ 1,072</u> | <u>\$ (799,725)</u> | <u>\$ (798,653)</u> |

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

| | |
|---------------------|---------------------|
| Year ended June 30, | |
| 2019 | \$ (66,067) |
| 2020 | (66,067) |
| 2021 | (66,068) |
| 2022 | (66,214) |
| 2023 | (66,372) |
| Thereafter | <u>(467,865)</u> |
| Total | <u>\$ (798,653)</u> |

Connecticut State Teachers' Retirement System

Plan Description

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund. These reports can be obtained from the Connecticut Office of the State Comptroller.

Benefit Provisions

The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

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

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

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

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.

Contributions

Per CGS 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 TRB and appropriated by the General Assembly. The State pays for one third of plan costs through annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan.

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Administrative Expenses

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

Basis of Presentation

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the Town as of June 30, 2019.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Connecticut State Teachers' Retirement System (Continued)

Basis of Presentation (Continued)

The components associated with the OPEB expense and deferred outflows and inflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2018.

Allocation Methodology

The schedule of allocations have been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2018.

For fiscal year 2018, the Town's expected contribution effort for allocation purposes totaled \$97,514 or 0.276% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective OPEB expense and deferred outflows and inflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective OPEB expense allocated to the Town totaled \$(2,415,015).

The total collective net OPEB liability of participating employers for the TRS was approximately \$2.632 billion as of the June 30, 2018 measurement date. The portion attributed to the Town totaled \$7,269,776 or approximately 0.276% of the total collective net OPEB liability.

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% |
| Real Wage Growth | 0.50% |
| Wage Inflation | 3.25% |
| Salary increases | 3.25% - 6.50%, including inflation |
| Long-term investment rate of return | 3.00%, net of OPEB plan investment expense, including inflation |

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

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Connecticut State Teachers' Retirement System (Continued)

Long-Term Rate of Return

The long-term expected rate of return on plan assets is reviewed as part of the actuarial valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Expected 10-Year Geometric Real Rate of Return</u> |
|------------------------------------|------------------------------|---|
| U.S. Treasuries (Cash Equivalents) | 100.0% | 0.27% |

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 was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2018.

In addition to the actuarial methods and assumptions of the June 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate.
- Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

Proportionate Share of the Collective Net OPEB Liability

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2018 measurement date, calculated using a discount rate of 3.87%, as well as what the proportionate share of the net OPEB liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

| | 1.00% Decrease (2.87%) | Current Rate (3.87%) | 1.00% Increase (4.87%) |
|--|---------------------------------------|-------------------------------------|---------------------------------------|
| Proportionate share of the net OPEB liability attributed to the Town | \$ 8,633,000 | \$ 7,270,000 | \$ 6,183,000 |

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2018 measurement date, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|--|---------------------------------------|--------------------------------|---------------------------------------|
| Proportionate share of the net OPEB liability attributed to the Town | \$ 6,092,000 | \$ 7,270,000 | \$ 8,833,000 |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 12 - FUND BALANCE

As of June 30, 2019, nonspendable, restricted, committed and assigned fund balance consisted of the following:

| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total |
|--|-------------------------|--------------------------------------|--|----------------------|
| Nonspendable | | | | |
| Library operations | \$ - | \$ - | \$ 75,000 | \$ 75,000 |
| Restricted for: | | | | |
| Capital purposes - School improvements | - | 972,159 | - | 972,159 |
| Capital purposes - Roads and bridges | - | 892,692 | 29,509 | 922,201 |
| Capital purposes - Debt service | - | 10,384 | - | 10,384 |
| Park and recreation - Splash pad | - | - | 103,500 | 103,500 |
| Library operations | - | - | 657,594 | 657,594 |
| Cemetery operations | - | - | 948,329 | 948,329 |
| Open space | - | - | 179,559 | 179,559 |
| Education programs | - | - | 68,493 | 68,493 |
| Committed to: | | | | |
| Other post-employment benefits | 780,737 | - | - | 780,737 |
| Sewer operations | - | - | 397,560 | 397,560 |
| Ambulance operations | - | - | 366,864 | 366,864 |
| Capital purposes | - | 226,355 | 120,174 | 346,529 |
| Education programs | - | - | 169,477 | 169,477 |
| Other purposes | 6,500 | - | 389,660 | 396,160 |
| Assigned to: | | | | |
| Ambulance capital | - | - | 64,056 | 64,056 |
| Use in fiscal year 2020 budget | 561,381 | - | - | 561,381 |
| Unassigned | 7,060,613 | (2,000,000) | - | 5,060,613 |
| | <u>\$ 8,409,231</u> | <u>\$ 101,590</u> | <u>\$ 3,569,775</u> | <u>\$ 12,080,596</u> |

The unassigned deficit in the Capital Projects Fund is attributed to the use of short-term debt to temporarily finance authorized capital projects. The Town intends to permanently finance the costs of the projects through the a combination of grants from the State of Connecticut and the issuance of general obligation bonds.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 13 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The Town purchases commercial insurance for all risks of loss except workers' compensation and liability-automobile-property insurance for which it participates in risk sharing pools, and dental benefits for which the Town is self-insured. During the year ended June 30, 2019, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years. In addition, there have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies that was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program.

Workers' Compensation Pool

The Town is a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in the coverage period will be evaluated at 18, 30 and 42 months after the effective date of coverage. The premium is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence.

Liability-Automobile-Property Pool

The Town is a member of CIRMA's Liability-Automobile-Property Pool, a risk-sharing pool. The Liability-Automobile-Property Pool provides general liability, automobile liability, employee benefit liability, law enforcement liability, public officials and property coverage. The premium is subject to these coverages, and claims and expense payments falling within the deductible amounts are the responsibility of the Town. CIRMA's Liability-Automobile-Property Pool retains \$1,000,000 per occurrence for each line of liability coverage.

Self-Insured Dental Benefits

The Town provides dental coverage to employees of the Board of Education through a self-insured plan. The Town retains the risk of loss under the plan. Claims are processed by a third party administrator. The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2019. Claims liabilities are recorded if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

A summary of claims activity for the years ended June 30, 2019 and 2018 is as follows:

| Year Ended June 30 | Claims Payable, Beginning of Year | Claims and Changes in Estimates | Claims Paid | Claims Payable, End of Year |
|-------------------------------|--|--|------------------------|--|
| 2019 | \$ 15,044 | \$ 148,430 | \$ 160,032 | \$ 3,442 |
| 2018 | 10,030 | 166,512 | 161,498 | 15,044 |

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (*Continued*)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 14 - CONTINGENCIES

There are several lawsuits pending against the Town. The outcome and eventual liability to the Town, if any, in these cases is not known at this time. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.

The Town has received state and federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

NOTE 15 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the Town's reporting period beginning July 1, 2020. The Town does not expect this statement to have a material effect on its financial statements.

TOWN OF SOMERS, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 15 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE (Continued)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town does not expect this statement to have a material effect on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2021. The Town does not expect this statement to have a material effect on its financial statements.

NOTE 16 - SUBSEQUENT EVENTS

In September 2019, the Town voted at a Special Town Meeting to appropriate \$787,237 from committed fund balance of the General Fund for the purpose of making an additional contribution to the Town's OPEB Trust Fund.

In October 2019, the Town issued \$6,000,000 in general obligation bond anticipation notes (the "notes"). The notes bear a coupon rate of 2.0% and mature in October 2020. Proceeds from the issuance were used to retire \$2,000,000 in previously outstanding general obligation bond anticipation notes and to provide temporary financing for school, bridge, and road improvements until permanent financing is obtained.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWN OF SOMERS, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2019

| | Budgeted Amounts | | | Variance With |
|---------------------------------------|-------------------------|---------------|---------------|----------------------|
| | Original | Final | Actual | Final Budget |
| | | | | Over (Under) |
| REVENUES | | | | |
| Property taxes | \$ 23,530,333 | \$ 23,530,333 | \$ 23,764,097 | \$ 233,764 |
| Intergovernmental | 7,717,753 | 7,717,753 | 8,441,043 | 723,290 |
| Charges for services | 606,600 | 606,600 | 965,474 | 358,874 |
| Investment income | 90,000 | 90,000 | 231,931 | 141,931 |
| Total revenues | 31,944,686 | 31,944,686 | 33,402,545 | 1,457,859 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,834,699 | 2,837,392 | 2,831,329 | (6,063) |
| Public safety | 1,592,883 | 1,582,566 | 1,573,329 | (9,237) |
| Public works | 1,578,752 | 1,620,639 | 1,620,638 | (1) |
| Sanitation | 516,576 | 534,472 | 534,471 | (1) |
| Health and social services | 151,401 | 152,553 | 151,830 | (723) |
| Library | 471,008 | 477,256 | 472,755 | (4,501) |
| Culture and recreation | 156,826 | 156,151 | 154,178 | (1,973) |
| Education | 22,822,511 | 22,822,511 | 22,816,741 | (5,770) |
| Other | 42,500 | 33,275 | - | (33,275) |
| Debt service | 1,716,421 | 1,716,421 | 1,716,420 | (1) |
| Total expenditures | 31,883,577 | 31,933,236 | 31,871,691 | (61,545) |
| Excess of revenues over expenditures | 61,109 | 11,450 | 1,530,854 | 1,519,404 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Appropriation from fund balance | - | 49,659 | - | (49,659) |
| Transfers in | 313,891 | 313,891 | 265,415 | (48,476) |
| Transfers out | (375,000) | (375,000) | (375,000) | - |
| Total other financing sources (uses) | (61,109) | (11,450) | (109,585) | (98,135) |
| Net change in fund balances | \$ - | \$ - | \$ 1,421,269 | \$ 1,421,269 |

See accompanying notes to required supplementary information.

TOWN OF SOMERS, CONNECTICUT
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION (ASSET) LIABILITY AND RELATED RATIOS - PENSION
TOWN EMPLOYEES' PENSION PLAN (UNAUDITED)
LAST SIX FISCAL YEARS

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|------------------|------------------|------------------|-------------------|
| Total pension liability | | | | | | |
| Service cost | \$ 242,331 | \$ 229,981 | \$ 221,135 | \$ 182,897 | \$ 169,099 | \$ 162,595 |
| Interest | 260,419 | 250,831 | 226,607 | 211,827 | 190,542 | 171,627 |
| Actuarial (gains) losses | - | (233,420) | - | (152,472) | - | - |
| Benefit payments, including refunds | (118,278) | (106,400) | (62,075) | (44,496) | (47,364) | (52,004) |
| Net change in total pension liability | 384,472 | 140,992 | 385,667 | 197,756 | 312,277 | 282,218 |
| Total pension liability - beginning | 3,822,320 | 3,681,328 | 3,295,661 | 3,097,905 | 2,785,628 | 2,503,410 |
| Total pension liability - ending | 4,206,792 | 3,822,320 | 3,681,328 | 3,295,661 | 3,097,905 | 2,785,628 |
| Plan net position | | | | | | |
| Contributions - employer | 113,680 | 95,000 | 114,281 | 137,126 | 131,852 | 186,330 |
| Contributions - members | 118,737 | 114,982 | 101,721 | 104,933 | 69,948 | 79,388 |
| Net investment income | 413,354 | 212,193 | 283,987 | 13,638 | 187,253 | 377,680 |
| Benefit payments, including refunds | (118,278) | (106,400) | (62,075) | (44,496) | (47,364) | (52,004) |
| Administrative expenses | (644) | (478) | (1,451) | (3,196) | - | - |
| Net change in plan net position | 526,849 | 315,297 | 436,463 | 208,005 | 341,689 | 591,394 |
| Plan net position - beginning | 3,973,012 | 3,657,715 | 3,221,252 | 3,013,247 | 2,671,558 | 2,080,164 |
| Plan net position - ending | 4,499,861 | 3,973,012 | 3,657,715 | 3,221,252 | 3,013,247 | 2,671,558 |
| Town's net pension (asset) liability | <u>\$ (293,069)</u> | <u>\$ (150,692)</u> | <u>\$ 23,613</u> | <u>\$ 74,409</u> | <u>\$ 84,658</u> | <u>\$ 114,070</u> |
| Plan net pension as percentage of total pension liability | 107.0% | 103.9% | 99.4% | 97.7% | 97.3% | 95.9% |
| Covered payroll | \$ 2,262,289 | \$ 2,175,278 | \$ 1,971,124 | \$ 1,422,470 | \$ 1,367,760 | \$ 1,367,760 |
| Town net pension liability as a percentage of covered payroll | -13.0% | -6.9% | 1.2% | 5.2% | 6.2% | 8.3% |

See accompanying notes to required supplementary information.

TOWN OF SOMERS, CONNECTICUT
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY AND RELATED RATIOS - PENSION
BOARD OF EDUCATION EMPLOYEES' PENSION PLAN (UNAUDITED)
LAST SIX FISCAL YEARS

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | | |
| Service cost | \$ 178,892 | \$ 172,012 | \$ 185,360 | \$ 142,155 | \$ 188,446 | \$ 183,963 |
| Interest | 342,577 | 334,152 | 307,379 | 298,952 | 285,926 | 284,622 |
| Actuarial (gains) losses | 510 | (108,369) | 25,742 | (81,477) | (41,393) | (165,334) |
| Benefit payments, including refunds | (266,131) | (262,441) | (228,164) | (218,122) | (205,772) | (179,476) |
| Net change in total pension liability | 255,848 | 135,354 | 290,317 | 141,508 | 227,207 | 123,775 |
| Total pension liability - beginning | 5,661,857 | 5,526,503 | 5,236,186 | 5,094,678 | 4,867,471 | 4,743,696 |
| Total pension liability - ending | 5,917,705 | 5,661,857 | 5,526,503 | 5,236,186 | 5,094,678 | 4,867,471 |
| Plan net position | | | | | | |
| Contributions - employer | 243,276 | 243,276 | 268,290 | 279,225 | 246,409 | 256,031 |
| Contributions - members | 75,815 | 65,893 | 57,499 | 55,390 | 54,183 | 56,031 |
| Net investment income | 291,599 | 210,621 | 393,333 | 60,843 | 43,794 | 386,335 |
| Benefit payments, including refunds | (266,131) | (262,441) | (228,164) | (218,122) | (205,772) | (179,476) |
| Administrative expenses | (2,903) | (20,212) | (3,504) | (5,012) | (47,489) | (12,516) |
| Net change in plan net position | 341,656 | 237,137 | 487,454 | 172,324 | 91,125 | 506,405 |
| Plan net position - beginning | 4,810,593 | 4,573,456 | 4,086,002 | 3,913,678 | 3,822,553 | 3,316,148 |
| Plan net position - ending | 5,152,249 | 4,810,593 | 4,573,456 | 4,086,002 | 3,913,678 | 3,822,553 |
| Town's net pension liability | <u>\$ 765,456</u> | <u>\$ 851,264</u> | <u>\$ 953,047</u> | <u>\$ 1,150,184</u> | <u>\$ 1,181,000</u> | <u>\$ 1,044,918</u> |
| Plan net pension as percentage of total pension liability | 87.1% | 85.0% | 82.8% | 78.0% | 76.8% | 78.5% |
| Covered payroll | \$ 1,881,109 | \$ 1,687,217 | \$ 1,622,324 | \$ 1,515,260 | \$ 1,642,588 | \$ 1,558,932 |
| Town net pension liability as a percentage of covered payroll | 40.7% | 50.5% | 58.7% | 75.9% | 71.9% | 67.0% |

See accompanying notes to required supplementary information.

TOWN OF SOMERS, CONNECTICUT
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION ASSET AND RELATED RATIOS - PENSION
VOLUNTEER FIREFIGHTERS' PENSION PLAN (UNAUDITED)
LAST SIX FISCAL YEARS

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| Total pension liability | | | | | | |
| Service cost | \$ 7,507 | \$ 7,507 | \$ 6,048 | \$ 6,048 | \$ 6,048 | \$ 6,092 |
| Interest | 21,552 | 20,955 | 20,273 | 18,236 | 18,928 | 18,377 |
| Actuarial (gains) losses | (3,454) | - | 306 | - | 408 | - |
| Benefit payments, including refunds | (19,189) | (19,370) | (15,885) | (14,050) | (13,996) | (17,836) |
| Net change in total pension liability | 6,416 | 9,092 | 10,742 | 10,234 | 11,388 | 6,633 |
| Total pension liability - beginning | 333,502 | 324,410 | 313,668 | 303,434 | 292,046 | 285,413 |
| Total pension liability - ending | 339,918 | 333,502 | 324,410 | 313,668 | 303,434 | 292,046 |
| Plan net position | | | | | | |
| Contributions - employer | 5,215 | 5,215 | 2,380 | 2,380 | 11,577 | 11,577 |
| Contributions - members | - | - | - | - | - | - |
| Net investment income | 33,205 | 16,544 | 22,905 | 4,864 | 13,442 | 72,286 |
| Benefit payments, including refunds | (19,189) | (19,370) | (15,885) | (14,050) | (13,996) | (17,836) |
| Administrative expenses | - | (224) | (40) | (117) | - | - |
| Net change in plan net position | 19,231 | 2,165 | 9,360 | (6,923) | 11,023 | 66,027 |
| Plan net position - beginning | 339,117 | 336,952 | 327,592 | 334,515 | 323,492 | 257,465 |
| Plan net position - ending | 358,348 | 339,117 | 336,952 | 327,592 | 334,515 | 323,492 |
| Town's net pension asset | <u>\$ (18,430)</u> | <u>\$ (5,615)</u> | <u>\$ (12,542)</u> | <u>\$ (13,924)</u> | <u>\$ (31,081)</u> | <u>\$ (31,446)</u> |
| Plan net pension as percentage of total pension liability | 105.4% | 101.7% | 103.9% | 104.4% | 110.2% | 110.8% |
| Covered employee payroll | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| Town net pension liability as a percentage of covered employee payroll | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |

See accompanying notes to required supplementary information.

TOWN OF SOMERS, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - PENSION
TOWN EMPLOYEES' PENSION PLAN (UNAUDITED)
LAST SIX FISCAL YEARS

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------|------------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution | \$ 113,680 | \$ 118,852 | \$ 114,281 | \$ 137,126 | \$ 131,852 | \$ 186,330 |
| Contributions in relation to actuarially determined contribution | <u>113,680</u> | <u>95,000</u> | <u>114,281</u> | <u>137,126</u> | <u>131,852</u> | <u>186,330</u> |
| Excess (deficiency) of contribution | <u>\$ -</u> | <u>\$ 23,852</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 2,262,289 | \$ 2,175,278 | \$ 1,971,124 | \$ 1,422,470 | \$ 1,367,760 | \$ 1,367,760 |
| Contributions as a percentage of covered employee payroll | 5.02% | 4.37% | 5.80% | 9.64% | 9.64% | 14.17% |
| Annual money-weighted rate of return, net of investment expense | 10.37% | 5.80% | 8.72% | 3.84% | 6.73% | 16.77% |

See accompanying notes to required supplementary information.

TOWN OF SOMERS, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - PENSION
BOARD OF EDUCATION EMPLOYEES' PENSION PLAN (UNAUDITED)
LAST SIX FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|----------------|----------------|----------------|-------------------|----------------|----------------|
| Actuarially determined contribution | \$ 243,276 | \$ 243,276 | \$ 268,290 | \$ 331,755 | \$ 300,592 | \$ 312,031 |
| Contributions in relation to actuarially determined contribution | <u>243,276</u> | <u>243,276</u> | <u>268,290</u> | <u>325,789</u> | <u>300,592</u> | <u>312,270</u> |
| Excess (deficiency) of contribution | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (5,966)</u> | <u>\$ -</u> | <u>\$ 239</u> |
| Covered payroll | \$ 1,881,109 | \$ 1,687,217 | \$ 1,622,324 | \$ 1,515,260 | \$ 1,642,588 | \$ 1,558,932 |
| Contributions as a percentage of covered payroll | 12.93% | 14.42% | 16.54% | 21.50% | 18.30% | 20.03% |
| Annual money-weighted rate of return, net of investment expense | 6.09% | 4.71% | 9.08% | 1.52% | 1.16% | 13.80% |

See accompanying notes to required supplementary information.

TOWN OF SOMERS, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - PENSION
VOLUNTEER FIREFIGHTERS' PENSION PLAN (UNAUDITED)
LAST SIX FISCAL YEARS

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Actuarially determined contribution | \$ 5,215 | \$ 5,215 | \$ 2,380 | \$ 2,380 | \$ 11,577 | \$ 11,577 |
| Contributions in relation to actuarially determined contribution | <u>5,215</u> | <u>5,215</u> | <u>2,380</u> | <u>2,380</u> | <u>11,577</u> | <u>11,577</u> |
| Excess (deficiency) of contribution | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| Contributions as a percentage of covered employee payroll | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable | Not applicable |
| Annual money-weighted rate of return, net of investment expense | 10.06% | 5.04% | 7.13% | 1.90% | 4.20% | 28.48% |

See accompanying notes to required supplementary information.

TOWN OF SOMERS, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST FIVE FISCAL YEARS
(Rounded to nearest thousand)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Proportion of the net pension liability attributed to the Town | 0.276% | 0.263% | 0.263% | 0.269% | 0.269% |
| Town's proportionate share of the net pension liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability attributed to the Town | 36,366,000 | 35,533,000 | 37,488,000 | 29,518,000 | 27,284,000 |
| Total | <u>\$ 36,366,000</u> | <u>\$ 35,533,000</u> | <u>\$ 37,488,000</u> | <u>\$ 29,518,000</u> | <u>\$ 27,284,000</u> |
| Town's covered payroll | \$ 11,376,000 | \$ 9,965,000 | \$ 9,784,000 | \$ 9,517,000 | \$ 9,401,000 |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.69% | 55.93% | 52.26% | 59.50% | 61.51% |

See accompanying notes to required supplementary information.

TOWN OF SOMERS, CONNECTICUT
SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POST-EMPLOYMENT BENEFITS PLAN (UNAUDITED)
LAST TWO FISCAL YEAR

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Total OEPB liability: | | |
| Service cost | \$ 42,290 | \$ 41,219 |
| Interest | 216,390 | 211,071 |
| Actuarial (gains) losses | (719,208) | (3,848) |
| Changes in assumptions | (143,554) | - |
| Benefit payments, including refunds | (169,438) | (152,549) |
| Net change in total OPEB liability | (773,520) | 95,893 |
| Total OPEB liability - beginning | 3,647,700 | 3,551,807 |
| Total OPEB liability - ending | 2,874,180 | 3,647,700 |
| Plan net position: | | |
| Contributions - employer | 165,758 | 143,229 |
| Contributions - TRB subsidy | 31,680 | 34,320 |
| Net investment income | 1,542 | - |
| Benefit payments, including refunds | (169,438) | (152,549) |
| Administrative expenses | - | - |
| Net change in plan net position | 29,542 | 25,000 |
| Plan net position - beginning | 25,000 | - |
| Plan net position - ending | 54,542 | 25,000 |
| Town's net OPEB liability | <u>\$ 2,819,638</u> | <u>\$ 3,622,700</u> |
| Plan net OPEB as percentage of total OPEB liability | 1.9% | 0.7% |
| Covered employee payroll | \$ 13,156,000 | \$ 13,194,000 |
| Town net OPEB liability as a percentage of covered employee payroll | 21.4% | 27.5% |

See accompanying notes to required supplementary information.

TOWN OF SOMERS, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS
OTHER POST-EMPLOYMENT BENEFITS PLAN (UNAUDITED)
LAST TWO FISCAL YEAR

| | <u>2019</u> | <u>2018 *</u> |
|---|----------------------------|----------------------------|
| Actuarially determined contribution | \$ 285,605 | \$ 284,590 |
| Contributions in relation to actuarially determined contribution | <u>165,758</u> | <u>143,229</u> |
| Excess (deficiency) of contribution | <u><u>\$ (119,847)</u></u> | <u><u>\$ (141,361)</u></u> |
| Covered payroll | \$ 13,156,000 | \$ 13,194,000 |
| Contributions as a percentage of covered employee payroll | 1.26% | 1.09% |
| Annual money-weighted rate of return, net of investment expense | 6.17% | 0.00% |

* OPEB Trust established by the Town in June 2018.

See accompanying notes to required supplementary information.

TOWN OF SOMERS, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST TWO FISCAL YEAR
(Rounded to nearest thousand)

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| Proportion of the net OPEB liability attributed to the Town | 0.276% | 0.276% |
| Town's proportionate share of the net OPEB liability | \$ - | \$ - |
| State's proportionate share of the net OPEB liability attributed to the Town | <u>7,269,776</u> | <u>9,146,000</u> |
| Total | <u><u>\$ 7,269,776</u></u> | <u><u>\$ 9,146,000</u></u> |
| Town's covered employee payroll | \$ 11,376,000 | \$ 9,965,000 |
| Town's proportionate share of the net OPEB liability as a percentage of its covered employee payroll | 0.0% | 0.0% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 1.49% | 1.79% |

See accompanying notes to required supplementary information.

TOWN OF SOMERS, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - BUDGETARY INFORMATION AND COMPLIANCE

Budgetary Information

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data for the General Fund.

- The Board of Finance submits a proposed operating budget for the fiscal year commencing July 1 to a public budget hearing, at which taxpayer comments are obtained. The Board of Finance then prepares the recommended Town budget, which it presents at the annual Town meeting. The operating budget includes proposed expenditures and the means of financing them.
- Expenditures are budgeted by function, department and object. Management may not exceed appropriations at the object level and must seek approval from the Board of Finance to reassign resources within a department, except for the Board of Education. The Board of Education may reassign resources within its department without seeking Board of Finance approval. The legal level of budget control is the department level for the Board of Education and the object level for all other departments. A separately issued budgetary report demonstrating legal compliance with the adopted budget is available from the Town. The Board of Finance is authorized to transfer budgeted amounts within and between departments and objects. Additional appropriations of less than \$20,000 must be approved by the Board of Finance. Appropriations in excess of \$20,000 must be approved at a Town meeting. During the year ended June 30, 2019, \$49,659 in additional appropriations were authorized.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on the modified accrual basis of accounting. Intergovernmental revenues and other reimbursement for certain special education costs are recorded as reductions to expenditures for budgetary purposes and "on-behalf" payments made by the State of Connecticut into the State Teacher's Retirement System are not recorded for budgetary purposes. In addition, activity of the Revaluation Fund is excluded for budgetary purposes due to perspective differences. 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 budgetary reports as expenditures of the current year.
- All unexpended and unencumbered appropriations lapse at year-end, except those for Capital Projects Funds.

TOWN OF SOMERS, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1 - BUDGETARY INFORMATION AND COMPLIANCE (Continued)

Budgetary Information (Continued)

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2019:

| | <u>Total Revenues</u> | <u>Total Expenditures</u> | <u>Other Financing Uses</u> | <u>Net Change in Fund Balance</u> |
|---|---------------------------|-------------------------------|---------------------------------|---------------------------------------|
| Budgetary basis | \$ 33,402,545 | \$ 31,871,691 | \$ (109,585) | \$ 1,421,269 |
| "On-behalf" payments - State Teachers Retirement Fund | 3,612,192 | 3,612,192 | - | - |
| Reimbursement for certain grant costs recorded as a reduction to expenditures for budgetary purposes | 188,861 | 188,861 | - | - |
| Certain transfers recorded as revenues for budgetary purposes | - | (2,500) | (2,500) | - |
| GAAP basis | <u>\$ 37,203,598</u> | <u>\$ 35,670,244</u> | <u>\$ (112,085)</u> | <u>\$ 1,421,269</u> |

NOTE 2 - SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY - TOWN EMPLOYEES PENSION PLAN

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years. Additional years' information will be displayed as it becomes available.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2017. The July 1, 2017 valuation was utilized to calculate the total pension liability as of July 1, 2017, which was rolled forward to the most recent measurement date of June 30, 2019.

Benefit Changes - There have been no benefit term changes that have had a significant effect on the measurement of the Town's total pension liability.

Assumption Changes - There have been no assumption changes that have had a significant effect on the measurement of the Town's total pension liability.

TOWN OF SOMERS, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3 - SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY - BOARD OF EDUCATION EMPLOYEES PLAN

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years. Additional years' information will be displayed as it becomes available.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2018. The July 1, 2018 valuation was utilized to calculate the total pension liability as of July 1, 2018, which was rolled forward to the most recent measurement date of June 30, 2019.

Benefit Changes - There have been no benefit term changes that have had a significant effect on the measurement of the Town's total pension liability. Employees hired on or after July 1, 2018 are no longer eligible to participate in the plan.

Assumption Changes - There have been no assumption changes that have had a significant effect on the measurement of the Town's total pension liability.

NOTE 4 - SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY - VOLUNTEER FIREFIGHTER'S PENSION PLAN

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years. Additional years' information will be displayed as it becomes available.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of July 1, 2018. The July 1, 2018 valuation was utilized to calculate the total pension liability as of July 1, 2018, which was rolled forward to the most recent measurement date of June 30, 2019.

Benefit Changes - There have been no benefit term changes that have had a significant effect on the measurement of the Town's total pension liability.

Assumption Changes - There have been no assumption changes that have had a significant effect on the measurement of the Town's total pension liability.

NOTE 5 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - TOWN EMPLOYEES' PENSION PLAN

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years. Additional years' information will be displayed as it becomes available.

Actuarially determined contributions rates are calculated as of July 1, prior to the end of the fiscal year in which contributions are reported.

TOWN OF SOMERS, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 5 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - TOWN EMPLOYEES' PENSION PLAN
(Continued)

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2019.

| | |
|---|----------------|
| Actuarial cost method | Aggregate Cost |
| Asset valuation method | Market Value |
| Inflation | 3.0% |
| Salary increases (average, including inflation) | 4.0% |
| Investment rate of return (net of investment expense) | 6.5% |
| Retirement age | 65 |

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2017.

NOTE 6 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - BOARD OF EDUCATION EMPLOYEES PLAN

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years. Additional years' information will be displayed as it becomes available.

Actuarially determined contributions rates are calculated as of July 1, prior to the end of the fiscal year in which contributions are reported.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2019.

| | |
|---|---------------------------|
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level dollar amount, open |
| Remaining amortization period | 30 years |
| Asset valuation method | Market Value |
| Inflation | 2.6% |
| Salary increases (average, including inflation) | 4.0% |
| Investment rate of return (net of investment expense) | 6.0% |
| Retirement age | 65 |

Mortality rates were based on the RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined tables for non-annuitants and annuitants, projected to the valuation date with Scale AA.

NOTE 7 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - VOLUNTEER FIREFIGHTER'S PENSION PLAN

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years. Additional years' information will be displayed as it becomes available.

Actuarially determined contributions rates are calculated as of July 1, prior to the end of the subsequent two fiscal years in which contributions are reported.

TOWN OF SOMERS, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 7 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - VOLUNTEER FIREFIGHTER'S PENSION PLAN
(Continued)

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2019.

| | |
|---|----------------|
| Actuarial cost method | Aggregate Cost |
| Asset valuation method | Market Value |
| Inflation | 2.6% |
| Investment rate of return (net of investment expense) | 6.5% |
| Retirement age | 65 |

Mortality rates were based on the RP-2014 Adjusted to 2006 Blue Collar Mortality Table projected to the valuation date with Scale MP-2016.

NOTE 8 - SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years. Additional years' information will be displayed as it becomes available.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

Benefit Changes - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

Assumption Changes - The following assumption changes collectively had a significant effect on the measurement of the total pension liability reported as of June 30, 2018.

- the inflation assumption was reduced from 2.75% to 2.50%;
- the real rate of return assumption was reduced from 5.25% to 4.40%, which when combined with the inflation assumption change, results in a decrease in the investment rate of return assumption from 8.00% to 6.90%;
- the annual rate of wage increase assumption was increased from 0.50% to 0.75%.

NOTE 9 - SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN

The Town began to report this schedule when established an OPEB Trust in fiscal year 2018 and subsequently implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years. Additional years' information will be displayed as it becomes available.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of July 1, 2018. The July 1, 2018 was utilized to calculate the total OPEB liability as of July 1, 2018, which was rolled forward to the most recent measurement date of June 30, 2019.

Benefit Changes - There have been no benefit term changes that have had a significant effect on the measurement of the Town's total OPEB liability.

TOWN OF SOMERS, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 9 - SCHEDULE OF CHANGES IN THE TOWN'S NET OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN
(Continued)

Assumption Changes - The following assumption changes collectively had a significant effect on the measurement of the total pension liability reported as of June 30, 2019.

- The utilization rate of current active members that are expected to elect medical coverage at retirement was decreased from 80% to 60%.

NOTE 10 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - OTHER POST-EMPLOYMENT BENEFITS PLAN

The Town began to report this schedule when established an OPEB Trust in fiscal year 2018 and subsequently implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years. Additional years' information will be displayed as it becomes available.

Actuarially determined contributions rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2019.

| | |
|-----------------------------|--------------------------------|
| Investment rate of return | 6.00% |
| Discount rate | 6.00% |
| Inflation rate | 2.60% |
| Healthcare cost trend rate: | |
| Initial | 8.00% decreasing 0.5% per year |
| Ultimate | 4.60% |

NOTE 11 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years. Additional years' information will be displayed as it becomes available.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

Benefit Changes - Effective July 1, 2018, the Plan changed the "base plan" to the Medicare Advantage Plan for the purposes of determining retiree health care plan subsidies and/or cost sharing amount(s), and introduced a two year waiting period for re-enrollment in a system-sponsored health care plan for those who cancel their coverage or choose not to enroll in a health care coverage option on or after the effective date.

TOWN OF SOMERS, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

NOTE 11 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM *(Continued)*

Assumption Changes - The following assumption changes collectively had a significant effect on the measurement of the net OPEB liability reported as of June 30, 2018:

- the expected rate of return on Plan assets was changed from 4.25% to 3.00% to better reflect the anticipated returns on cash and other high quality short-term fixed income investments;
- the discount rate used to measure Plan obligations and amortize supplemental costs was updated to match the expected rate of return on assets selected as of June 30, 2018;
- long-term health care cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods; and
- the percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a system-sponsored health care plan option in the future, was updated to better reflect anticipated plan experience.

Appendix B – Opinion of Bond Counsel and Tax Matters

October 15, 2020

Town of Somers
Town Hall
600 Main Street
Somers, CT 06071

RE: Town of Somers, Connecticut
\$9,405,000 General Obligation Bonds, Issue of 2020, dated October 15, 2020

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Town of Somers, Connecticut (the “Town”) of its \$9,405,000 General Obligation Bonds, Issue of 2020, dated October 15, 2020 (the “Bonds”).

In connection therewith, we have examined the law and such other materials as we have deemed necessary in order to render this opinion and have relied upon originals or copies, certified or otherwise identified to our satisfaction, of such public and private records, certificates and correspondence of public officials, including certificates of officials of the Town, and such other documents as were provided to us. In making such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to original documents of documents submitted as certified or photostatic copies, the validity of all applicable statutes, ordinances, rules and regulations, the capacity of all persons executing documents and the proper indexing and accuracy of all public records and documents. As to questions of fact material to our opinion, we have relied upon written representations and agreements executed by officials of the Town authorized to issue the Bonds, in connection with the issuance and delivery of the Bonds, without undertaking to verify the same by independent investigation.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Preliminary Official Statement, the final Official Statement or any other offering material relating to the Bonds (except only the matters set forth as our opinion in the Preliminary Official Statement and the final Official Statement), and we express no opinion relating thereto.

Based upon the foregoing examination, we are of the opinion, as of the date hereof and under existing law, as follows:

1. When certified as provided thereon by a duly authorized official of U.S. Bank National Association, the Bonds will be the valid and binding general obligations of the Town. The Bonds will be payable as to both principal and interest, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town

without limitation as to rate or amount except as to certain classified property. Pursuant to the Connecticut General Statutes, classified property includes certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts.

2. Under existing law, interest on the Bonds is not includable in the gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and such interest is not treated as a preference item for purposes of calculating the federal alternative minimum tax.

The opinions set forth in the preceding paragraphs are subject to the condition that the Town comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Town has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. Under existing law, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates subject to and required to pay the federal alternative minimum tax.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

The foregoing opinion is based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may affect the conclusions herein. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

Although we have rendered an opinion that interest on the Bonds is not includable in the gross income of the owners thereof for purposes of federal income taxation, federal income tax liability may otherwise be affected by the ownership or disposition of the Bonds. We express no opinion regarding any other federal or state tax consequence of ownership or disposition of, or receipt of interest income on, the Bonds not specifically described herein.

Very truly yours,

UPDIKE, KELLY & SPELLACY, P.C.

TAX MATTERS

Federal Tax Matters

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements which must be met at and subsequent to delivery of the Bonds in order that interest on the Bonds be and remains excluded from gross income for federal income tax purposes. Failure to comply with the continuing requirements of the Code may cause interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds, irrespective of the date on which such noncompliance occurs. The Tax Regulatory Agreement, which will be executed and delivered by the Town concurrently with the Bonds, contains certain representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds in order to comply with requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Town also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax.

Ownership of the Bonds may result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds. The foregoing is not intended to be an exhaustive list of potential tax consequences. Prospective purchasers of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of ownership and disposition of the Bonds.

State Taxes

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. The opinion of Bond Counsel is rendered as of its date and is based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention, or to reflect any changes in law that may thereafter occur or become effective.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

No assurance can be given that future legislation, or amendments to the income tax law of the State of Connecticut, if enacted into law, will not contain provisions that could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and Bond Counsel expresses no opinion thereon.

Prospective purchasers of the Bonds are advised to consult their own tax advisors regarding other state and local tax consequences of ownership and disposition of the Bonds.

Original Issue Discount

With respect to any of the Bonds where the initial public offering price of such Bonds is less than the amount payable on those Bonds at maturity (the "OID Bonds"), the difference between the initial public offering price to the public (excluding bond houses and brokers) at which a substantial amount of the OID Bonds of any maturity are sold and the amount payable on such OID Bonds at maturity constitutes original issue discount. Accrued original issue discount is excludable from gross income for Federal income tax purposes if interest on the OID Bonds is excluded therefrom. Accrued original issue discount on an OID Bond is also excludable from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excludable from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the Federal alternative minimum tax.

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any bond during each day it is owned is added to the adjusted basis of such owner for purposes of determining gain or loss upon the sale or other disposition of such bonds by such owner. Original issue discount on any bond is treated as accruing on the basis of economic accrual, computed by a constant semiannual compounding method using the yield to maturity on such bond, and the adjusted basis of such OID Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. Owners of the OID Bonds are advised to consult with their tax advisors with respect to the Federal, state and local tax consequences of owning the OID Bonds.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued OID, the accrual of OID in the cases of owners of the OID Bonds purchasing such Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium

With respect to any of the Bonds where the initial public offering price of such Bonds is greater than the amount payable on those Bonds at maturity (the “OIP Bonds”), the excess of the price paid by the first owner of a OIP Bond over the principal amount payable at the maturity or the earlier call date, if any, of such OIP Bond constitutes original issue premium. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer’s yield to maturity using the taxpayer’s adjusted basis and a constant semiannual compounding method. The portion of such premium amortizing over the period the OIP Bond is held by the owner does not reduce taxable income for purposes of either the federal income tax or the Connecticut income tax on individuals, trusts and estates and does not reduce amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax, but it does reduce the owner’s adjusted basis in the OIP Bond for purposes of determining gain or loss on its disposition. Prospective purchasers of OIP Bonds should consult their own tax advisors regarding the amortization of premium and the effect upon basis.

Proposed Legislation and Other Matters

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds, or the marketability of the Bonds, or otherwise prevent the owners of the Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. For example, federal legislative proposals have been made recently and in recent years that would, among other things, limit the exclusion from gross income of interest on obligations such as the Bonds for higher-income taxpayers. If enacted into law, such proposals could affect the tax exemption of interest on the Bonds or the market price for, or marketability of, the Bonds. No assurance can be given with respect to the impact of future legislation on the Bonds. Prospective purchasers of the Bonds should consult their own tax and financial advisors regarding such matters.

General

The opinions of Bond Counsel are rendered as of their date, and Bond Counsel assumes no obligation to update or supplement their opinion to reflect any facts or circumstances that may come to their attention or any changes in law that may occur after the date of their opinion. Bond Counsel’s opinions are based on existing law, which is subject to change. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. No assurance can be given that future federal legislation enacted or proposed after the date of issuance of the Bonds will not have an adverse

effect on the tax-exempt status or market price of the Bonds or will not change the effect of other federal tax law consequences discussed above of owning and disposing of the Bonds. No assurance can be given that future legislation, or amendments to the State of Connecticut income tax law, if enacted into law, will not contain provisions which could, directly or indirectly, reduce the benefit of the exclusion of the interest on the Bonds or any gain made on the sale or exchange thereof from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates. The opinions of Bond Counsel are further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

The information above does not purport to deal with all aspects of federal or state taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal and state tax consequences of owning and disposing of the Bonds, including any tax consequences arising under the laws of any state or other taxing jurisdiction.

Appendix C – Form of Continuing Disclosure Agreement

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (“Agreement”) is executed and delivered as of the 15th day of October, 2020 by the Town of Somers, Connecticut (the “Town”), acting by its undersigned officers, duly authorized, in connection with the issuance of its \$9,405,000 General Obligation Bonds, Issue of 2020, dated October 15, 2020 (the “Bonds”), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions.

For purposes of this Agreement, the following capitalized terms shall have the following meanings:

“Final Official Statement” means the official statement of the Town, dated September ___, 2020, prepared in connection with the Bonds.

“Listed Events” means any of the events listed in Section 3 of this Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Repository” means the MSRB, through the operation of the Electronic Municipal Market Access (EMMA) system as described in 1934 Act Release No. 59061 and maintained by the MSRB for purposes of the Rule, or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for purposes of the Rule.

“Rule” means rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as of the date of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The Town agrees to provide, or cause to be provided, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, and otherwise in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2020) as follows:

(i) Audited financial statements of the Town's general fund, governmental funds, proprietary funds, fiduciary funds, internal service and agency funds, and other funds for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Town is required to prepare audited financial statements of its various funds and accounts. The modified accrual basis of accounting is followed for the Town's general fund with major revenues recorded when measurable and available and expenditures recorded when incurred.

(ii) In addition to the information and statements described in (i) above:

- (A) amounts of the net taxable grand list applicable to the fiscal year,
- (B) listing of the ten largest taxpayers on the applicable grand list, together with each such taxpayer's taxable valuation thereon,
- (C) percentage of the annual property tax levy uncollected as of the close of the fiscal year,
- (D) schedule of annual debt service on outstanding long-term bonded indebtedness as of the close of the fiscal year,
- (E) calculation of total net debt as of the close of the fiscal year,
- (F) total bonded debt of the Town per capita,
- (G) ratios of the total bonded debt of the Town to the Town's net taxable grand list,
- (H) statement of statutory debt limitation as of the close of the fiscal year, and
- (I) funding status of the Town's pension benefit and OPEB obligations.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The Town's fiscal year currently ends on June 30. The Town agrees that if audited information is not available eight months after the close of any fiscal year, it shall submit unaudited information, if available, by such time and will submit audited information when available.

(c) Annual financial information or operating data may be provided in whole or in part by specific reference to other documents available to the public on the MSRB's Electronic Municipal Market Access (EMMA) system, the current internet web address of which is

www.emma.msrb.org, or filed with the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. The Town shall clearly identify each such other document so incorporated by cross-reference. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or the annual adopted budget.

(d) The Town reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated statutory accounting principles as in effect from time to time, provided that the Town agrees that the exercise of any such right will be done in a manner consistent with the Rule.

(e) The Town may file information with the Repository, from time to time, in addition to that specifically required by this Agreement (a "Voluntary Filing"). If the Town chooses to make a Voluntary Filing, the Town shall have no obligation under this Agreement to update information contained in such Voluntary Filing or include such information in any future filing. Notwithstanding the foregoing provisions of this Section 2(e), the Town is under no obligation to provide any Voluntary Filing.

Section 3. Reporting of Listed Events.

The Town agrees to provide, or cause to be provided, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of the occurrence of any of the following Listed Events with respect to the Bonds, in a timely manner not later than ten (10) business days after the occurrence of any such Listed Event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) bond calls, if material, and tender offers;

- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Town;

Note to clause (l): For the purposes of the event identified in clause (l) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town;

- (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of trustee, if material;
- (o) the incurrence of a financial obligation of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Town, any of which affect securities holders, if material; and
- (p) a default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Town, any of which reflect financial difficulties.

Note to clauses (o) and (p): For the purposes of the events identified in clauses (o) and (p) above, the term “financial obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii) but shall not include municipal securities as to which a final official statement has been provided to MSRB consistent with the Rule.

Section 4. Notice of Failure to Provide Annual Financial Information.

The Town agrees to provide, or cause to be provided, in a timely manner, to the Repository in an electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of any failure by the Town to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Town or by any agents which may be employed by the Town for such purpose from time to time.

Section 6. Termination.

The obligations of the Town under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Town ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The Town acknowledges that the undertakings set forth in Sections 2, 3 and 4 of this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Town shall fail to perform its duties hereunder, the Town shall have the option to cure such failure within a reasonable time (but not exceeding thirty (30) days with respect to undertakings set forth in Section 2 of this Agreement or five (5) business days with respect to undertakings set forth in Sections 3 and 4 of this Agreement) from the time the First Selectman, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. For purposes of this section, notice to the Town should be made to the First Selectman, Town Hall, 600 Main Street, Somers, Connecticut 06071.

In the event the Town does not cure such failure within the time specified above, the beneficial owner of any of the Bonds shall be entitled only to the remedy of specific performance. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) The Town shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Town from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the Town elects to provide any such additional information, data or notices, the Town shall have no obligation

under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provisions of this Agreement, the Town may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Town, (ii) this Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of this Agreement, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than 66 2/3% of the aggregate principal amount of the Bonds then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with the Repository in electronic format. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating or financial information provided.

TOWN OF SOMERS, CONNECTICUT

By: _____
C.G. KNORR, JR.
First Selectman

By: _____
MICHAEL D. MARINACCIO
Treasurer

Appendix D – Notice of Sale

NOTICE OF SALE

TOWN OF SOMERS, CONNECTICUT

\$9,405,000 GENERAL OBLIGATION BONDS, ISSUE OF 2020

NOTICE IS GIVEN that ELECTRONIC BIDS *solely* via **PARITY**® will be received by the TOWN OF SOMERS, CONNECTICUT (the “Town”), until 11:30 A.M. (Eastern Time) on WEDNESDAY,

SEPTEMBER 30, 2020

(the “Sale Date”) for the purchase, when issued, of all (but not less than all) of the Town’s \$9,405,000 General Obligation Bonds, Issue of 2020, dated October 15, 2020 (the “Bonds”), at no less than par and accrued interest from the date of the Bonds to the date of delivery, if any, maturing on October 15 in the principal amounts and in each of the years as follows:

| <u>Maturity</u> | <u>Amount*</u> | <u>Maturity</u> | <u>Amount*</u> |
|-----------------|----------------|-----------------|----------------|
| 2022 | \$340,000 | 2032 | \$520,000 |
| 2023 | \$360,000 | 2033 | \$535,000 |
| 2024 | \$380,000 | 2034 | \$545,000 |
| 2025 | \$400,000 | 2035 | \$555,000 |
| 2026 | \$420,000 | 2036 | \$570,000 |
| 2027 | \$440,000 | 2037 | \$580,000 |
| 2028 | \$460,000 | 2038 | \$595,000 |
| 2029 | \$475,000 | 2039 | \$610,000 |
| 2030 | \$490,000 | 2040 | \$625,000 |
| 2031 | \$505,000 | | |

The Bonds will bear interest commencing October 15, 2021 and semiannually thereafter on April 15 and October 15 in each year until maturity, as further described in the Preliminary Official Statement (as hereinafter defined), at the rate or rates per annum specified by the winning bidder.

Optional Redemption

The Bonds maturing on or before October 15, 2029 are not subject to redemption prior to maturity. The Bonds maturing on October 15, 3030 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after October 15, 2029, at any time, either in whole or in part, and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the redemption price (expressed as a percentage of the principal amount of the Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

Period During Which Redeemed

October 15, 2029 and thereafter

Redemption Price

100%

Nature of Obligation

The Bonds will constitute general obligations of the Town, and the Town will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied against all taxable property in the Town. All property taxation is without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

Bank Qualification

The Bonds SHALL NOT be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

DTC Book Entry

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company ("DTC"), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The purchaser, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Town or its agent to DTC or its nominee as registered owner of the Bonds. Principal and interest payments by DTC to participants of DTC will be the responsibility of DTC; principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants or indirect participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Upon receipt from the Town, the Paying Agent will pay principal of and interest on the Bonds directly to DTC so long as DTC or its nominee, Cede & Co, is the bondholder.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Town fails to identify another qualified securities depository to replace DTC, or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town will provide for the issuance of fully registered bond certificates directly to the beneficial owners of the Bonds or the nominees. A beneficial owner of the Bonds, upon registration of certificates held in such beneficial owner's name, will become

the registered owner of the Bonds. The record dates for the Bonds will be the last business day of March and September in each year.

Proposals

Each bid must be for the entire \$9,405,000 of the Bonds. Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of one-twentieth of one percent (1/20 of 1%) or one-eighth of one percent (1/8 of 1%) the rate or rates of interest per annum which the Bonds are to bear, provided that such proposal shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate for any Bonds of one maturity which exceeds the interest rate stated in such proposal for Bonds of a different maturity by more than three (3) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on *PARITY*® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost ("TIC") to the Town, as described under "Basis of Award" below, represented by the rate or rates of interest and the bid price specified in their respective bids. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. No proposal for less than par and accrued interest to the date of delivery will be considered.

Basis of Award; Right to Reject Proposals; Waiver; Postponement; Change of Terms

Unless all bids are rejected, as between proposals which comply with this Notice of Sale, the Bonds will be awarded to the responsible bidder whose bid proposes the lowest TIC to the Town. If there is more than one responsible bidder making said offer at the same lowest TIC, the Bonds will be sold to the responsible bidder whose proposal is selected by the Town by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of TIC computed and rounded to six decimal places. Such statement shall not be considered as part of the proposal. The purchase price must be paid in immediately available federal funds.

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Town further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including Internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Upon the establishment of an alternative sale date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

Adjustment of Principal and Amortization Schedule

After selecting the winning bid, the principal amortization schedule may be adjusted as determined by the Town's Municipal Advisor in \$5,000 increments to create a level annual debt service.

Such adjustments will not change the aggregate principal amount of the Bonds to be issued or the amount of underwriter's discount due to the successful bidder in accordance with the original bid. No annual par amount will be increased or decreased by more than 20%. The dollar amount bid for the Bonds by the winning bidder will be adjusted to reflect any increase or decrease in the gross production caused by the change to the principal amortization.

CUSIP Numbers

The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. The Town's Municipal Advisor will apply for CUSIP numbers for the Bonds prior to delivery. Neither the failure to print such CUSIP number on any bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Town; provided, however, that the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Electronic Proposals Bidding Procedure

Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY®** by 11:30 A.M. (Eastern Time) on Wednesday, September 30, 2020. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 – email notice: parity@i-deal.com). The Town neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY®** is communicated to the Town, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Town. By submitting a bid for the Bonds via **PARITY®**, the bidder represents and warrants to the Town that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Town will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, or the inaccuracies of any information, including bid information or worksheets supplied by PARITY®, the use of PARITY® facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

Disclaimer. Each of **PARITY®** prospective electronic bidders shall be solely responsible to make necessary arrangements to access **PARITY®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the Town nor **PARITY®** shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Town or **PARITY®** shall be responsible for a bidder's failure to make a bid or for the proper

operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY®**. The Town is using **PARITY®** as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Bonds. The Town is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY®** are the sole responsibility of the bidders; and the Town is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone **PARITY®** at (212) 849-5021. If any provision of this Notice shall conflict with information provided by **PARITY®**, this Notice shall control.

For the purpose of the electronic bidding process, the time maintained on **PARITY®** shall constitute the official time.

Certifying Agent, Registrar, Paying Agent and Transfer Agent

The Bonds will be authenticated by U.S. Bank National Association, Hartford, Connecticut. U.S. Bank National Association will also act as Registrar, Paying Agent and Transfer Agent.

Delivery, Payment and Closing Requirements

At or prior to the delivery of the Bonds the winning bidder shall be furnished, without cost, with (a) the approving opinion of Updike, Kelly & Spellacy, P.C. of Hartford, Connecticut ("Bond Counsel") (see "Bond Counsel Opinion" below); (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Bonds, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Bonds or the power of the Town to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this bond issue; (d) a certificate of Town Officials relating to the accuracy and completeness of the Official Statement; (e) an executed copy of the Continuing Disclosure Agreement (as defined below); and (f) a receipt of payment for the Bonds.

The Bonds will be delivered against payment in immediately available federal funds through the facilities of DTC, New York, New York or its agent via Fast Automated Securities Transfer ("FAST") on or about October 15, 2020.

The Town will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Town's costs of issuance except to the extent specifically stated in this Notice of Sale. The purchaser will be responsible for the clearance or exemption with respect to the status of the Bonds for sale under securities or "Blue Sky" laws and the preparation of any surveys or memoranda in connection with such sale. The Town shall have no responsibility for such clearance, exemption or preparation.

Bond Counsel Opinion

The legality of the issue will be passed upon by Updike, Kelly & Spellacy, P.C., of Hartford, Connecticut, Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in Appendix B to the Official Statement. The opinion will appear on each Bond certificate and will state that the Bonds are valid and binding obligations of the Town. Bond Counsel will require as a precondition to release of its opinion printed on the Bonds that the purchaser of such Bonds deliver to it a completed “issue price” certificate, or similar certificate, regarding expectations or public offering prices, as applicable, with respect to the Bonds awarded to such bidder, as described below under “Establishment of Issue Price”.

Establishment of Issue Price

In order to provide the Town with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Town at or prior to the delivery of the Bonds an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Bonds, as circumstances may determine, together with the supporting pricing wires or equivalent communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Michael P. Botelho, Esq., Updike, Kelly & Spellacy, P.C., 100 Pearl Street, 17th floor, Hartford, CT 06103, Telephone: (860) 548-2637, E-mail: mbotelho@uks.com and (2) the Municipal Advisor at Susan Caron, Vice President, Hilltop Securities Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, Telephone: (860) 290-3000, E-mail: susan.caron@hilltopsecurities.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Town and the Municipal Advisor may act on behalf of the Town.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Bonds, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Bonds pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds.

By submitting a bid, a bidder represents to the Town that it has an established industry reputation for underwriting new issuances of municipal bonds such as the Bonds, represents that such bidder’s bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Bonds, and understands that upon award by the Town that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Town.

By submitting a bid, the bidder agrees that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this “Establishment of Issue Price” section.

Competitive Sale Rule. The Town intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Rule”) because:

- (1) the Town shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost (“TIC”), as set forth in this Notice of Sale.

Competitive Sale Rule Met. The Town, or the Municipal Advisor on behalf of the Town, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. Within two (2) hours of award (or such other time as agreed to by Bond Counsel), the winning bidder shall provide Bond Counsel and the Municipal Advisor, via e-mail, a completed “ISSUE PRICE CERTIFICATE” in the form attached hereto as Attachment A.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Town, or the Municipal Advisor on behalf of the Town, shall at the time of award advise the winning bidder. The Town may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Bonds (the “Actual Sales Rule”) is sold to the Public as the issue price of that Maturity, and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any Maturity of the Bonds as the issue price of that Maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 3:30 p.m. (E.D.T.) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (I) of the first price at which ten percent (10%) of each Maturity of Bonds has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those Maturities of the Bonds that satisfy the Actual Sales Rule

as of the Sale Date. After such receipt, the Town, or Bond Counsel on behalf of the Town, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Bonds shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Bonds subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Bonds (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Bonds to the Public on or before the date of award at the Initial Offering Prices and (ii) agree, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell unsold Bonds of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or
- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (2) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.
- (4) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Town (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Official Statement

For more information regarding the Bonds or the Town, reference is made to the Preliminary Official Statement dated September 22, 2020 (the “Official Statement”) describing the Bonds and the financial condition of the Town. The Official Statement is available in electronic format at www.i-dealprospectus.com, and such electronic access is being provided as a matter of convenience only. Copies of the Official Statement may be obtained from the Municipal Advisor. The Town deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), but such Official Statement is subject to revision or amendment as appropriate. The Town will make available to the purchaser one hundred (100) copies of the final Official Statement at the Town’s expense, and the final Official Statement will be made available to the purchaser by no later than the earlier of the delivery of the Bonds or by the seventh (7th) business day after the day bids on the Bonds are received. If the Town’s Municipal Advisor, is provided with the necessary information from the purchaser by 12:00 noon on the day after the Sale Date, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter of the Bonds, and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies of the final Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement

As required by the Rule, the Town will undertake, pursuant to a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), to provide annual financial information and operating data including audited financial statements, notice of the occurrence of certain events with respect to the Bonds within ten (10) business days of the occurrence of such events, and timely notice of any failure by the Town to provide annual financial information on or before the date specified in the Continuing Disclosure Agreement. A form of the Continuing Disclosure Agreement is attached to the Official Statement as Appendix C. The purchaser’s obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to delivery of the Bonds, an executed Continuing Disclosure Agreement.

TOWN OF SOMERS, CONNECTICUT

C.G. KNORR, JR.
First Selectman

MICHAEL D. MARINACCIO
Treasurer

September 22, 2020

ATTACHMENT A

ISSUE PRICE CERTIFICATE

(Competitive Sale Requirements Satisfied)

TOWN OF SOMERS, CONNECTICUT
\$9,405,000 GENERAL OBLIGATION BONDS, ISSUE OF 2020,
Dated October 15, 2020

The undersigned, on behalf of [UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Due Authorization.*** The undersigned is a duly authorized representative of [SHORT NAME OF UNDERWRITER], the purchaser of the Bonds.

2. ***Purchase Price.*** The TOWN OF SOMERS, CONNECTICUT (the “Issuer”) sold to [SHORT NAME OF UNDERWRITER], for delivery on or about October 15, 2020, the Bonds at a price of par (\$9,405,000), plus an aggregate net premium of \$_____ and less an underwriter’s discount of \$_____, resulting in an aggregate net purchase price of \$_____.

3. ***Reasonably Expected Initial Offering Price.***

(a) As of September 30, 2020 (the “Sale Date”), the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in **Schedule A** (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

4. ***Defined Terms.***

(a) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(c) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of the selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

5. ***Representations and Information.*** The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder (collectively, the “Code”). The undersigned understands that the foregoing information will be relied upon by the Issuer in making its certification as to issue price of the Bonds under the Code and with respect to compliance with the federal income tax rules affecting the Bonds. Updike, Kelly & Spellacy, P.C., bond counsel, may rely on the foregoing representations in rendering its opinion on the exclusion from federal gross income of the interest on the Bonds, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer relating to the Bonds. Except as set forth above, no third party may rely on the foregoing certifications, and no party may rely hereon for any other purpose.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of October 15, 2020.

[UNDERWRITER]

By:_____

Name:

Title:

Schedule A to Issue Price Certificate

| <u>Maturity, October 15</u> | <u>Principal Amount (\$)*</u> | <u>Interest Rate (%)</u> | <u>Price (\$, not Yield)</u> |
|---------------------------------|-----------------------------------|------------------------------|----------------------------------|
| 2022 | \$340,000 | | |
| 2023 | \$360,000 | | |
| 2024 | \$380,000 | | |
| 2025 | \$400,000 | | |
| 2026 | \$420,000 | | |
| 2027 | \$440,000 | | |
| 2028 | \$460,000 | | |
| 2029 | \$475,000 | | |
| 2030 | \$490,000 | | |
| 2031 | \$505,000 | | |
| 2032 | \$520,000 | | |
| 2033 | \$535,000 | | |
| 2034 | \$545,000 | | |
| 2035 | \$555,000 | | |
| 2036 | \$570,000 | | |
| 2037 | \$580,000 | | |
| 2038 | \$595,000 | | |
| 2039 | \$610,000 | | |
| 2040 | \$625,000 | | |

*Preliminary, subject to change

Schedule B to Issue Price Certificate