

**TOWN OF WARREN**  
**BOARD OF FINANCE**  
**Special Meeting Agenda**  
**In Person and Zoom Meeting**

Date: February 17, 2021

Time: 7:00 pm

Place: Town Hall, 50 Cemetery Rd Warren  
And via Zoom

1. Discussion and action on Auditor's report for FY 2019-20 and review of tax collectors report per special request of BOF meeting of October 7, 2020.  
Presented by Enrico Melaragno, Charles Heaven and Co

Adjourn:

To join the meeting:

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**TOWN OF WARREN  
AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL FINANCIAL DATA  
JUNE 30, 2020**

**Town of Warren  
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June 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of Warren, 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 Warren, Connecticut, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Warren, Connecticut's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Town of Warren, Connecticut's 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 Warren, Connecticut, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 37-41, the schedule of changes in net pension liability and related ratios on Page 42, the schedule of employer contributions on Page 43, and schedule of investment returns on Page 44 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 of Warren, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements, and supplemental schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and supplemental schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 nonmajor fund financial statements, and supplemental schedules, are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020, on our consideration of the Town of Warren, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Warren, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Warren, Connecticut's internal control over financial reporting and compliance.

November 24, 2020

**Town of Warren  
Management's Discussion and Analysis  
June 30, 2020**

This discussion is intended to provide readers a narrative overview and analysis of the financial activities of the Town of Warren, Connecticut (the "Town") for the fiscal year ended June 30, 2020. The information presented here should be considered in conjunction with the Town's basic financial statements that follow.

**FINANCIAL HIGHLIGHTS**

- On a government-wide basis, the Town's assets and deferred outflows of resources of \$10,826,742 at June 30, 2020 exceeded the sum of its liabilities and deferred inflows of resources of \$2,180,049 resulting in net position of \$8,646,693. Of this amount, \$5,096,812 was invested in capital assets, while \$272,399 was restricted for road maintenance, and \$46,585 was restricted for social services. The remaining net position of \$3,230,897 was available to meet the Town's ongoing obligations to its citizens and creditors.
- At the close of the fiscal year, the Town's governmental funds reported, on a current financial resources basis, combined ending fund balances of \$3,861,715, an increase of \$296,405 from last fiscal year. The total fund balance of the General Fund of \$2,557,328 represented 45.12% of fiscal year 2020-2021 budgeted appropriations of \$5,668,404. The unassigned fund balance of \$2,520,424, available for spending at the Town's discretion, represented 44.46% of the 2020-2021 budgeted appropriations.
- The final amended General Fund budget provided for the \$98,546 use of fund balance to finance approved appropriations. However, actual revenues were \$104,716 greater than budgetary projections, while expenditures and other financing uses were \$158,397 less than approved appropriations, resulting in an actual increase of fund balance of \$164,567 and a positive budgetary variance of \$263,113.
- The Town's long-term debt at June 30, 2020 consisted of its general obligation bond of \$1,350,000 and pension plan liability of \$413,332.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**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 and the statement of activities, which are the government-wide statements, report information about the Town finances as a whole and about its activities in a way that helps the reader determine whether the Town is better or worse off as a result of the year's activities.

The statement of net position reflects all of the Town's assets and deferred outflows of resources, and all of its liabilities and deferred inflows of resources, the net result of which is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the Town's financial position is improving or deteriorating. However, significant changes in net position can also occur from year to year due to changes in accounting standards issued by the Governmental Accounting Standards Board (GASB). To assess the overall financial condition of the Town other nonfinancial factors such as the property tax base and the condition of the Town's infrastructure also need to be considered.

**Town of Warren  
Management's Discussion and Analysis  
June 30, 2020**

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses, such as uncollected property taxes that will result in cash flows in future fiscal periods are reported in this statement.

The government-wide financial statements distinguish functions of the Town that are principally supported by tax revenues, grants 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, employee benefits, health services, agencies, education, town building, town fire department, highways/public works/maintenance, other, town property, and interest. The Town does not report any funds that carry on business-type activities.

The basic government-wide financial statements can be found on pages 10 and 11 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial statements of the Town report governmental funds and fiduciary funds.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, that is to say the Town's most basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on cash and other financial resources that can be readily converted to cash flow in and out, and balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a near or short-term view of the Town's finances that may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Town maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Town Aid Road Fund, Capital Non-Recurring Fund, and Equipment Replacement Fund, each of which is considered to be a major fund. The remaining five funds are combined into a single aggregated presentation in the financial statements. Individual fund data for each of these nonmajor funds is reported as supplementary information to the financial statements.

The Town adopts an annual appropriated budget for its General Fund. Budgetary comparison schedules have been included as required supplementary information for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 and 14 of this report.



**Town of Warren  
Management's Discussion and Analysis  
June 30, 2020**

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside the government. This includes the pension trust fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Warren's own programs.

The basic fiduciary fund financial statements can be found on pages 16 and 17 of this report.

**Notes to the Financial Statements and Other Information**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They also provide required supplementary information regarding the Town's progress in funding its obligations to provide pension benefits to its employees. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town's net pension liability and General Fund budget information.

The notes to the basic financial statements can be found on pages 18 to 36 of this report. Required supplementary information and supplemental schedules can be found on pages 37 to 44 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$8,646,693 at the close of the fiscal year.

**Town of Warren  
Net Position**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current assets	\$ 4,139,489	\$ 3,782,878
Noncurrent assets	6,596,812	6,439,669
<b>Total Assets</b>	<u>10,736,301</u>	<u>10,222,547</u>
<b>Deferred Outflows of Resources</b>	<u>90,441</u>	<u>82,932</u>
<b>Liabilities</b>		
Current liabilities	397,499	357,261
Long-term liabilities	1,763,332	1,886,968
<b>Total Liabilities</b>	<u>2,160,831</u>	<u>2,244,229</u>
<b>Deferred Inflows of Resources</b>	<u>19,218</u>	<u>17,264</u>
<b>Net Position</b>		
Net investment in capital assets	5,096,812	4,789,669
Restricted	318,984	340,397
Unrestricted	3,230,897	2,913,920
<b>Total Net Position</b>	<u><u>\$ 8,646,693</u></u>	<u><u>\$ 8,043,986</u></u>

**Town of Warren  
Management's Discussion and Analysis  
June 30, 2020**

The largest portion of the Town's net position \$5,096,812 (58.95%) reflects its net investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure assets such as roads and bridges). The Town uses these assets to provide services to its citizens; consequently, these assets are not available for spending. Of the Town's remaining net position, \$3,230,897 (37.37%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's net position increased \$602,707 during the fiscal year.

**Town of Warren  
Changes in Net Position**

	<b>2020</b>		<b>2019</b>	
	<b>\$</b>	<b>% to Total</b>	<b>\$</b>	<b>% to Total</b>
<b>Revenues:</b>				
Program:				
Charges for services	\$ 215,113	3.61%	\$ 246,118	4.16%
Operating grants and contributions	42,892	0.72%	37,011	0.63%
Capital grants and contributions	181,664	3.05%	181,598	3.07%
General:				
Property taxes, interest, and lien fees	5,458,958	91.64%	5,351,030	90.44%
Investment earnings	49,955	0.84%	91,599	1.55%
Grants, contributions and fines not restricted to specific programs	8,402	0.14%	9,289	0.16%
Total revenues	<u>5,956,984</u>	<u>100.00%</u>	<u>5,916,645</u>	<u>100.00%</u>
<b>Expenses:</b>				
General government	572,263	10.69%	605,467	11.23%
Employee benefits	247,982	4.63%	226,779	4.21%
Health services	25,300	0.47%	23,117	0.43%
Agencies	69,959	1.31%	64,216	1.19%
Education	3,296,651	61.57%	3,159,674	58.60%
Town building	158,288	2.96%	213,596	3.96%
Town fire department	51,432	0.96%	55,969	1.04%
Highways, public works, and maintenance	718,468	13.42%	789,946	14.65%
Other	142,260	2.66%	171,141	3.17%
Town property	12,048	0.23%	16,896	0.31%
Interest	59,626	1.11%	65,563	1.22%
Total expenses	<u>5,354,277</u>	<u>100.00%</u>	<u>5,392,364</u>	<u>100.00%</u>
Change in Net Position	602,707		524,281	
Net position, beginning of year	<u>8,043,986</u>		<u>7,519,705</u>	
Net position, end of year	<u>\$ 8,646,693</u>		<u>\$ 8,043,986</u>	

**Town of Warren  
Management's Discussion and Analysis  
June 30, 2020**

The following is an analysis of significant changes in activity from the prior year:

- The increase in property tax revenue, including interest and liens, is mainly due to an increase in Grand List assessments.
- The decrease in investment earnings is primarily due to lower interest rates on invested cash.
- The decrease in charges for services is mainly due to economic downturn as a result of COVID-19.
- The decrease in general government expenditures is primarily due to lower building department fees and activity and a reduction in planning and zoning commission expenditures.
- The increase in education expenditures is attributable to an increase in education costs, as assessed by Regional School District # 6 (determined by a separate approved taxpayer budget).
- Town building expenses decreased and highways, public works, and maintenance expenses decreased, mainly due to capitalizing costs vs. maintenance expenditures as compared to the prior year.
- The decrease in other expenditures is attributable to prior year nonrecurring expenses for a dam valve and a trailer.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'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 *expendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the close of the fiscal year, the Town's governmental funds reported, on a current financial resource basis, combined ending fund balances of \$3,861,715. Of this amount, \$7,885 was nonspendable used for prepayments, \$14,400 was committed to the subsequent year's budgeted deficit, \$272,399 was restricted to the improvement to unimproved/improved roads, \$46,585 was restricted for social services, \$145,611 was committed to capital projects, \$77,752 was committed to parks and recreation, \$126,180 was committed to the cemetery operation, \$586,282 was committed to equipment replacements, \$42,913 was committed for waste disposal, \$3,427 was committed to revaluation, and \$17,857 was assigned for the maintenance of Warren Woods. The \$2,520,424 unassigned fund balance of the General Fund was available for spending at the Town's discretion.

The General Fund is the chief operating fund of the Town. The fund balance of the General Fund increased \$164,567 during the fiscal year. During the fiscal year, the fund balance of the Town Aid Road Fund decreased by \$33,802 due to increased road improvements, the fund balance of the Capital Non-Recurring Fund increased by \$26,222, the fund balance of the Equipment Replacement Fund increased by \$120,091, due primarily from general fund transfers, and the combined fund balances of all nonmajor funds increased \$19,327 during the fiscal year.

**Town of Warren  
Management's Discussion and Analysis  
June 30, 2020**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Original Budget approved the use of \$88,892 from the Town's fund balance. Continuing appropriations for revaluation added \$3,427 to the original approved budget and an increase in appropriations added an additional \$5,000 to General Government Department, Board of Finance line item. The Board of Finance also transferred \$1,227 from Town Insurance to the workman compensation line item. The final budget approved the use of \$97,319 from fund balance for the year ended June 30, 2020.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2020, the Town's investment in capital assets, net of depreciation, was \$6,596,812, an increase of \$157,143 from the previous fiscal year. Capital asset additions totaled \$486,562, including capital improvements to buildings, equipment, and infrastructure, depreciation expense was \$329,419. Capital assets disposed or removed totaled \$59,077 with no net book value, resulting in the aforementioned increase. Details of the Town's net investment in capital assets, is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 1,313,371	\$ 1,313,371
Construction in Progress - Library	111,755	17,417
Construction in Progress - Library	8,739	-
Land Improvements	13,189	14,006
Buildings & Improvements	3,258,922	3,358,362
Machinery, Equipment, & Vehicles	616,868	717,089
Infrastructure	<u>1,273,968</u>	<u>1,019,424</u>
	<u>\$ 6,596,812</u>	<u>\$ 6,439,669</u>

Additional information on the Town's capital assets can be found in Note 7 on pages 29-30 of this report.

**Debt**

The Town's long-term debt at June 30, 2020 consisted of a net pension liability of \$413,332 and a general obligation bond of \$1,350,000. An additional amount of \$150,000 of the general obligation bond is treated as short-term debt, totaling \$1,600,000. Detail on the general obligation bond is below:

Fiscal Year Ended June 30,	<u>Principal</u>	<u>Interest</u>
2022	150,000	50,625
2023	150,000	45,750
2024	150,000	40,688
2025	150,000	35,438
2026	150,000	30,000
2027	150,000	24,000
2028	150,000	18,000
2029	150,000	12,000
2030	<u>150,000</u>	<u>6,000</u>
Total	<u>\$ 1,350,000</u>	<u>\$ 262,501</u>

As of November 12, 2020, the Town refinanced the remaining 2010 bond issue of \$1,500,000 by refunding with a \$1,560,00 General Obligation Bonds at 1.6%, final payment due June 30, 2030. This will save the Town over \$100,000 in interest cost.

**Town of Warren  
Management's Discussion and Analysis  
June 30, 2020**

The Town is also contingently liable for its pro rata share of the Regional School District No. 6's debt. At June 30, 2020, the Town's pro rata share (19.05%) was \$381,066.

Additional information on the Town's debt can be found in Note 8 on page 30 of this report and the Statement of Debt Limitation on page 48.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Economic factors affecting the Town, including those that were considered in preparing the Town's General Fund budget for the 2020-2021 fiscal year, and those that will affect future budgets are as follows:

The Town's Mil rate has remained at 14.25 mills.

The \$5,668,404, 2020-2021 General Fund expenditure budget increased by \$3,453 from the prior fiscal year's original budget. The increase is mainly due to a cost-of-living adjustment offset with a decrease in education expenditures.

At the end of the FY 2020-2021 fiscal year, the General Fund balance was \$2,557,328. Of the General Fund balance, \$14,400 was assigned for the FY 2020-2021 operations to help moderate any tax impact from the higher expenditures.

It is expected that general State financial aid will remain level, at best.

The Town's unemployment rate increased to 5.7% as compared to prior year, June 30, 2019 rate of 2.1%. This was mostly due to the impact of COVID-19 pandemic. In comparison the unemployment rate for the State of Connecticut increased to 10.1% from 3.7% a year ago.

The Town adopted, in accordance with the State of Connecticut Governor's executive order the Tax Deferment Relief Program through October 1, 2020. This program allowed the Town of Warren to extend the last day to pay amounts due for property taxes that became due July 1, 2020 for three months from the date that they became due and payable without interest or penalty for eligible taxpayers, as defined by the executive order. The potential impact of the pandemic on the local economy, businesses and the Town's revenue is being closely monitored. Although we expect little impact on the Town's revenue, this impact, on the property tax revenue, is expected to occur with the January 2021 semiannual installment.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Warren's finances for all those with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the First Selectman, Town of Warren, 50 Cemetery Road, Warren, CT 06754.

**Town of Warren  
Statement of Net Position  
June 30, 2020**

	<b>Governmental Activities</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 4,012,097
Property taxes, interest, & liens receivable	33,172
Prepaid expenses	7,885
Grant receivable	86,335
<b>Total Current Assets</b>	<u>4,139,489</u>
<b>Noncurrent Assets</b>	
Capital assets:	
Assets not being depreciated	1,313,371
Assets being depreciated, net of depreciation of \$7,784,308	5,283,441
<b>Total Noncurrent Assets</b>	<u>6,596,812</u>
<b>Total Assets</b>	<u>10,736,301</u>
<b>Deferred Outflows of Resources</b>	
Difference between projected and actual earnings on pension plan investments	7,365
Difference between expected and actual experience on pension plan investments	25,133
Difference of assumption changes or inputs for pensions	57,943
<b>Total Deferred Outflows of Resources</b>	<u>90,441</u>
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts payable	135,920
Performance bonds held	108,454
Due to State of Connecticut	820
Accrued interest	2,305
General obligation bond, due within one year	150,000
<b>Total Current Liabilities</b>	<u>397,499</u>
<b>Noncurrent Liabilities:</b>	
General obligation bond	1,350,000
Net pension liability	413,332
<b>Total Noncurrent Liabilities</b>	<u>1,763,332</u>
<b>Total Liabilities</b>	<u>2,160,831</u>
<b>Deferred Inflows of Resources</b>	
Difference between expected and actual experience on pension plan investments	18,722
Difference between projected and actual earnings on pension plan investments	496
<b>Total Deferred Inflows of Resources</b>	<u>19,218</u>
<b>Net Position</b>	
Net investment in capital assets	5,096,812
Restricted for:	
Road maintenance	272,399
Social services	46,585
Unrestricted	3,230,897
<b>Total Net Position</b>	<u>\$ 8,646,693</u>

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

**Town of Warren  
Statement of Activities  
Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Total Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
General government	\$ 572,263	\$ 185,701	\$ -	\$ -	\$ (386,562)
Employee benefits	247,982	-	-	-	(247,982)
Health services	25,300	-	-	-	(25,300)
Agencies	69,959	-	-	-	(69,959)
Education	3,296,651	-	37,817	-	(3,258,834)
Town building	158,288	4,600	-	-	(153,688)
Town fire department	51,432	-	-	-	(51,432)
Highways, public works and maintenance	718,468	-	5,075	181,664	(531,729)
Other	142,260	24,812	-	-	(117,448)
Town property	12,048	-	-	-	(12,048)
Interest	59,626	-	-	-	(59,626)
<b>Total governmental activities</b>	<b>\$ 5,354,277</b>	<b>\$ 215,113</b>	<b>\$ 42,892</b>	<b>\$ 181,664</b>	<b>(4,914,608)</b>

General revenues:

Property taxes, interest, and lien fees	5,458,958
Investment earnings	49,955
Grants, contributions and fines not restricted to specific programs	8,402
<b>Total general revenues</b>	<b>5,517,315</b>

Change in net position

602,707

Net position - July 1, 2019

8,043,986

Net position - June 30, 2020

\$ **8,646,693**

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

Town of Warren  
Balance Sheet  
Governmental Funds  
June 30, 2020

Major Funds

	Major Funds					Total Governmental Funds
	General Fund	Town Aid Road Fund	Capital Non-Recurring	Capital Project Fund Equipment Replacement	Other Governmental Funds	
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 3,394,875	\$ 79,420	\$ 80,758	\$ 316,582	\$ 140,462	\$ 4,012,097
Property taxes, interest, & liens receivable	33,172	-	-	-	-	33,172
Prepaid expenses	1,220	-	-	-	6,665	7,885
Grant receivable	86,335	-	-	-	-	86,335
Due from other funds	-	192,979	64,853	269,700	152,968	680,500
<b>Total Assets</b>	<b>\$ 3,515,602</b>	<b>\$ 272,399</b>	<b>\$ 145,611</b>	<b>\$ 586,282</b>	<b>\$ 300,095</b>	<b>\$ 4,819,989</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 129,139	\$ -	\$ -	\$ -	\$ -	\$ 129,139
Woods security fee & other payables	5,249	-	-	-	-	5,249
Due to other funds	680,500	-	-	-	-	680,500
Overpaid Property Taxes	1,532	-	-	-	-	1,532
Due to State of Connecticut	820	-	-	-	-	820
Performance bonds payable	108,454	-	-	-	-	108,454
<b>Total Liabilities</b>	<b>925,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>925,694</b>
<b>Deferred Inflows of Resources:</b>						
Unavailable revenue - property tax	32,580	-	-	-	-	32,580
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Prepayments	1,220	-	-	-	6,665	7,885
<b>Restricted for:</b>						
Improvement to unimproved / improved roads	-	272,399	-	-	-	272,399
Social services	-	-	-	-	46,585	46,585
<b>Committed to:</b>						
Subsequent year budgeted deficit	14,400	-	-	-	-	14,400
Capital projects	-	-	145,611	-	-	145,611
Parks and recreation	-	-	-	-	77,752	77,752
Cemetery operation	-	-	-	-	126,180	126,180
Equipment replacements	-	-	-	586,282	-	586,282
Waste disposal	-	-	-	-	42,913	42,913
Revaluation	3,427	-	-	-	-	3,427
<b>Assigned for:</b>						
Warren Woods maintenance	17,857	-	-	-	-	17,857
Unassigned	2,520,424	-	-	-	-	2,520,424
<b>Total Fund Balances</b>	<b>2,557,328</b>	<b>272,399</b>	<b>145,611</b>	<b>586,282</b>	<b>300,095</b>	<b>3,861,715</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,515,602</b>	<b>\$ 272,399</b>	<b>\$ 145,611</b>	<b>\$ 586,282</b>	<b>\$ 300,095</b>	<b>\$ 4,819,989</b>

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



**Town of Warren**  
**Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds**  
**June 30, 2020**

Total net position reported for governmental activities in the Statement of Net Position is different from the governmental fund Balance Sheet due to the following:

<b>Total Fund Balances for Governmental Funds</b>	<b>\$</b>	<b>3,861,715</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 14,743,814	
Less accumulated depreciation	<u>8,147,002</u>	
Net capital assets		6,596,812
Other long-term assets are not available to pay for current period expenditures and, therefore, are not recorded in the funds:		
Property taxes, interest, and liens receivable	\$ 32,580	
Deferred outflow of resources related to pensions:		
Difference between projected and actual earnings on plan investments	7,365	
Difference between expected and actual experience on investments	25,133	
Difference of assumption changes or inputs	<u>57,943</u>	123,021
Other Long-term liabilities, including bonds payable are not due and payable in the current period, and therefore, are not reported in the governmental funds.		
Accrued interest payable	\$ (2,305)	
General obligation bond	(1,500,000)	
Net pension liability	(413,332)	
Deferred inflow of resources related to pensions:		
Difference between expected and actual experience on pension plan investments	(18,722)	
Difference between projected and actual earnings on plan investments	<u>(496)</u>	(1,934,855)
<b>Total Net Position of Governmental Activities</b>	<b>\$</b>	<b><u><u>8,646,693</u></u></b>

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

Town of Warren  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2020

	Major Funds					
	General Fund	Town Aid Road Fund	Capital Project Fund		Other Governmental Funds	Total Governmental Funds
			Capital Non-Recurring	Equipment Replacement		
<b>Revenues:</b>						
Property taxes	\$ 5,413,274	\$ -	\$ -	\$ -	\$ -	\$ 5,413,274
Interest and lien fees on property taxes	20,917	-	-	-	-	20,917
Intergovernmental	51,294	181,664	-	-	-	232,958
Investment income	40,614	1,202	1,222	4,791	2,126	49,955
Licenses, permits and other fees	139,918	-	-	-	-	139,918
Program fees and other receipts	-	-	-	300	79,881	80,181
<b>Total Revenues</b>	<b>5,666,017</b>	<b>182,866</b>	<b>1,222</b>	<b>5,091</b>	<b>82,007</b>	<b>5,937,203</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	426,941	-	-	-	-	426,941
Employee benefits	227,173	-	-	-	-	227,173
Health services	25,300	-	-	-	-	25,300
Agencies	69,808	-	-	-	-	69,808
Education	3,296,651	-	-	-	-	3,296,651
Town buildings	255,390	-	-	-	-	255,390
Town fire department	51,432	-	-	-	-	51,432
Highway and general operations	675,636	-	-	-	-	675,636
Town Insurance	52,992	-	-	-	-	52,992
Other	7,781	-	-	-	108,680	116,461
Town property	16,533	-	-	-	-	16,533
Debt service	209,813	-	-	-	-	209,813
Capital outlay	-	216,668	-	-	-	216,668
<b>Total Expenditures</b>	<b>5,315,450</b>	<b>216,668</b>	<b>-</b>	<b>-</b>	<b>108,680</b>	<b>5,640,798</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>350,567</b>	<b>(33,802)</b>	<b>1,222</b>	<b>5,091</b>	<b>(26,673)</b>	<b>296,405</b>
<b>Other Financing Sources (Uses):</b>						
Operating transfers	(186,000)	-	25,000	115,000	46,000	-
<b>Total other financing sources (uses)</b>	<b>(186,000)</b>	<b>-</b>	<b>25,000</b>	<b>115,000</b>	<b>46,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>164,567</b>	<b>(33,802)</b>	<b>26,222</b>	<b>120,091</b>	<b>19,327</b>	<b>296,405</b>
<b>Fund Balance - beginning of year</b>	<b>2,392,761</b>	<b>306,201</b>	<b>119,389</b>	<b>466,191</b>	<b>280,768</b>	<b>3,565,310</b>
<b>Fund Balance - end of year</b>	<b>\$ 2,557,328</b>	<b>\$ 272,399</b>	<b>\$ 145,611</b>	<b>\$ 586,282</b>	<b>\$ 300,095</b>	<b>\$ 3,861,715</b>

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

**Town of Warren**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**June 30, 2020**

Amounts reported for governmental activities in the Statement of Activities are difference due to the following:

**Net Change in Fund Balances - Total Governmental Funds** **\$ 296,405**

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense as follows:

Total capital outlay	\$	486,562	
Less depreciation expense		<u>(329,419)</u>	157,143

Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the governmental funds.

Change in accrued property taxes, net	\$	19,781	
Change in deferred outflow of resources related to pensions:			
Difference between projected and actual earnings on plan investments		(5,332)	
Difference between expected and actual experience on plan investments		25,133	
Difference of assumption changes or inputs		<u>(12,292)</u>	27,290

The issuance of long-term debt (bonds and leases) provide current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Bond principal repayments	\$	150,000	
Change in accrued interest payable		<u>187</u>	150,187

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in net pension liability			(26,364)
Deferred inflow of resources related to pensions:			
Difference between expected and actual experience on pension plan investments			16,768
Difference between projected and actual earnings on plan investments			<u>(18,722)</u>
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>		<b><u><u>602,707</u></u></b>

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

**Town of Warren  
Statement of Fiduciary Net Position  
Pension Trust Fund  
June 30, 2020**

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**Assets:**

Cash and cash equivalents	\$	21,707
Investments - at fair value		<u>535,367</u>
<b>Total Assets</b>		<b><u><u>557,074</u></u></b>

**Net Position:**

Assets held in trust for pension benefits	\$	<u><u>557,074</u></u>
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The accompanying notes are an integral part of these financial statements.

**Town of Warren**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund**  
**Year Ended June 30, 2020**

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<b>Additions:</b>	
Employer contributions	\$ 60,000
Investment income:	
Change in fair value of investments	(7,757)
Interest and dividends	14,176
Less: investment expense	<u>3,684</u>
Net investment income	<u>2,735</u>
<b>Total Additions</b>	<b>62,735</b>
<b>Deductions:</b>	
Pension benefits	<u>55,624</u>
<b>Total Deductions</b>	<u>55,624</u>
<b>Increase in Net Position</b>	<b>7,111</b>
<b>Assets Held In Trust For Pension Benefits:</b>	
Net Position - Beginning of year	<u>549,963</u>
Net Position - End of year	<u><u>\$ 557,074</u></u>

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

**Town of Warren**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies:**

The accompanying basic financial statements of the Town of Warren, Connecticut (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’s significant accounting policies are described below.

**A. Reporting Entity:**

The Town of Warren, Connecticut was incorporated in 1786 under the provisions of the Connecticut General Statutes, and has a population of approximately 1,300 living within an area of 27 square miles. The Town is located in Litchfield County. The Town operates under a Town Meeting, Board of Selectmen and Board of Finance form of government. The Town provides the following services: public safety, public works, parks and recreation, health and social services, planning and zoning and education by being part of Regional School District #6, of which the Towns of Warren, Morris and Goshen are members. Town appropriations to the school district are determined by a separate taxpayer approved budget and the percentage of Warren residents attending the District's schools.

The Legislative authority of the Town is vested in the Town Meeting. The First Selectman is the chief executive, chief administrative officer and budget-making authority of the Town. The Board of Finance is responsible for revising the proposed budget and submitting the final budget to the Town Meeting. The Board of Finance is also responsible for establishing the annual tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town’s financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town. Additionally, the primary government is required to consider 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.

Based on the criteria provided by the Codification the Town of Warren has determined that it has no component units.

Based upon the foregoing criteria, the following organizations are not considered part of the Town and thus are excluded from the accompanying financial statements:

Regional School District #6 which provides educational services and facilities to the residents of Warren, Morris and Goshen. The Town of Warren pays a proportional share of the expense of the district.

Warren Volunteer Fire Company, Inc. – These potential component units have separate elected boards and provide services to residents, generally within the geographic boundary of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise, influence or control over the daily operations.

**Town of Warren**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

**B. Jointly Governed Organizations:**

Northwest Hills Council of Governments

The Town and twenty other local municipalities each appoint the governing board of the Northwest Hills Council of Government (the “NHCOG”) to provide a regional forum for information exchange and regional planning. The NHCOG is supported by assessments to the twenty-one member Towns based upon population census. The Town of Warren appropriated and expended \$1,128 for the operation of the NHCOG for the year ended June 30, 2020.

Lake Waramaug Authority

The Lake Waramaug Authority (the “Lake Authority”) was created by the Towns of Washington, Warren and Kent by local ordinance. The Lake Authority enforces all regulations related to water activities. The Town appropriated \$5,600 and expended \$3,799 for the operation of the Lake Authority for the year ended June 30, 2020.

Lake Waramaug Interlocal Commission

The Lake Waramaug Interlocal Commission (the “Commission”) was created by the Towns of Warren, Washington, and Kent to improve the lake water quality and control water pollution. The Town appropriated and expended \$10,530 for the operation of the Commission for the year ended June 30, 2020.

**C. Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the Town. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements:

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid-management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materiality.

**Town of Warren**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

C. Government-Wide and Fund Financial Statements:

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

The other five governmental funds are combined into a single, aggregated presentation under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

D. Measurement Focus and Basis of Accounting and Financial Statement Presentation

*Government-Wide Statements:* The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

*Fund Financial Statements:* Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

General Fund:

The *General Fund* is the Town’s primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

Special Revenue Fund:

The *Town Aid Road Fund* accounts for Connecticut Department of Transportation grants to be used for construction, reconstruction, improvement, or maintenance or improved and unimproved road and other transportation related services as set forth in the General Statutes of Connecticut.



**Town of Warren**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

D. Measurement Focus and Basis of Accounting and Financial Statement Presentation (continued):

Capital Projects Funds:

The *Capital Non-Recurring Fund*, as authorized by General Statutes of Connecticut, accounts for the financing of all or part of the planning, construction, reconstruction or acquisition of capital facilities, improvements or equipment. The *Equipment Replacement Fund* accounts for the purchase and replacement of major equipment.

The Town also reports the following five Nonmajor Governmental Funds:

Special Revenue Funds account for specific revenues that are legally restricted to expenditures for particular purpose:

*Park and Recreation Fund* – accounts for fees from recreational leisure programs along with the related expenditures.

*Warren Cemetery Commission Fund* – accounts for sale of plots along with the related expenditures for maintaining and improving the cemetery.

*Good Neighbor Fund* – accounts for donations and assistance to those in need.

*Force Majeure Fund* - accounts for resources from the dissolution of the Bristol Resource and Recovery Operating Committee to be used for future waste disposal.

*Social Service Special Project Fund*- accounts for donations and assistance to those in need for special projects only.

Additionally, the Town reports the following fund types:

Fiduciary Fund Types

*Pension Trust Fund* - accounts for the accumulation of resources to be used for retirement benefits.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Town’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned balances.

**Town of Warren**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity:**

Deposits and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any “qualified public depository” as defined by statute, which has its main place of business in the State of Connecticut.

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

Town investments are reported at fair value.

Receivables

In the government-wide financial statements property taxes are shown net of an allowance for uncollectibles. For the year ended June 30, 2018, all taxes are deemed collectible, and therefore, the allowance was zero.

In the fund financial statements, all property taxes receivable at June 30, 2018, which have not been collected within 60 days of June 30, have been recorded as deferred inflows of resources, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60 day period have been recorded as revenue.

Property taxes are assessed on October 1 and billed the following July. Real and personal property bills are payable in one installment, July 1. Motor vehicle taxes are payable in one installment on July 1, with the motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the town as assets with an initial, individual cost of more than \$5,000 and with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**Town of Warren**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued):**

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	25
Buildings & improvements	40
Infrastructure	20-50
Machinery, Equipment and Vehicle	5-10

**Deferred Outflows of Resources and Deferred Inflows of Resources**

The Statement of Financial Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period. The Town reports deferred outflows of resources related to pension for the difference between projected and actual earnings on plan investments and the difference of assumption changes or inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan.

The Statement of Financial Position reports a separate section for deferred inflows of resources. Deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. Deferred inflows of resources reported in relation to the pension plan are the difference between expected and actual experience on pension plan investments.

The Governmental Fund Balance Sheet, the Town reports the deferred inflow of resources for unavailable revenue from property taxes. Property tax income is recognized as revenue in the period that the amounts become available.

**Interfund Activity**

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

On fund financial statements, short-term interfund loans are classified as interfund “due from/to other funds”. These amounts are eliminated in the Statement of Net Position.

**Compensated Absences**

Eligible employees are paid for sickness, vacations, and personal days. At June 30, 2020 the liability for compensated absences cannot be reasonably estimated. However, it has been deemed not material to the financial statements. In addition, the Town does not pay for any post retirement healthcare benefits.

**Town of Warren**  
**Notes to Financial Statements**

**Note “1” - Summary of Significant Accounting Policies (continued):**

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued):**

Accrued Liabilities and Long-Term Debt:

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

Long-term debt is recognized as a liability of a governmental fund when it is due or when the resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Fund Equity and Net Position – Governmental Funds

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Town Meeting.
- Assigned fund balance – amounts the government intends to use for a specific purpose as authorized by the Town’s Board of Selectman and Board of Finance.
- Unassigned fund balance – amounts that are available for any purpose. This category is only reported in the General Fund for positive amounts and in any other fund that have a fund balance deficit.

The Town does not have a minimum fund balance policy.

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

Net Investment in Capital Assets

This category presents all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category. Debt issued for non-capital purposes is excluded.

Restricted Net Position

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

Unrestricted Net Position

This category represents the net position of the Town, which are not restricted. A deficit will require future funding.

**Town of Warren**  
**Notes to Financial Statements**

**Note "1" - Summary of Significant Accounting Policies (continued):**

F. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note "2" – Stewardship, Compliance, and Accountability**

Budgetary Compliance – The General Fund:

The Town's General Fund budgetary procedures are as follows:

In January each department head, officer, head of office, board and/or commission submits detailed estimates of expenditures for the ensuing fiscal year to the Board of Selectman and Board of Finance.

The Board of Selectmen reviews all proposed estimates of expenditures as well as estimated revenues to be collected.

After discussing and reaching agreement, the Board of Selectmen forwards the proposed budget to the Board of Finance for review. The Board of Finance then prepares a proposed General Town Budget.

The Board of Finance holds a public hearing on the proposed budget prior to presenting it to the Annual Town Meeting in May. Following approval of the proposed budget at the Town meeting, the Board of Finance establishes the tax rate.

The Town Meeting legally appropriates this budget as one balance for revenue and on department basis for expenditures and transfers. The Board of Finance is authorized to approve additional appropriations up to and including \$20,000 per department per year, however, no more than one additional appropriation per department can be made without town meeting approval. The Board of Finance authorized the transfer of \$1,227 from the Town Insurance line item to the workman compensation line item of the Fire Department. The Board of Finance also authorized an appropriation increase of \$5,000 for the General Government Department from fund balance.

Budgetary Compliance - Special Revenue Fund:

The Town does not budget for its special revenue funds. Considering a cost benefit analysis, it is not practical for the town to report budgetary information for special revenue funds on a combined basis.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

**Town of Warren**  
**Notes to Financial Statements**

**Note "3" – Cash, Deposits and Investments:**

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2020:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Deposits:		
Demand Accounts	\$ 248,130	\$ 21,707
Certificate of deposits	<u>1,070,913</u>	<u>---</u>
Total deposits	1,319,043	---
 Petty Cash and cash on hand	 200	 ---
Cash equivalents:		
State short-term investment fund (STIF)	693,481	---
Overnight repurchase agreements	<u>1,999,373</u>	<u>---</u>
Total cash equivalents	<u>2,692,854</u>	<u>---</u>
 Total Cash and Cash Equivalents	 <u>\$ 4,012,097</u>	 <u>\$ 21,707</u>

B. Deposits - Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2020, the carrying amount of the town's deposits, including certificates of deposits of \$1,070,913 classified as cash equivalents, was \$1,319,043 and the bank balance was \$1,326,641. Of the Town's bank balance, \$826,641 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 743,977
Uninsured and collateralized held by pledging	
Bank's trust department, not in the Town's name	<u>82,664</u>
Total amount subject to custodial credit risk	<u>\$ 826,641</u>

C. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2020, the Town's cash equivalents amounted to \$3,763,767, comprised of repurchase agreements of \$1,999,373 and State Short-Term Investment Fund balance of \$693,481

Amounts held in the overnight repurchase agreement were 100% collateralized with collateral held by the bank's trust department or agent, but not in the Town's name.

The following table provides a summary of the Town's cash equivalents as rated by nationally recognized statistical rating organizations. The State of Connecticut Short-Term Investment Fund (STIF) is a "2a7-Like" pool. The fair value of the portion in the pool is the same as the value of the pool shares.

State of Connecticut Short-Term Investment Fund (STIF)	<u>Standard and Poor's</u> AAAm
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**Town of Warren**  
**Notes to Financial Statements**

**Note "3" – Cash, Deposits and Investments (continued):**

**D. Investments**

At June 30, 2020, the Town’s investments consisted of the following:

<b>Fiduciary Fund</b>	<b><u>Average Fair Value</u></b>	<b><u>Investment Credit Rating</u></b>	<b><u>Maturity</u></b>
Exchange Traded Funds	\$ 69,548	N/A	N/A
Mutual funds	<u>465,819</u>	N/A	N/A
Total Fiduciary Funds	\$ <u>535,367</u>		

- 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.
- Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statues governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.
- The Fiduciary Fund investments are uninsured and unregistered with securities held by the counterparties, but not in the Town’s name.

**E. Fair Value Measurements:**

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Town did not hold any investments on June 30, 2020 whose fair value was determined using Level 2 or Level 3 inputs.

At June 30, 2020, the Town's investments, as listed below, are measured on a recurring basis using Level 1 inputs. The Town has no financial assets measured using Level 2 or Level 3 inputs.

Exchange traded funds	\$ 69,548
Mutual funds	<u>465,819</u>
Total	\$ <u>535,367</u>

**Note "4" - Receivables:**

Property taxes, interest, and liens receivable at June 30, 2020, including the applicable allowances for uncollectible accounts, are as follows:

Property taxes	\$ 27,347
Accrued interest and lien fees on property taxes	<u>5,825</u>
Gross receivables	33,172
Less: allowance for uncollectibles	<u>---</u>
<u>Net Receivables</u>	\$ <u>33,172</u>

**Town of Warren  
Notes to Financial Statements**

**Note "5" - Interfund Transfers:**

Interfund transfers for the year ended June 30, 2020, consisted of the following:

	<u>Transfers from Other Funds</u>	<u>Transfers To Other Funds</u>
<u>Major Funds:</u>		
General Fund	\$ ---	\$ 186,000
Capital Non-recurring Fund	25,000	---
Equipment Replacement Fund	115,000	---
<u>Other Governmental Funds:</u>		
Park and Recreation Fund	32,000	---
Warren Cemetery Commission Fund	14,000	---
<u>Total</u>	<u>\$ 186,000</u>	<u>\$ 186,000</u>

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

**Note "6" - Interfund Balances:**

These 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, and (3) payments between funds are made. At June 30, 2020 the amounts due to and from other funds were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Equipment Replacement Fund	General Fund	\$ 269,700
Town Aid Road	General Fund	192,979
Park and Recreation Fund	General Fund	77,752
Capital Non-Recurring Fund	General Fund	64,853
Force Majeure Fund	General Fund	42,913
Social Services Fund	General Fund	29,255
Good Neighbor Fund	General Fund	2,390
Warren Cemetery Commission Fund	General Fund	658
<u>Total</u>		<u>\$ 680,500</u>



**Town of Warren**  
**Notes to Financial Statements**

**Note "7" - Capital Assets:**

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions and</u> <u>Reclasses</u>	<u>Ending</u> <u>Balance</u>
<u>Governmental Activities:</u>				
Capital Assets - Not Depreciated:				
Land	\$ 1,313,371	\$ ---	\$ ---	\$ 1,313,371
Construction in Progress – Library	17,417	94,338	---	111,755
Construction in Progress – Hardscrabble Rd	---	8,739	---	8,739
Capital Assets - Depreciated:				
Land Improvements	25,430	---	---	25,430
Building & Improvements	4,790,281	15,324	---	4,805,605
Machinery, Equipment & Vehicles	2,489,561	13,240	( 5,832)	2,496,969
Infrastructure	<u>5,680,269</u>	<u>354,921</u>	<u>( 53,245)</u>	<u>5,981,945</u>
Total Capital Assets Being Depreciated	12,985,541	383,485	( 59,077)	13,309,949
Less: Accumulated Depreciation				
Land Improvements	11,424	817	---	12,241
Building & Improvements	1,431,919	114,764	---	1,546,683
Machinery, Equipment & Vehicles	1,772,472	113,461	( 5,832)	1,880,101
Infrastructure	<u>4,660,845</u>	<u>100,377</u>	<u>( 53,245)</u>	<u>4,707,977</u>
Total Accumulated Depreciation	<u>7,876,660</u>	<u>329,419</u>	<u>( 59,077)</u>	<u>8,147,002</u>
Capital Assets Being Depreciated - Net	<u>5,108,881</u>	<u>54,066</u>	<u>( ---)</u>	<u>5,162,947</u>
Capital Assets - Net	<u>\$ 6,439,669</u>	<u>\$ 157,143</u>	<u>\$ ( ---)</u>	<u>\$ 6,596,812</u>

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

Governmental Activities:

General government services	\$ 92,330
Agencies	151
Public safety	28,480
Public works, including depreciation of	
General infrastructure assets	182,659
Culture and recreation	<u>25,799</u>
<u>Total depreciation expense</u>	<u>\$ 329,419</u>

**Town of Warren**  
**Notes to Financial Statements**

**Note "8" – Long-Term Liabilities:**

The following is a summary of activity and changes in long-term liabilities for the year ended June 30, 2020. The General Fund has historically been used to liquidate the following long-term liabilities.

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>
Governmental Activities:					
General obligation bond	\$ 1,650,000	\$ ---	\$ 150,000	\$ 1,500,000	\$ 150,000
Net pension liability	<u>386,968</u>	<u>92,783</u>	<u>66,419</u>	<u>413,332</u>	<u>---</u>
Total	<u>\$ 2,036,968</u>	<u>\$ 92,783</u>	<u>\$ 216,419</u>	<u>\$ 1,913,332</u>	<u>\$ 150,000</u>

<u>Description</u>	<u>Original</u> <u>Amount</u>	<u>Date of</u> <u>Issue</u>	<u>Date of</u> <u>Maturity</u>	<u>Interest</u> <u>Rate %</u>
General obligation bond	\$ 3,000,000	6/15/2010	6/15/2030	2-4

As disclosed in the subsequent events footnote, the general obligation bond was refinanced subsequent to year-end.

Aggregate debt service requirements subsequent to June 30, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 150,000	\$ 55,312	\$ 205,312
2022	150,000	50,625	200,625
2023	150,000	45,750	195,750
2024	150,000	40,688	190,688
2025	150,000	35,438	185,438
2026-2030	<u>750,000</u>	<u>90,000</u>	<u>840,000</u>
Total Debt Service requirement	<u>\$ 1,500,000</u>	<u>\$ 317,813</u>	<u>\$ 1,817,813</u>

**Note "9" - Contingent Liabilities:**

The Town is contingently liable on Regional School District No. 6 serial bonds payable through the year ending June 30, 2038 and a bank loan through the year ended June 30, 2021. The amount (19.05%) attributable to the Town is \$381,066.

**Note "10" – Pension Plan**

A. Defined Benefit Pension Plan

General Information about the Pension Plan

The Town of Warren is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Town to provide pension benefits for its employees. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. At June 30, 2020, the latest actuarial date, PERS membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>4</u>
<u>Total</u>	<u>11</u>

**Town of Warren**  
**Notes to Financial Statements**

**Note "10" – Defined Benefit Pension Plan (continued):**

**A. Defined Benefit Pension Plan (continued)**

The plan is a non-contributory defined benefit pension plan and covers substantially all regular full-time employees and elected officials through contribution to the Pension Trust Fund. In order to be eligible for the plan, the employee must complete one full year of service and attain a minimum age of twenty-one.

Normal retirement date is the first of the month coincident with or next following the participants 65th birthday. The annual benefit is 1.25% of the Final Average Compensation multiplied by years of Credited Service to June 30, 1997 and 1.5% of final average compensation multiplied by years of credited service beginning July 1, 1997. Final average compensation is the average compensation for the five highest compensation years within the ten years of service prior to retirement or termination. The plan contains a provision for early retirement at age sixty and after fifteen years of credited service at a reduced benefit.

The Plan has a provision for early retirement at age 60 and 15 years of credited service. Benefit determined as above multiplied by years of credited service at the time of early retirement, but reduced by 6.6% for each of the first five years prior to normal retirement and 3.3% for each of the next five years which the date of commencement precedes normal retirement.

Participants are entitled to a percentage of accrued pension payable at their normal retirement date based upon the following schedule:

<u>Full Years of Credited Services</u>	<u>Vested Percentage of Accrued Benefit</u>
4 years	50%
7 years or more	100%

**Plan Amendments:**

The Town froze participation and retirement benefits as follows:

- Non-collectively bargained member's retirement benefits shall not be increased after July 1, 2014.
- No additional collectively and non-collectively bargained employees (other than those collectively bargained employees who are members of the Plan on June 30, 2014) are eligible to become members of the plan.

As of July 1, 2014, the Town adopted a defined contribution pension plan under code Section 457(b) for eligible new employees and all current participants of the frozen defined benefit pension plan.

**Authority**

The Board of Finance has established the benefit provisions and contribution to the plan. The Board is also authorized to make changes to the plan provisions through the budgetary process.

**Funding Policy:**

The Town's funding policy provides for periodic employer contributions at actuarially determined rates that, when expressed as percentages of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due. There are no legal or contractual limitations on the maximum amount of the Town's contribution.

**Town of Warren**  
**Notes to Financial Statements**

**Note "10" – Defined Benefit Pension Plan (continued):**

A. Defined Benefit Pension Plan (continued)

Summary of Significant Accounting Policies and Plan Asset Matters

*Basis of Accounting:* PERS financial statements are prepared using the accrual basis of accounting. Employer's contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the plan.

*Method Used to Value Investments:* All funds are invested in money market accounts, exchange traded funds and mutual funds through trust agreement with the custodian, TD Ameritrade Institutional, and are reported at fair value.

Investments:

*Investment Policy:* The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee of the Board of Finance by a majority vote of its members. It is the policy of the Board of Finance to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across the board selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting assets class allocations over short time spans.

The following was the Board's adopted asset allocation policy as of June 30, 2020. Also summarized below are the best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Alternatives	0.00%	1.90%
Aggregate Bonds	35.00%	3.10%
Real Estate Investment Trusts	6.00%	6.40%
U.S. Large Cap Value	12.00%	5.60%
U.S. Large Cap	12.00%	5.60%
U.S. Small Cap Value	6.00%	6.50%
U.S. Small Cap	6.00%	6.50%
Foreign Developed	12.00%	7.70%
Foreign Emerging Markets	6.00%	9.20%
Gold	5.00%	3.00%

The following investments represent 5 percent or more of plan net assets:

Vanguard Growth ETF	\$ 43,247	7.76%
Dimensional Fund Advisors Intl Core Eqty Inst	\$ 62,977	11.30%
Dimensional Fund Advisors Emrg Mkts Core Eqty Inst	\$ 31,800	5.71%
Dimensional Fund Advisors US Lg Cap Value Inst	\$ 56,538	10.15%
Dimensional Fund Advisors US Sm Cap Inst	\$ 32,925	5.91%
Dimensional Fund Advisors Intmd Govt Fixed Income Inst	\$ 75,444	13.54%
Dimensional Fund Advisors US Lg Cap Eqty Inst	\$ 29,143	5.23%
Dimensional Fund Advisors Invmt Grade Inst	\$ 52,786	9.48%
Dimensional Fund Advisors Global Real Estate Sec Inst	\$ 32,306	5.80%
Dimensional Fund Advisors Global Core Plus Fixed Inc I	\$ 33,185	5.96%

**Town of Warren**  
**Notes to Financial Statements**

**Note "10" – Defined Benefit Pension Plan (continued):**

A. Defined Benefit Pension Plan (continued)

*Rate of Return:* For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.23%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town:

The components of the net pension liability at June 30, 2020 were as follows:

Total pension liability	\$ 970,406
Plan fiduciary net position	<u>557,074</u>
Net pension liability	<u>\$ 413,332</u>

Plan fiduciary net position as a percentage of the total pension liability 57.41%

Actuarial Assumptions

The following assumptions were used to determine the total pension liability, above, using the actuarial valuation as of June 30, 2020:

Inflation	3%
Salary increases	3%, including inflation
Long term expected rate of return	5%, net of expenses, including inflation

Mortality rates were based on Pub-2010 General Government with Scale MP-2020 Generational Improvements (Male/Female).

The long-term expected rate of return on pension plan investments was determined using a blended rate, an average of past performance. The rate best estimates expected future real rates of return (expected returns, net of pension plan investment expense and inflation) and are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The total weighted average expected rate of return is 5.00%.

*Change in Assumptions:*

Mortality: Mortality rates were based on Pub-2010 General Government with Scale MP-2020 Generational Improvements (Male/Female) for the year ending June 30, 2020. The RP-2014 Total for Employees and Healthy Annuitants with Scale MP-2018 Generational Improvements from 2006 (Male/Female) was used for the year ending June 30, 2019.

The long-term rate of return assumptions and discount rate have not changed for the year ending June 30, 2020. The municipal bond rate, used in calculating the discount rate, decreased from 2.79% for the year ending June 30, 2019 to 2.66% for the year ending June 30, 2020.

**Town of Warren**  
**Notes to Financial Statements**

**Note "10" – Defined Benefit Pension Plan (continued):**

A. Defined Benefit Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that the Town contribution will be made at actuarially determined contribution rates. Therefore, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based on the aforementioned assumptions, 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.

Net Pension Liability of the Town

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances as of June 30, 2019	\$ 936,931	\$ 549,963	\$ 386,968
Changes for the Year:			
Service cost	15,200	---	15,200
Interest on total pension liability	45,901	---	45,901
Differences between expected and actual			
Experience	10,433	---	10,433
Changes of assumptions	17,565	---	17,565
Employer contributions	---	60,000	( 60,000)
Net investment income	---	6,419	( 6,419)
Benefit payments	( 55,624)	( 55,624)	---
Administrative expense	---	( 3,684)	3,684
Net changes	<u>33,475</u>	<u>7,111</u>	<u>26,364</u>
Balances as of June 30, 2020	\$ <u>970,406</u>	\$ <u>557,074</u>	\$ <u>413,332</u>

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

The following presents the net pension liability of the Town, calculated using the discount rate of 5.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current rate.

	<u>1% Decrease to 4.00%</u>	<u>Current Discount Rate of 5.00%</u>	<u>1% Increase To 6.00%</u>
Net Pension Liability	\$ 537,323	\$ 413,332	\$ 309,117

**Town of Warren**  
**Notes to Financial Statements**

**Note "10" – Defined Benefit Pension Plan (continued):**

A. Defined Benefit Pension Plan (continued)

Pension Expense: Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the Town recognized pension expense of \$80,809. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual earnings on pension plan investments	\$ 7,365	\$ 18,722
Difference between expected and actual experiences	25,133	496
Changes of assumptions	<u>57,943</u>	<u>---</u>
Total	<u>\$ 90,441</u>	<u>\$ 19,218</u>

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

<u>Year Ending June 30,</u>	
2021	\$ 30,173
2022	26,556
2023	10,246
2024	<u>4,248</u>
	<u>\$ 71,223</u>

B. Defined Contribution Pension Plan

The Town offers its employees, who are eligible for benefits, a deferred compensation plan, created in accordance with Internal Revenue Code Section 457.

All employees working a minimum of 1,000 hours during the year, complete one full year of continuous service, and attain the age of twenty-one are eligible for inclusion in the plan.

The Town is required to contribute 3% of the employee's compensation. In addition, the Town is also required to match up to 100% of the dollar amount contributed by the employee up to a maximum of 3% of the employee's compensation. Contribution requirements of the Town are established and may be amended by the Board of Finance. Town contributions totaled \$16,962 for the year ended June 30, 2020.

Deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergencies. All amounts of compensation deferred under the plan, 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. It is the opinion of Town officials that the Town has no liability for losses under the plan, and therefore, the accounts of the deferred compensation plan are not reported in the basic financial statements of the Town.

**Town of Warren**  
**Notes to Financial Statements**

**Note "11" - Commitments and Litigation:**

The Town is a defendant in two lawsuits arising from workplace conduct issues. The outcome of these lawsuits is not presently determinable. It is the opinion of Management that there are no material or substantial claims against the Town, which will be finally determined so as to result in judgement or judgements against the Town, which would materially affects its financial position.

The Town has received financial assistance from numerous Federal and State agencies in the form of grants and entitlements. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the Town's financial statements.

**Note "12" - Risk Management:**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters. Commercial liability and property insurance coverage is purchased to protect against losses from these risks. The Town does not maintain a self-insurance fund. However, the Town is a member of the Connecticut Interlock Risk Management Agency (CIRMA) workers compensation pool. Premiums are subject to adjustment from retrospective rating, and are recorded as expenditures in the year paid. The Town reports all of its risk management activities in the General Fund.

**Note "13" - Operating Deficiencies and Fund Deficits:**

The following individual funds had deficiencies of revenue and other sources over expenditures and other uses for the year ended June 30, 2020. All fund balances were positive as of June 30, 2020.

Major Fund:

Town Aid Road	\$	33,802
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Nonmajor Fund:

Good Neighbor Fund	\$	432
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**Note "14" – Subsequent Events:**

On March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread in the United States. As of the date the financial statements were available to be issued, there was considerable uncertainty around the expected duration of the pandemic. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. At this point, the extent to which COVID-19 may impact the Town's financial condition, and changes in the fair values of its investments or results of operations cannot be reasonably estimated at this time.

Management has evaluated events and transactions for potential recognition or disclosure through November 24, 2020, the date the financial statements were available to be issued. Significant activity included refinancing of the General Obligation bond of 2010 by issuing a new bond in the amount of \$1,560,000 with a maturity date of June 30, 2020. The average coupon rate declined from approximately 3.54% to 1.60%, resulting in an accumulate approximate net savings to the Town of \$120,000.



**Town of Warren**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2020**

	Original and Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Revenues:</b>			
Property taxes	\$ 5,446,657	\$ 5,439,328	\$ (7,329)
Interest and liens fees on property taxes	15,000	20,917	5,917
Telephone access tax	4,700	4,986	286
State of Connecticut - Grants:			
Veterans tax relief	500	1,368	868
Historic document preservation	---	5,500	5,500
State property (PILOT)	1	2,084	2,083
Mashantucket Pequot	1	4,369	4,368
Education grants	---	32,317	32,317
Judicial fines	---	260	260
COVID-19 grants	---	5,075	5,075
Other grants	5,000	321	(4,679)
Contributions in lieu of taxes	500	---	(500)
Investment income	30,000	40,614	10,614
Other fees and receipts:			
Building permits	40,000	51,296	11,296
Building permits - Excess revenue over budget offsets expenditures	---	(11,296)	(11,296)
Planning, zoning and conservation	4,000	5,760	1,760
Conveyance tax	10,000	38,631	28,631
Dog fees	1,000	1,454	454
Recording and map fees	7,500	11,080	3,580
Rent of town buildings	3,600	4,000	400
Library rent	600	600	---
Photocopies and other miscellaneous fees	7,000	21,883	14,883
Recycling rebate	---	228	228
<b>Amounts available for appropriation</b>	<b>\$ 5,576,059</b>	<b>\$ 5,680,775</b>	<b>\$ 104,716</b>

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

Town of Warren  
Required Supplementary Information  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
General Fund Budget and Actual (Non - GAAP Budgetary Basis)  
Year Ended June 30, 2020

	Original Budget	Transfers and Additional Appropriations	Final Budget	Actual	Variance With Final Budget Over (Under)
<b>Expenditures:</b>					
<b>General Government</b>					
First Selectman - salary	\$ 55,347	\$ ---	\$ 55,347	\$ 55,347	\$ ---
First Selectman -Administrative Assistant	35,850	---	35,850	36,021	171
First Selectman - Clerical	10,154	---	10,154	6,687	(3,467)
Board of Selectman - expenses	6,500	---	6,500	6,857	357
Second Selectman	3,825	---	3,825	3,825	---
Third Selectman	3,825	---	3,825	3,825	---
Treasurer - salary	6,740	---	6,740	6,740	---
Treasurer - expenses	1,500	---	1,500	1,006	(494)
Town clerk - salary	38,418	---	38,418	38,418	---
Town clerk - expenses	15,700	---	15,700	14,309	(1,391)
Deputy town clerk	3,752	---	3,752	250	(3,502)
Computer management	10,000	---	10,000	7,429	(2,571)
Tax collector - salary	12,324	---	12,324	12,506	182
Tax collector - expenses	10,175	---	10,175	10,780	605
Assessor- salary	27,161	---	27,161	27,161	---
Assessor- expenses	14,735	---	14,735	13,117	(1,618)
Park and recreation director - salary	34,530	---	34,530	34,528	(2)
Social services director - salary	11,445	---	11,445	9,323	(2,122)
Social services - expenses	2,000	---	2,000	571	(1,429)
Zoning /Inlands officer - salary	19,421	---	19,421	9,381	(10,040)
Clerical: Land Use Department	8,460	---	8,460	5,019	(3,441)
Custodian - salary	14,337	---	14,337	10,555	(3,782)
Fire Marshall	4,200	---	4,200	3,406	(794)
Building inspector	35,000	---	35,000	45,809	10,809
Building department - Excess revenue over budget	---	---	---	(11,296)	(11,296)
Dog warden - salary	6,800	---	6,800	6,800	---
Dog warden - expenses	850	---	850	600	(250)
Animal shelter	1,400	---	1,400	1,350	(50)
Police	500	---	500	360	(140)
Office equipment	6,000	---	6,000	5,254	(746)
Town engineer	2,500	---	2,500	---	(2,500)
Legal counsel	5,000	---	5,000	---	(5,000)
Auditor	20,500	---	20,500	20,200	(300)
GASB # 34 Compliance	1,000	---	1,000	1,000	---
Probate court	2,757	---	2,757	2,757	---
Elections - salary	10,787	---	10,787	6,936	(3,851)
Elections - expenses	5,000	---	5,000	3,818	(1,182)
Board of Assessment Appeals	500	---	500	368	(132)
Board of Finance	600	5,000	5,600	5,711	111
Planning and Zoning Commission	7,000	---	7,000	1,910	(5,090)
Zoning Board of Appeals	5,000	---	5,000	769	(4,231)
Conservation Commission	4,000	---	4,000	738	(3,262)
Historical document preservation	---	---	---	5,500	5,500
Revaluation - Continuing and additional appropriations	---	3,427	3,427	---	(3,427)
<b>Total General Government</b>	<b>465,593</b>	<b>8,427</b>	<b>474,020</b>	<b>415,645</b>	<b>(58,375)</b>

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

**Town of Warren**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2020**

<b>Expenditures (continued):</b>	<b>Original Budget</b>	<b>Transfers and Additional Appropriations</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Employee Benefits</b>					
Insurance benefits	\$ 102,000	\$ ---	\$ 102,000	\$ 98,121	\$ (3,879)
Retirement fund contribution and fees	89,700	---	89,700	89,116	(584)
Social security/medicare	44,045	---	44,045	39,936	(4,109)
Total Employee Benefits	<u>235,745</u>	<u>---</u>	<u>235,745</u>	<u>227,173</u>	<u>(8,572)</u>
<b>Health services</b>					
Torrington area health district	8,831	---	8,831	8,831	---
Visiting nurses Northwes & NM	5,000	---	5,000	1,438	(3,562)
Paramedic intercept	15,039	---	15,039	15,031	(8)
Total Health Services	<u>28,870</u>	<u>---</u>	<u>28,870</u>	<u>25,300</u>	<u>(3,570)</u>
<b>Agencies</b>					
Lake Waramaug Authority	5,600	---	5,600	3,799	(1,801)
Inter-local commission	10,530	---	10,530	10,530	---
NW CT Regional Council of Governments	1,128	---	1,128	1,128	---
Library	30,000	---	30,000	30,000	---
Civil Defense - town communication	1,000	---	1,000	2,653	1,653
Litchfield County Dispatch	16,258	---	16,258	16,257	(1)
Regional non-profit agencies	2,080	---	2,080	1,959	(121)
Litchfield County soil conservation	600	---	600	600	---
Elderly bus	1,115	---	1,115	1,115	---
Council of Small Towns	1,767	---	1,767	1,767	---
Total Agencies	<u>70,078</u>	<u>---</u>	<u>70,078</u>	<u>69,808</u>	<u>(270)</u>
<b>Town Property</b>					
Improving town property	15,000	---	15,000	14,653	(347)
Street lighting	2,600	---	2,600	1,880	(720)
Total Town Property	<u>17,600</u>	<u>---</u>	<u>17,600</u>	<u>16,533</u>	<u>(1,067)</u>
<b>Town Buildings &amp; Waste Removal</b>					
Operations	90,000	---	90,000	89,228	(772)
Waste collection and hauling	98,000	---	98,000	92,075	(5,925)
Recycling	20,000	---	20,000	14,553	(5,447)
Energy improvements	1,500	---	1,500	---	(1,500)
Capital improvements	30,000	---	30,000	17,900	(12,100)
Covanta	35,000	---	35,000	39,228	4,228
Household hazardous waste	2,500	---	2,500	2,406	(94)
Total Town Buildings & Waste Removal	<u>277,000</u>	<u>---</u>	<u>277,000</u>	<u>255,390</u>	<u>(21,610)</u>
<b>Highways and General Operations</b>					
Highway labor	260,000	---	260,000	248,920	(11,080)
Highway department operations	120,000	---	120,000	118,938	(1,062)
Snow removal	90,000	---	90,000	67,339	(22,661)
Town garage	20,000	---	20,000	17,914	(2,086)
Maintenance town equipment	40,000	---	40,000	22,050	(17,950)
Gas, fuel, oil	35,000	---	35,000	35,135	135
Road Fund	140,000	---	140,000	140,000	---
Uniforms	3,500	---	3,500	5,069	1,569
Removal of Ash Trees	15,000	---	15,000	15,000	---
COVID-19 paid leave	---	---	---	5,271	5,271
Total Highways and General operations	<u>723,500</u>	<u>---</u>	<u>723,500</u>	<u>675,636</u>	<u>(47,864)</u>

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

**Town of Warren**  
**Required Supplementary Information**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non - GAAP Budgetary Basis)**  
**Year Ended June 30, 2020**

<b>Expenditures (continued):</b>	<b>Original Budget</b>	<b>Transfers and Additional Appropriations</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
<b>Town Fire Department</b>					
Fire department insurance	\$ 17,600	\$ ---	\$ 17,600	\$ 18,133	\$ 533
Workmans compensation	8,100	1,227	9,327	9,327	---
Gas and diesel fuel	4,000	---	4,000	4,000	---
Truck maintenance	20,000	---	20,000	19,972	(28)
Tax abatement	27,000	---	27,000	26,054	(946)
Total Fire Department	<u>76,700</u>	<u>1,227</u>	<u>77,927</u>	<u>77,486</u>	<u>(441)</u>
<b>Town Insurance</b>					
Town Insurance	61,000	(1,227)	59,773	52,992	(6,781)
<b>Miscellaneous</b>					
State dog fees	1,500	---	1,500	820	(680)
Website/Email services	2,800	---	2,800	2,310	(490)
Newsletter expenses	3,700	---	3,700	1,965	(1,735)
Miscellaneous	3,000	---	3,000	2,229	(771)
Unemployment Charges	5,400	---	5,400	457	(4,943)
Total Miscellaneous	<u>16,400</u>	<u>---</u>	<u>16,400</u>	<u>7,781</u>	<u>(8,619)</u>
<b>Education</b>					
Wamogo Regional School District	3,296,652	---	3,296,652	3,296,651	(1)
<b>Debt Service</b>					
Interest & principal	209,813	---	209,813	209,813	---
<b>Other Financing Uses:</b>					
Operating transfers out					
Fire truck replacement fund	55,000	---	55,000	55,000	---
Park and recreation fund	32,000	---	32,000	32,000	---
Non-recurring capital expenditure fund	25,000	---	25,000	25,000	---
Cemeteries	14,000	---	14,000	14,000	---
Equipment fund	60,000	---	60,000	60,000	---
Total operating transfers	<u>186,000</u>	<u>---</u>	<u>186,000</u>	<u>186,000</u>	<u>---</u>
<b>Total Expenditures and Other Financing Uses</b>	<u>5,664,951</u>	<u>8,427</u>	<u>5,673,378</u>	<u>5,516,208</u>	<u>(157,170)</u>
Excess (deficiency) of revenues over Expenditure and other uses	(88,892)	(8,427)	(97,319)	164,567	261,886
Fund Balance at beginning of year	<u>88,892</u>	<u>8,427</u>	<u>97,319</u>	<u>2,392,761</u>	<u>2,295,442</u>
Fund Balance at end of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 2,557,328</u>	<u>\$ 2,557,328</u>

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

**Town of Warren**  
**Notes to Required Supplementary Information –**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund Budget and Actual (Non-GAAP Budgetary Basis)**  
**Year Ended June 30, 2020**

Basis:

The Schedule of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual (Non-GAAP Budgetary Basis) presents a comparison of the original and the final legally adopted budget with actual data on a budgetary basis.

Reconciliation between Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis:

The budget for the General Fund has been prepared substantially on the cash basis, whereas actual revenues and expenditures were determined on the modified accrual basis. The budget comparison was not adjusted to the cash basis because the differences were not significant. Expenditures in excess of appropriations in budget line items are primarily due to the addition of accruals at year end.

Volunteer tax credits are reported as expenditures in the fire department line item for budgetary purposes; whereas, under GAAP, it is reported as a reduction of tax revenue.

Additionally, for budget purposes, the Town recognizes building inspection fees up to the budgeted revenue and any excess is offset against the respective expenditure since the expenditure is based on the percentage of revenue. For GAAP purposes, the gross revenue and expenditures are recognized, resulting in the adjustment shown below.

The difference between GAAP and the budgeting basis for the General Fund is as follows:

	<u>Total Revenues</u>	<u>Total Expenditures and Transfers</u>	<u>Fund Balance</u>
Actual - NonGAAP Budgetary Basis Statement - June 30, 2020	\$ 5,680,775	\$ 5,516,208	\$ 2,557,328
Volunteer tax credits	( 26,054)	( 26,054)	---
To gross up revenue and expenditures – Building department	<u>11,296</u>	<u>11,296</u>	<u>---</u>
Actual GAAP - June 30, 2020	<u>\$ 5,666,017</u>	<u>\$ 5,501,450</u>	<u>\$ 2,557,328</u>

**Town of Warren  
Schedule of Changes in Net Pension Liability and Related Ratios  
Last Seven Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	\$ 15,200	\$ 11,685	\$ 12,113	\$ 9,912	\$ 11,990	\$ 13,015	\$ 20,164
Interest	45,901	50,959	50,987	47,784	50,753	46,851	51,669
Difference between expected and actual experience	10,433	(39,868)	(1,728)	62,490	(38,381)	15,381	(89,163)
Changes in assumptions	17,565	98,469	-	(6,260)	(11,250)	51,134	1,803
Benefit payments, including refunds of member contributions	(55,624)	(57,309)	(61,672)	(61,672)	(61,672)	(62,718)	(61,392)
Net change in total pension liability	33,475	63,936	(300)	52,254	(48,560)	63,663	(76,919)
Total pension liability - beginning	936,931	872,995	873,295	821,041	869,601	805,938	882,857
Total pension liability - ending	970,406	936,931	872,995	873,295	821,041	869,601	805,938
Plan fiduciary net position							
Contributions - employer	60,000	58,800	55,000	58,000	38,160	40,963	41,375
Net investment income	6,419	18,530	30,547	31,747	15,137	4,364	57,936
Benefit payments, including refunds of member contributions	(55,624)	(57,309)	(61,672)	(61,672)	(61,672)	(62,718)	(61,392)
Administrative expense	(3,684)	(3,578)	(3,449)	(3,232)	(3,153)	(3,288)	(3,293)
Net change in plan fiduciary net position	7,111	16,443	20,426	24,843	(11,528)	(20,679)	34,626
Plan fiduciary net position - beginning	549,963	533,520	513,094	488,251	499,779	520,458	485,832
Plan fiduciary net position - ending	557,074	549,963	533,520	513,094	488,251	499,779	520,458
Net Pension Liability - Ending	\$ 413,332	\$ 386,968	\$ 339,475	\$ 360,201	\$ 332,790	\$ 369,822	\$ 285,480
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	57.41%	58.70%	61.11%	58.75%	59.47%	57.47%	64.58%
Covered Employee Payroll	\$ 202,313	\$ 198,162	\$ 192,459	\$ 195,802	\$ 163,976	\$ 189,096	\$ 230,525
Net Pension Liability as a percentage of covered employee payroll	204.30%	195.28%	176.39%	183.96%	202.95%	195.57%	123.84%

Town of Warren  
Schedule of Employer Contributions  
Last Ten Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 69,903	\$ 64,732	\$ 56,213	\$ 48,869	\$ 51,802	\$ 42,072	\$ 57,873	\$ 57,429	\$ 51,527	\$ 45,865
Contributions in relation to the actuarially determined contribution	60,000	58,800	55,000	58,000	38,160	40,963	-	33,000	38,000	150,000
Contribution Deficiency (Excess)	\$ 9,903	\$ 5,932	\$ 1,213	\$ (9,131)	\$ 13,642	\$ 1,109	\$ 57,873	\$ 24,429	\$ 13,527	\$ (104,135)
Covered employee payroll	\$ 202,313	\$ 198,162	\$ 192,459	\$ 195,802	\$ 163,976	\$ 189,096	\$ 230,525	\$ 219,412	\$ 257,213	\$ 245,257
Contributions as a percentage of covered employee payroll	29.66%	29.67%	28.58%	29.62%	23.27%	21.66%	0.00%	15.04%	14.77%	61.16%

Notes to Schedule

Valuation date: June 30, 2020  
Measurement date: June 30, 2020

Actuarially determined contribution rates are calculated as the normal cost as of July 1st prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Actuarial cost method: Projected Unit Cost
- Amortization method: Level dollar, closed
- Remaining amortization period: 7 years
- Asset valuation method: Fair market value
- Salary increases: 3.0%
- Investment rate of return: 5.00% from 6/30/2012 - 6/30/2018. 8.00% prior to fiscal year ending 6/30/2012.
- Retirement age: Age 65, 100% normal retirement age
- Mortality: Pub-2010 General Government with Scale MP-2020 Generational Improvements (Male/Female); separate tables are used for Employees, Healthy Retirees, and Contingent Survivors

Changes in benefit terms

Changes of assumptions: None  
Mortality: Pub-2010 General Government with Scale MP-2020 Generational Improvements (Male/Female). For June 30, 2019, the mortality table used was RP-2017 Total for Employees and Health Annuitants with Scale MP-2018 Generational Improvements from 2006 (Male/Female). Previously, mortality improvements were projected beyond the valuation date using the MP-2017 mortality improvement scale.

Discount Rate: In 2019, the long term rate of return assumption changed from 6.00% to 5.00%. The discount rate for purposes of determining the net pension liability has changed from the beginning of the fiscal year for the year ending June 30, 2019.

	7/1/2020	7/1/2019	7/1/2018
Long term rate of return on investments	5.00%	5.00%	6.00%
Municipal bond rate	2.66%	2.79%	2.98%
Discount rate for net pension liability purposes	5.00%	5.00%	6.00%

**Town of Warren  
 Schedule of Investment Returns  
 Last Seven Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	1.23%	3.71%	6.39%	6.97%	3.25%	0.90%	11.25%



Town of Warren  
 Nonmajor Government Funds  
 Combining Balance Sheet  
 June 30, 2020

	<b>Special Revenue Funds</b>					<b>Total</b>
	<b>Park and Recreation Fund</b>	<b>Warren Cemetery Commission</b>	<b>Good Neighbor Fund</b>	<b>Force Majeure Fund</b>	<b>Social Service Special Project Fund</b>	
<b>Assets:</b>						
Cash and cash equivalents	\$ ---	\$ 125,522	\$ 14,940	\$ ---	\$ ---	\$ 140,462
Prepaid expenses	6,665	---	---	---	---	6,665
Due from other funds	77,752	658	2,390	42,913	29,255	152,968
<b>Total Assets</b>	<b>\$ 84,417</b>	<b>\$ 126,180</b>	<b>\$ 17,330</b>	<b>\$ 42,913</b>	<b>\$ 29,255</b>	<b>\$ 300,095</b>
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Prepayments	6,665	---	---	---	---	6,665
<b>Restricted for:</b>						
Social services	---	---	17,330	---	29,255	46,585
<b>Committed to:</b>						
Parks and recreation	77,752	---	---	---	---	77,752
Cemetery operations	---	126,180	---	---	---	126,180
Waste disposal	---	---	---	42,913	---	42,913
<b>Total Fund Balances</b>	<b>84,417</b>	<b>126,180</b>	<b>17,330</b>	<b>42,913</b>	<b>29,255</b>	<b>300,095</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 84,417</b>	<b>\$ 126,180</b>	<b>\$ 17,330</b>	<b>\$ 42,913</b>	<b>\$ 29,255</b>	<b>\$ 300,095</b>

**Town of Warren**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2020**

	<b>Special Revenue Funds</b>					<b>Totals</b>
	<b>Park and Recreation Fund</b>	<b>Warren Cemetery Commission</b>	<b>Good Neighbor Fund</b>	<b>Force Majeure Fund</b>	<b>Social Service Special Project Fund</b>	
<b>Revenues:</b>						
Investment income	\$ ---	\$ 1,900	\$ 226	\$ ---	\$ ---	\$ 2,126
Program fees and other receipts	55,369	1,500	1,250	1,818	19,944	79,881
<b>Total Revenues</b>	<u>55,369</u>	<u>3,400</u>	<u>1,476</u>	<u>1,818</u>	<u>19,944</u>	<u>82,007</u>
<b>Expenditures:</b>						
Cemetery expenditures	---	15,739	---	---	---	15,739
Programs and Activities	83,910	---	1,908	---	7,123	92,941
<b>Total Expenditures</b>	<u>83,910</u>	<u>15,739</u>	<u>1,908</u>	<u>---</u>	<u>7,123</u>	<u>108,680</u>
<b>Excess (Deficiency) of revenues over expenditures</b>	(28,541)	(12,339)	(432)	1,818	12,821	(26,673)
<b>Other Financing Sources:</b>						
Operating transfers in	32,000	14,000	---	---	---	46,000
<b>Excess (Deficiency) of Revenues and Other Sources over Expenditures</b>	3,459	1,661	(432)	1,818	12,821	19,327
<b>Fund Balance - beginning of year</b>	<u>80,958</u>	<u>124,519</u>	<u>17,762</u>	<u>41,095</u>	<u>16,434</u>	<u>280,768</u>
<b>Fund Balance - end of year</b>	<u>\$ 84,417</u>	<u>\$ 126,180</u>	<u>\$ 17,330</u>	<u>\$ 42,913</u>	<u>\$ 29,255</u>	<u>\$ 300,095</u>

Town of Warren  
 Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)  
 Year Ended June 30, 2020

	Taxes Receivable July 1, 2019	Assessor's Lawful Additions	Corrections Reductions	Suspense Transfers	Adjusted Taxes Receivable	Collections		Total Net Collections	Taxes Receivable June 30, 2020	
						Taxes	Interest & Liens			Refunds and Adjustments
2018 \$	5,427,009 \$	10,036 \$	(5,187) \$	(3,871) \$	5,427,987 \$	5,405,420 \$	18,361 \$	181 \$	5,423,962 \$	22,748
2017	13,816	810	(496)	---	14,130	9,530	2,269	(94)	11,705	4,506
2016	1,352	---	---	---	1,352	1,173	368	(122)	1,419	57
2015	101	---	---	---	101	65	42	---	107	36
Suspense collections	---	---	---	1,069	1,069	1,089	702	20	1,791	---
<b>Totals</b>	<b>\$ 5,442,278 \$</b>	<b>10,846 \$</b>	<b>(5,683) \$</b>	<b>(2,802) \$</b>	<b>5,444,639 \$</b>	<b>5,417,277 \$</b>	<b>21,742 \$</b>	<b>(15) \$</b>	<b>5,438,984 \$</b>	<b>27,347</b>

Town of Warren  
Statement of Debt Limitation  
Connecticut General Statutes, Section 7-374 (b)  
Year Ended June 30, 2020

Tax collections (including interest and lien fees) for the year ended June 30, 2020	\$ 5,438,984
Reimbursement for revenue loss on:	
Tax relief for elderly - (CGS 12-129d)	<u>-</u>
<b>Total tax collections (including interest and lien fees) for the year ended June 30, 2020</b>	<b>\$ <u>5,438,984</u></b>

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
<b>Debt Limitation:</b>					
2 1/4 times Base	\$ 12,237,714	\$ -	\$ -	\$ -	\$ -
4 1/2 times Base	-	24,475,428	-	-	-
3 3/4 times Base	-	-	20,396,190	-	-
3 1/4 times Base	-	-	-	17,676,698	-
3 times Base	-	-	-	-	16,316,952
<b>Total Debt Limitation</b>	<u>12,237,714</u>	<u>24,475,428</u>	<u>20,396,190</u>	<u>17,676,698</u>	<u>16,316,952</u>
<b>Indebtedness:</b>					
General Obligation Bonds - Issued June 15, 2010	1,500,000	-	-	-	-
Wamogo Regional School District #6					
Town's share 19.05%					
General Obligation Bonds Issued 2017 -\$1,960,000		373,380			
Bank Loan Issued December 2016 -\$40,348	-	7,686	-	-	-
<b>Total Indebtedness</b>	<u>1,500,000</u>	<u>381,066</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Debt Limitation In Excess Of</b>					
<b>Outstanding and Authorized Debt</b>	<b>\$ <u>10,737,714</u></b>	<b>\$ <u>24,094,362</u></b>	<b>\$ <u>20,396,190</u></b>	<b>\$ <u>17,676,698</u></b>	<b>\$ <u>16,316,952</u></b>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Finance  
Town of Warren  
Warren, Connecticut

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Warren, Connecticut as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Warren, Connecticut's basic financial statements, and have issued our report thereon dated November 24, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Warren, Connecticut's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Warren, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Warren, Connecticut's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Warren, Connecticut's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charles Heaven & Co.  
Waterbury, Connecticut

November 24, 2020

STATE SINGLE AUDIT REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE SINGLE AUDIT ACT

INDEPENDENT AUDITOR'S REPORT

Board of Finance  
Town of Warren  
Warren, Connecticut

**Report on Compliance for Each Major State Program**

We have audited the Town of Warren, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Warren, Connecticut's major state programs for the year ended June 30, 2020. The Town of Warren, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Warren, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Warren, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Warren, Connecticut's compliance

***Opinion on Each Major State Program***

In our opinion, the Town of Warren, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2020.



## **Report on Internal Control over Compliance**

Management of the Town of Warren, Connecticut, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Warren, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Warren's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

We have audited the financial statements of the Town of Warren, Connecticut, as of and for the year ended June 30, 2020 and have issued our report thereon dated November 24, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

CHARLES HEAVEN & CO.  
November 24, 2020

**Town of Warren  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2020**

State Grantor / Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
<b>Office of Policy and Management</b>		
Reimbursement to Towns-Tax Loss on State Property	11000-OPM20600-17004	\$ 2,084
Reimbursable Property Tax - Disability Exemption	11000-OPM20600-17011	33
Property Tax Relief for Veterans	11000-OPM20600-17024	1,368
Local Capital Improvement Program	12050-OPM20600-40254	71,000
Municipal Grants-in-Aid	12052-OPM20600-43587	288
<b>Department of Transportation</b>		
Town Aid Roads	12052-DOT57131-43455	108,334
Town Aid Roads	13033-DOT57131-43459	108,334
<b>Connecticut State Library</b>		
Historic Document Preservation	12060-CSL66094-35150	5,500
<b>Judicial Branch</b>		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	260
<b>Department of Agriculture</b>		
Agricultural Viability	12060-DAG42710-90456	10,960
<b>Department of Revenue Services</b>		
Other Expenses	11000-DRS16410-10020	10
<b>Total State Financial Assistance Before Exempt Programs</b>		<b>308,171</b>
 <b>EXEMPT PROGRAMS</b>  		
<b>Department of Education</b>		
Education Cost Sharing	11000-SDE64370-17041	32,317
<b>Office of Policy and Management</b>		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	4,369
<b>Total Exempt Programs</b>		<b>36,686</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<b>\$ 344,857</b>

The accompanying notes are an integral part of this schedule

**Town of Warren, Connecticut**  
**Notes to Schedule of Expenditures of State Financial Assistance**  
**For the Year Ended June 30, 2020**

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Warren under programs of the State of Connecticut for the fiscal year ended June 30, 2020. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including: local capital improvement, road repairs, tax relief, education and other public assistance. Because the Schedule presents only a selected portion of the operations of the Town of Warren, Connecticut, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the Town of Warren, Connecticut.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Warren conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

***Basis of Accounting***

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the modified accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditure column of the Schedule of Expenditures of State Financial Assistance.

**Town of Warren, Connecticut  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2020**

**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

*State Financial Assistance*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditor's opinion issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?  yes  no

- The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation		
Town Aid Road Transportation Fund	12052-DOT57131-43455	\$ <u>108,334</u>
Town Aid Road Transportation Fund - STO	13033-DOT57131-43459	\$ <u>108,334</u>

- Dollar threshold used to distinguish between type A and type B Programs \$ 100,000

**Town of Warren, Connecticut  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2020**

**II. FINANCIAL STATEMENT FINDINGS**

No matters were reported.

We issued our report, dated November 24, 2020, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards. Our report on internal control over financial reporting indicated no findings or questioned costs.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

No matters were reported.



**Charles Heaven & Co.**  
Certified Public Accountants

**TOWN OF WARREN**  
**INDEPENDENT ACCOUNTANTS' REPORT ON**  
**APPLYING AGREED-UPON PROCEDURES**  
**TAX COLLECTOR**  
**NOVEMBER 30, 2020**

TOWN OF WARREN  
June 30, 2020

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SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING (REPORT OF THE TAX COLLECTOR)	3





Charles Heaven & Co.  
Certified Public Accountants  
Waterbury, Connecticut

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Finance  
Town of Warren, Connecticut

We have performed the procedures enumerated below, which were agreed to by the Town of Warren, solely to assist you with respect to the testing of the tax collector's schedule of the Town of Warren as of November 30, 2020. The Town of Warren's management is responsible for the testing of the tax collector's schedule. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of those procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

The procedures and findings are as follows:

### Procedures:

1. Recompute the tax receivable due July 1, 2020 for the October 1, 2019 and older grand lists, using the approved mill rate and net assessment of taxable property.
2. Verify that the tax receivable for the October 1, 2019 and older open grand lists were properly rolled forward from the June 30, 2020 tax receivable balances.
3. Trace the Assessor's lawful corrections to the detailed correction adjustment report, listed by individual property owners and test check Certificate of Correction for proper authorization and documentation.
4. Reconcile taxes, interest and lien collections to deposits in the General Fund Town Treasurer general ledger and test check deposits to the bank statement.
5. Determine that the tax receivable at November 30, 2020 agrees to the computerized rate book.
6. Reconcile the Schedule of Property Taxes levied collected and outstanding (Report of the Tax Collector) with the Grand Ratebook Balance Sheet Report.
7. Verify that tax receipts and financial reports have been reverted to the Treasurer by the 10<sup>th</sup> of each month.

8. Reconcile BAA changes and test check for proper authorization and documentation.
9. Test check that interest charged is calculated according to state statutes.
10. Obtain copies of signed ratebook and tax warrant.
11. Verify that the suspense list has been authorized by the BOF.
12. Test check refunds of property taxes
13. Review delinquent tax list at November 30, 2020 tracing totals to the tax collector report including any overpayments.

Findings:

No exceptions were found as a result of applying the above procedures.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the specified elements, accounts, or items. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used for anyone other than those specified parties.

*Charlton & Co., CPAs*

December 23, 2020

Town of Warren  
Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)  
Five Months Ended November 30, 2020

	Taxes Receivable July 1, 2019	Assessor's Lawful Corrections Additions	CoC Increase in November tax not due til December	Suspense Transfers	Adjusted Taxes Receivable	Collections		Total Net Collections	Taxes Receivable November 30, 2020	
						Taxes	Interest & Liens			
October 1, 2019	\$ 5,402,274	\$ 5,767	\$ (5,739)	--	\$ 5,401,889	\$ 5,138,470	\$ 4,569 (a)	\$ 4,200	\$ 5,147,239	\$ 267,619
2018	22,748	33	(336)	--	22,445	722	174	302	1,198	22,025
2017	4,506	15	--	--	4,521	346	176	(17)	505	4,158
2016	57	17	(4)	--	70	--	--	(16)	(16)	54
2015	36	17	--	--	53	--	--	(17)	(17)	36
Suspense collections	--	--	--	733	733	733	194	--	927	--
<b>Totals</b>	<b>\$ 5,429,621</b>	<b>\$ 5,849</b>	<b>\$ (6,079)</b>	<b>733</b>	<b>\$ 5,429,711</b>	<b>\$ 5,140,271</b>	<b>\$ 5,113</b>	<b>\$ 4,452</b>	<b>\$ 5,149,836</b>	<b>\$ 293,892</b>