



PRELIMINARY OFFICIAL STATEMENT DATED JULY 25, 2023

NEW ISSUE -Book-Entry-Only

RATING: (See "Rating" herein)

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax, however, such interest is taken into account in determining the adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See "Tax Matters" herein.

TOWN OF COVENTRY, CONNECTICUT \$4,865,000 GENERAL OBLIGATION BONDS, ISSUE OF 2023 (BANK QUALIFIED)

Dated: Date of Delivery

Due: August 15, 2025-2043

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

Interest on the Bonds will be payable on February 15, 2024 and semiannually thereafter on February 15 and August 15 in each year until maturity or earlier redemption. The Bonds will be issuable only as fully registered bonds, without coupons, and when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry-only form. Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds. So long as Cede & Co. is the Bondowner, as nominee of DTC, reference herein to the Bondowner or owners shall mean Cede & Co. as aforesaid, and shall not mean the beneficial owners (as described herein) of the Bonds. (See "Book-Entry Transfer System" herein.)

The Registrar, Certifying Bank, Transfer and Paying Agent will be U.S. Bank Trust Company, National Association, Hartford, Connecticut.

The Bonds are subject to optional redemption as described more fully herein. See "Optional Redemption", herein.

The Bonds are offered for sale in accordance with an official Notice of Sale dated July 25, 2023. Electronic bids via PARITY® for the Bonds will be received until 11:30 A.M. (E.T.) on August 2, 2023, at the Office of the Town Manager, 1712 Main Street, Coventry, Connecticut, as described in the official Notice of Sale. (See "Appendix F" herein).

RATING: (See "Rating" herein)

\$2,070,000 GENERAL OBLIGATION BOND ANTICIPATION NOTES (BANK QUALIFIED)

Dated: August 16, 2023

Due: August 15, 2024

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

The Notes will bear interest payable at maturity. The Notes will be issued by means of a book-entry system and will be registered in the name of Cede & Co., as Noteowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Notes. Purchasers will not receive certificates representing their ownership interest in the Notes. So long as Cede & Co. is the Noteowner, as nominee of DTC, reference herein to the Noteowner or owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Notes. (See "Book-Entry Transfer System" herein.)

The Certifying Bank, Registrar, Transfer and Paying Agent will be U.S. Bank Trust Company, National Association, Hartford, Connecticut.

The Notes are not subject to redemption prior to maturity.

The Notes are offered for sale in accordance with an official Notice of Sale dated July 25, 2023. Electronic bids via PARITY® for the Notes will be received until 11:00 A.M. (E.T.) on August 2, 2023, at the Office of the Town Manager, 1712 Main Street, Coventry, Connecticut, as described in the official Notice of Sale. (See "Appendix G" herein).

The Bonds and the Notes are offered for delivery when, as and if issued, subject to the final approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry form will be made to DTC on or about August 16, 2023.

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

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

TOWN OF COVENTRY, CONNECTICUT

\$4,865,000

GENERAL OBLIGATION BONDS, ISSUE OF 2023 (BANK QUALIFIED)

Dated: Date of Delivery

Due: August 15, 2025-2043

MATURITY SCHEDULE

| <u>Maturity</u> | <u>Amount</u> | <u>Coupon</u> | <u>Yield</u> | <u>CUSIP¹</u> | <u>Maturity</u> | <u>Amount</u> | <u>Coupon</u> | <u>Yield</u> | <u>CUSIP¹</u> |
|-----------------|---------------|---------------|--------------|--------------------------|-----------------|---------------|---------------|--------------|--------------------------|
| 2025 | \$260,000 | % | % | 222849*** | 2035 | \$255,000 | % | % | 222849*** |
| 2026 | 260,000 | | | 222849*** | 2036 | 255,000 | | | 222849*** |
| 2027 | 260,000 | | | 222849*** | 2037 | 255,000 | | | 222849*** |
| 2028 | 260,000 | | | 222849*** | 2038 | 255,000 | | | 222849*** |
| 2029 | 255,000 | | | 222849*** | 2039 | 255,000 | | | 222849*** |
| 2030 | 255,000 | | | 222849*** | 2040 | 255,000 | | | 222849*** |
| 2031 | 255,000 | | | 222849*** | 2041 | 255,000 | | | 222849*** |
| 2032 | 255,000 | | | 222849*** | 2042 | 255,000 | | | 222849*** |
| 2033 | 255,000 | | | 222849*** | 2043 | 255,000 | | | 222849*** |
| 2034 | 255,000 | | | 222849*** | | | | | |

\$2,070,000

GENERAL OBLIGATION BOND ANTICIPATION NOTES (BANK QUALIFIED)

Dated: Date of Delivery

Due: August 15, 2024

| <u>Amount</u> | <u>Coupon</u> | <u>Yield</u> | <u>CUSIP¹</u> |
|---------------|---------------|--------------|--------------------------|
| \$2,070,000 | % | % | 222849*** |

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

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

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

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

The Town deems this Official Statement to be "final" as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1).

Other than as to matters expressly set forth in Appendix A – "Audited Financial Statements" herein, the independent auditors for the Town are not passing on and do not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and make no representation that they have independently verified the same. The independent auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. The independent auditor also has not performed any procedures relating to this Official Statement.

Other than matters expressly set forth as their opinions in Appendices B and C, respectively herein, Bond Counsel is not passing on and does not assume any responsibility for the accuracy or adequacy of the statements made in this Official Statement and makes no representation that they have independently verified the same.

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

The Town will enter into Continuing Disclosure Agreements with respect to the Bonds and the Notes (the "Continuing Disclosure Agreements"), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12(b)(5), (i) annual financial information and operating data with respect to the Bonds, (ii) notice of the occurrence of certain events within ten (10) business days of the occurrence of such events with respect to the Bonds and the Notes, and (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement with respect to the Bonds. The Continuing Disclosure Agreements are to be executed by the Town substantially in the forms attached as Appendices D and E, respectively to this Official Statement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds and notes to provide certain annual financial information and event notices pursuant to Rule 15c2-12(b)(5).

BOND COUNSEL
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Hartford, Connecticut
(860) 275-8200

MUNICIPAL ADVISOR
MUNISTAT SERVICES, INC.
Madison, Connecticut
(203) 421-2880

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BOND ISSUE SUMMARY

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

| | |
|---|--|
| Date of Sale: | Wednesday, August 2, 2023 at 11:30 A.M. (E.T.). |
| Location of Sale: | Office of the Town Manager, 1712 Main Street, Coventry, Connecticut 06238. |
| Issuer: | Town of Coventry, Connecticut (the “Town”). |
| Issue: | \$4,865,000 General Obligation Bonds, Issue of 2023 (the “Bonds”). |
| Dated Date: | Date of Delivery, August 16, 2023. |
| Interest Due: | February 15, 2024 and semiannually thereafter on February 15 and August 15 in each year until maturity or earlier redemption. |
| Principal Due: | Serially, August 15, 2025 through 2043, as set forth on the inside cover to this Official Statement. |
| Purpose and Authority: | The Bonds are being issued to permanently finance various capital improvement projects authorized by voters of the Town. See “Authorization and Purpose” and “Plan of Refunding” herein. |
| Redemption: | The Bonds are subject to redemption prior to maturity as more fully described herein. See “Optional Redemption” herein. |
| Security: | The Bonds will be general obligations of the Town of Coventry, Connecticut and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due. |
| Credit Rating: | The Bonds have been rated [] by S&P Global Ratings (“S&P”). The rating on certain outstanding bonds of the Town has recently been affirmed as [] by S&P. Certain outstanding bonds of the Town are also rated “Aa3” by Moody’s Investors Service (“Moody’s”) although the Town did not seek a Moody’s rating on this issue. |
| Basis of Award: | Lowest True Interest Cost (TIC), as of dated date. |
| Tax Exemption: | See “Tax Matters” herein. |
| Bank Qualification: | The Bonds shall be designated as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the Bonds. |
| Continuing Disclosure: | In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) annual financial information and operating data, (ii) notices of certain events within ten (10) business days of occurrence of such events and (iii) timely notice of a failure to provide the required annual financial information by the date specified pursuant to a Continuing Disclosure Agreement to be executed by the Town in substantially the form attached as Appendix D to this Official Statement. |
| Registrar, Transfer Agent, Certifying Agent, and Paying Agent: | U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut. |
| Legal Opinion: | Robinson & Cole LLP, of Hartford, Connecticut will act as Bond Counsel. |
| Delivery and Payment: | It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about August 16, 2023 against payment in Federal Funds. |
| Issuer Official: | Questions regarding the Town and this Official Statement should be directed to Julie Chapman, Finance Director and Treasurer, 1712 Main Street, Coventry, Connecticut 06238, Telephone: (860) 742-3528. |
| Municipal Advisor: | Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, attention: Mr. William N. Lindsay, Managing Director, Telephone: (203) 421-2880. |

NOTE ISSUE SUMMARY

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

| | |
|---|---|
| Date of Sale: | Wednesday, August 2, 2023 at 11:00 A.M. (E.T.). |
| Location of Sale: | Office of the Town Manager, 1712 Main Street, Coventry, Connecticut 06238. |
| Issuer: | Town of Coventry, Connecticut (the “Town”). |
| Issue: | \$2,070,000 General Obligation Bond Anticipation Notes (the “Notes”). |
| Dated Date: | Date of Delivery, August 16, 2023. |
| Interest Due: | At maturity on August 15, 2024. |
| Principal Due: | At maturity on August 15, 2024. |
| Purpose and Authority: | The Notes are being issued to permanently finance various capital improvement projects authorized by voters of the Town. See “Authorization and Purpose” and “Plan of Refunding” herein. |
| Redemption: | The Notes are NOT subject to redemption prior to maturity. |
| Security: | The Notes will be general obligations of the Town of Coventry, Connecticut and the Town will pledge its full faith and credit to the payment of principal of and interest on the Notes when due. |
| Credit Rating: | The Bonds have been rated [] by S&P Global Ratings (“S&P”). The rating on certain outstanding bonds of the Town has recently been affirmed as [] by S&P. Certain outstanding bonds of the Town are also rated “Aa3” by Moody’s Investors Service (“Moody’s”) although the Town did not seek a Moody’s rating on this issue. |
| Basis of Award: | Lowest Net Interest Cost (NIC), as of dated date. |
| Tax Exemption: | See “Tax Matters” herein. |
| Bank Qualification: | The Notes shall be designated as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense incurred to carry the Notes. |
| Continuing Disclosure: | In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide or cause to be provided, notices of certain events within ten (10) business days of the occurrence of such events pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix E to this Official Statement. |
| Registrar, Transfer Agent, Certifying Agent, and Paying Agent: | U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut. |
| Legal Opinion: | Robinson & Cole LLP, of Hartford, Connecticut will act as Bond Counsel. |
| Delivery and Payment: | It is expected that delivery of the Note in book-entry-only form will be made to The Depository Trust Company on or about August 16, 2023 against payment in Federal Funds. |
| Issuer Official: | Questions regarding the Town and this Official Statement should be directed to Julie Chapman, Finance Director and Treasurer, 1712 Main Street, Coventry, Connecticut 06238, Telephone: (860) 742-3528. |
| Municipal Advisor: | Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, attention: Mr. William N. Lindsay, Managing Director, Telephone: (203) 421-2880. |

I. SECURITIES OFFERED

INTRODUCTION

This Official Statement, including the cover page, inside cover and appendices, has been prepared by the Town of Coventry, Connecticut (the “Town”) with assistance from the Municipal Advisor (defined herein) in connection with the issuance and sale of \$4,865,000 General Obligation Bonds, Issue of 2023 (the “Bonds”) and the issuance and sale of \$2,070,000 of General Obligation Bond Anticipation Notes (the “Notes”) of the Town.

The Bonds and the Notes are being offered for sale at public bidding. Notices of Sale, each dated July 25, 2023, have been furnished to prospective bidders. Reference is made to the Notices of Sale (see Appendices D and E herein) for the terms and conditions of the bidding on the Bonds and the Notes.

This Official Statement (“Official Statement”) is not to be construed as a contract or agreement between the Town and the purchasers or holders of any of the Bonds and the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof.

All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the original official documents, and all references to the Bonds and the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

The presentation of information in this Official Statement is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the Town. Except for information expressly attributed to other sources, all financial and other information presented herein has been provided by the Town.

Bond Counsel are not passing upon and does not assume responsibility for the accuracy or adequacy of the statements made in this Official Statement (other than matters expressly set forth in their opinion) and they make no representation that they have independently verified the same.

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

DESCRIPTION OF THE BONDS

The Bonds will be dated as of the date delivery, August 16, 2023, and will mature in annual installments on August 15 in each of the years and in the principal amounts set forth on the inside cover page hereof. Interest will be payable on February 15, 2024 and semiannually thereafter on February 15 and August 15 in each year until maturity or earlier redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable to the registered owners of the Bonds as of the close of the last business day of January and July in each year. A book-entry system will be employed evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof with transfers of ownership effected on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants pursuant to rules and procedures established by DTC and its participants. (See “Book-Entry Transfer System” herein). The Registrar, Certifying Bank, Transfer and Paying Agent on the Bonds will be U.S. Bank Trust Company, National Association, Hartford, Connecticut. The legal opinion on the Bonds will be rendered by Robinson & Cole LLP, of Hartford, Connecticut. The Bonds **SHALL BE** designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

OPTIONAL REDEMPTION

The Bonds maturing on or before August 15, 2031 are not subject to redemption prior to maturity. The Bonds maturing on August 15, 2032 and thereafter are subject to redemption prior to maturity, at the option of the Town, on and after August 15, 2031, at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as

the Town may determine, at the redemption prices (expressed as a percentage of the principal amount of Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to interest, to the redemption date:

| <u>Period During Which Redeemed</u> | <u>Redemption Price</u> |
|-------------------------------------|-------------------------|
| August 15, 2031 and thereafter | 100.00% |

DESCRIPTION OF THE NOTES

The Notes will be dated August 16, 2023 and will mature on August 15, 2024. Interest on the Notes will be payable at maturity on August 15, 2024. Interest will be calculated on the basis of twelve 30-day months and a 360-day year. The Notes are **NOT** subject to redemption prior to maturity. A book-entry system will be employed evidencing ownership of the Notes in principal amounts of \$5,000 or integral multiples thereof with transfers of ownership effected on the records of DTC, and its participants pursuant to rules and procedures established by DTC and its participants. (See "Book-Entry Transfer System" herein.) The Registrar, Certifying Bank, Transfer Agent and Paying Agent will be U.S. Bank Trust Company, National Association, Hartford, Connecticut. The legal opinion on the Notes will be rendered by Robinson & Cole LLP, of Hartford, Connecticut. The Notes **SHALL BE** designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

NOTICE OF REDEMPTION

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

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

The Town, so long as a book-entry system is used for the Bonds, will send any notice of redemption only to DTC (or a successor securities depository) or its nominee. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify any Indirect Participant or Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of such Bonds called for redemption. (See "Book-Entry-Only Transfer System", herein for discussion of DTC and definitions of "Direct Participants", "Indirect Participants" and "Beneficial Owners".)

Redemption of a portion of the Bonds of any maturity by the Town will reduce the outstanding principal amount of Bonds of such maturity held by DTC. In such event it is the current practice of DTC to allocate by lot, through its book-entry system, among the interests held by DTC Participants in the Bonds to be redeemed, the interest to be reduced by such redemptions in accordance with its own rules or other agreements with DTC Participants. The DTC Participants and Indirect Participants may allocate reductions of the interest in the Bonds to be redeemed held by the Beneficial Owners. Any such allocation of interest in the Bonds to be redeemed will not be governed by the determination of the Town authorizing the issuance of the Bonds and will not be conducted by the Town, or be the responsibility of, the Town, the Registrar or Paying Agent, for the Bonds.

AUTHORIZATION AND PURPOSE

The Bonds were authorized and are being issued pursuant to resolutions in the amounts of \$4,865,000 adopted at Town Meeting and approved at a referendum held on November 8, 2022

The Notes were authorized and are being issued pursuant to resolutions in the amounts of \$11,070,000 adopted at Town Meeting and approved at a referendum held on January 10, 2023

The Bonds and the Notes are being issued to finance the following capital improvement projects:

| <u>Project</u> | <u>Amount</u> | <u>Previously</u> | <u>Grants/ Bond</u> | <u>The Bonds</u> | <u>The Notes</u> | <u>Authorized</u> |
|--|----------------------|------------------------|----------------------------|---------------------|---------------------|---------------------|
| | <u>Authorization</u> | <u>Bonded</u> | <u>Premium Applied</u> | <u>This Issue</u> | <u>This Issue</u> | <u>Unissued</u> |
| Town Roads, Bridgects, Culverts and Payloader 2022.. | \$ 4,865,000 | \$ - | \$ - | \$ 4,865,000 | \$ - | \$ - |
| Coventry High School HVAC Replacement 2023..... | 11,070,000 | 2,700,000 ¹ | - ² | - | 2,070,000 | 6,300,000 |
| Total All Projects..... | \$ 15,935,000 | \$ 2,700,000 | \$ - | \$ 4,865,000 | \$ 2,070,000 | \$ 6,300,000 |

¹ The Town has repurposed \$1.4 million in bond proceeds from a prior school energy bond issue and \$1.3 million in bond proceeds from a prior school roof bond issue for this project.

² The Town expects to receive \$6.3 million in State of Connecticut school construction grant reimbursement for this project. Please see “School Building Grant Reimbursement” herein.

RATING

The Bonds and the Notes have been rated [] and [] by S&P Global Ratings (“S&P”) respectively. Such rating reflects only the views of such rating agency and any explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: S&P Global Ratings, 55 Water Street, New York, New York 10041-0003. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Town's obligations.

Certain outstanding bonds of the Town are rated “Aa3” by Moody’s Investors Service, Inc. (“Moody’s”) although the Town did not seek a Moody’s rating on this issue.

BOOK-ENTRY-ONLY TRANSFER SYSTEM

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

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

Purchases of the Bonds and the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond and Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through

which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds and the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds and the Notes, except in the event that use of the book-entry system for the Bonds and the Notes is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds and the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC. The Town takes no responsibility for the accuracy thereof.

REPLACEMENT BONDS AND NOTES

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

DTC PRACTICES

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

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

SECURITY AND REMEDIES

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

Unless paid from other sources, the Bonds and the Notes are payable from general property tax revenues of the Town. The Town has the power under the Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. Payment of the Bonds and the Notes is not limited to property tax revenues or any other revenue source, but certain revenues of the Town may be restricted as to use and therefore may not be available to pay debt service on the Bonds and the Notes.

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

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

Enforcement of a claim for payment of principal of or interest on such debt would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors rights heretofore or hereafter enacted and to the exercise of judicial discretion. Under the federal bankruptcy code, the Town may seek relief only, among other requirements, if it is specifically authorized, in its capacity as a municipality or by name, to be a debtor under Chapter 9, Title 11 of the United States Code, or by state law or by a governmental officer or organization empowered by state law to authorize such entity to become a debtor under such Chapter. Section 7-566 of the Connecticut General Statutes provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district and any other political subdivision of the State having the power to levy taxes and issue bonds or other obligations.

CONSIDERATONS FOR BOND AND NOTE HOLDERS

The COVID-19 Outbreak and Future Pandemics

On January 30, 2020, the outbreak of COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut (the "State") and took steps to mitigate the spread and impacts of COVID-19. As of May 11, 2023, the federal and State public health emergency declarations have been terminated.

In response to the COVID-19 pandemic, on March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021 (the "Rescue Plan") that provided various forms of financial assistance and other relief to state and local governments. The Town received \$3.6 million from the Rescue Plan. The Town developed a plan for the use of such funds that will focus on infrastructure improvements and other initiatives that comply with the program eligibility criteria.

For up-to-date information concerning the State’s actions in response to COVID-19, see <https://portal.ct.gov/coronavirus>. Neither the Town, nor the parties involved with the issuance of the Bonds and the Notes, has reviewed the information provided by the State on its website and such parties take no responsibility for the accuracy thereof.

To date, the COVID-19 outbreak has had no material adverse effect on the finances of the State or the Town.

Pandemics, epidemics and other public health emergencies, may adversely impact the Town and its revenues, expenses and financial condition. The Town cannot predict the duration and extent of such pandemics, epidemics and other health emergencies, or quantify the magnitude of their ultimate impact on the State and regional economy, or on the revenues and expenses of the Town. Pandemics, epidemics and other health emergencies may be ongoing, and their dynamic nature may lead to many uncertainties, including (i) the geographic spread as they evolve; (ii) the severity as they mutate; (iii) the duration of the outbreak; (iv) actions that may be taken by governmental authorities to contain or mitigate future outbreaks; (v) the development of medical therapeutics or vaccinations; (vi) travel restrictions; (vii) the impact of the outbreak on the local, State or global economy; (viii) whether and to what extent the State Governor may order additional public health measures; and (ix) the impact of the outbreak and actions taken in response to the outbreak on Town revenues, expenses and financial condition.

Prospective investors should assume that restrictions and limitations related to COVID-19 and any future variants or pandemics may be instituted by the State or federal government.

Cybersecurity

The Town like many other public and private entities, relies on technology to conduct its operations. The Town and its departments face cyber threats from time to time, including but not limited to hacking, viruses, malware, phishing, and other attacks on computers and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Town invests in various forms of cybersecurity and operational controls. No assurances can be given, however, that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage the Town’s digital networks and systems and the costs of remedying any such damage could be substantial. The Town has purchased a 3-year endpoint protection package from CrowdStrike to mitigate the risks associated with cybersecurity threats. In addition, in calendar year 2023 the Town implemented multi-factor authentication for users.

Climate Change

Numerous scientific studies have detailed changing global weather patterns and the potential for increasing extreme weather events across the world. Like much of Connecticut, the Town is vulnerable to inland wetland, small river and stream flooding. Furthermore, the Town faces other threats due to climate change, including damaging wind that could become more severe and frequent. The Town cannot predict the timing, extent or severity of climate change and its impact on its operations and finances. In an effort to address the potential future effects of climate changes the Town has undertaken a number of initiatives including efforts to establish an electric micro-grid in Town as well as converting all buildings to LED lights and installing several additional electric charging stations. As a results of those and other efforts, the Town has been awarded the Silver Designation from Sustainable CT, an independently funded non-profit organization that offers technical assistance to Connecticut municipalities to advance sustainability initiatives; and recognizes and certifying those municipalities for their achievements.

QUALIFICATION FOR FINANCIAL INSTITUTIONS

The Bonds and the Notes **SHALL BE** designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds and the Notes.

AVAILABILITY OF CONTINUING DISCLOSURE INFORMATION

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

In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the Town will agree to provide, or cause to be provided, (i) annual financial information and operating data with respect to the Bonds, (ii) notice of the occurrence of certain events within 10 business days of the occurrence of such events with respect to the Bonds and

the Notes (iii) timely notice of a failure by the Town to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreements with respect to the Bonds. The Continuing Disclosure Agreements are to be executed in substantially the forms attached in Appendices D and E to this Official Statement.

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

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements which must be met at and subsequent to delivery of the Bonds and the Notes in order that interest on the Bonds and the Notes be and remains excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause interest on the Bonds and the Notes to be included in gross income retroactive to the date of issuance of the Bonds and the Notes. The Tax Regulatory Agreement, which will be executed and delivered by the Town concurrently with the Bonds and the Notes, contains representations, covenants and procedures relating to the use, expenditure and investment of proceeds of the Bonds and the Notes in order to comply with such requirements of the Code. Pursuant to the Tax Regulatory Agreement, the Town also covenants and agrees that it shall perform all things necessary or appropriate under any valid provision of law to ensure interest on the Bonds and the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the Town with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax, however, such interest is taken into account in determining the adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

Ownership of the Bonds and the Notes may also result in certain collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security and Railroad Retirement benefits, taxpayers utilizing the earned income credit and taxpayers who have or are deemed to have incurred indebtedness to purchase or carry tax exempt obligations, such as the Bonds and the Notes. Prospective purchasers of the Bonds and the Notes, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of ownership and disposition of, or receipt of interest on, the Bonds and the Notes.

In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds and the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Bonds and the Notes, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds and the Notes will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds and the Notes or adversely affect the market price of the Bonds and the Notes.

The opinions of Bond Counsel are rendered as of their date and are based on existing law, which is subject to change. Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to their attention, or to reflect any changes in law that may thereafter occur or become effective.

Prospective purchasers of the Bonds and the Notes are advised to consult their own tax advisors regarding other State and local tax consequences of ownership and disposition of and receipt of interest on the Bonds and the Notes.

Original Issue Discount

The initial public offering price of certain maturities of the Bonds and the Notes may be less than the principal amount payable on such Bonds and the Notes at maturity. The excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of these Bonds or Notes is sold constitutes original issue discount. The offering prices relating to the yields set forth on the inside cover page of this Official Statement are expected to be the initial public offering prices at which a substantial amount of the Bonds and the Notes were ultimately sold to the public.

Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any Bond or Note during each day it is owned by a taxpayer is added to the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds or Notes by such owner. Accrued original issue discount on the Bonds and the Notes is excluded from gross income for federal income tax purposes. Original issue discount on any bond is treated as accruing on the basis of economic accrual for such purposes, computed by a constant semiannual compounding method using the yield to maturity on such Bond or Note. The original issue discount attributable to any bond for any particular semiannual period is equal to the excess of the product of (i) one-half of the yield to maturity of such bond, and (ii) the amount which would be the adjusted basis of the bond at the beginning of such semiannual period if held by the original owner and purchased by such owner at the initial public offering price, over the interest paid during such period. The amount so treated as accruing during each semiannual period is apportioned in equal amounts among the days in that period to determine the amount of original issue discount accruing for such purposes during each such day. Prospective purchasers of the Bonds and the Notes should consult their own tax advisors with respect to the federal, state and local income tax consequences of the disposition of and receipt of interest on the Bonds and the Notes.

Internal Revenue Service Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service is studying whether the stated interest portion of the payment at maturity on a short-term debt obligation (such as the Notes), that matures not more than one year from the date of issue, bears a stated fixed rate of interest and is described in section 103(a) of the Code, is (i) qualified stated interest that is excluded from the stated redemption price at maturity of the obligation (within the meaning of section 1273 of the Code) but is excluded from gross income pursuant to section 103(a) of the Code, or (ii) is not qualified stated interest and, therefore, is included by the taxpayer in the stated redemption price at maturity of the obligation, creating or increasing (as to that taxpayer) original issue discount on the obligation that is excluded from gross income pursuant to Section 103 of the Code. Notice 94-84 states that until the Internal Revenue Service provides further guidance with respect to tax-exempt short-term debt obligations, a taxpayer holding such obligations may treat the stated interest payable at maturity either as qualified stated interest or as included in the stated redemption price at maturity of the obligation. However, the taxpayer must treat the amounts to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Prospective purchasers of the Notes should consult their own tax advisors with respect to the federal, state and local income tax consequences of ownership of and of the election between the choices of treatment of the stated interest payable at maturity on the Notes.

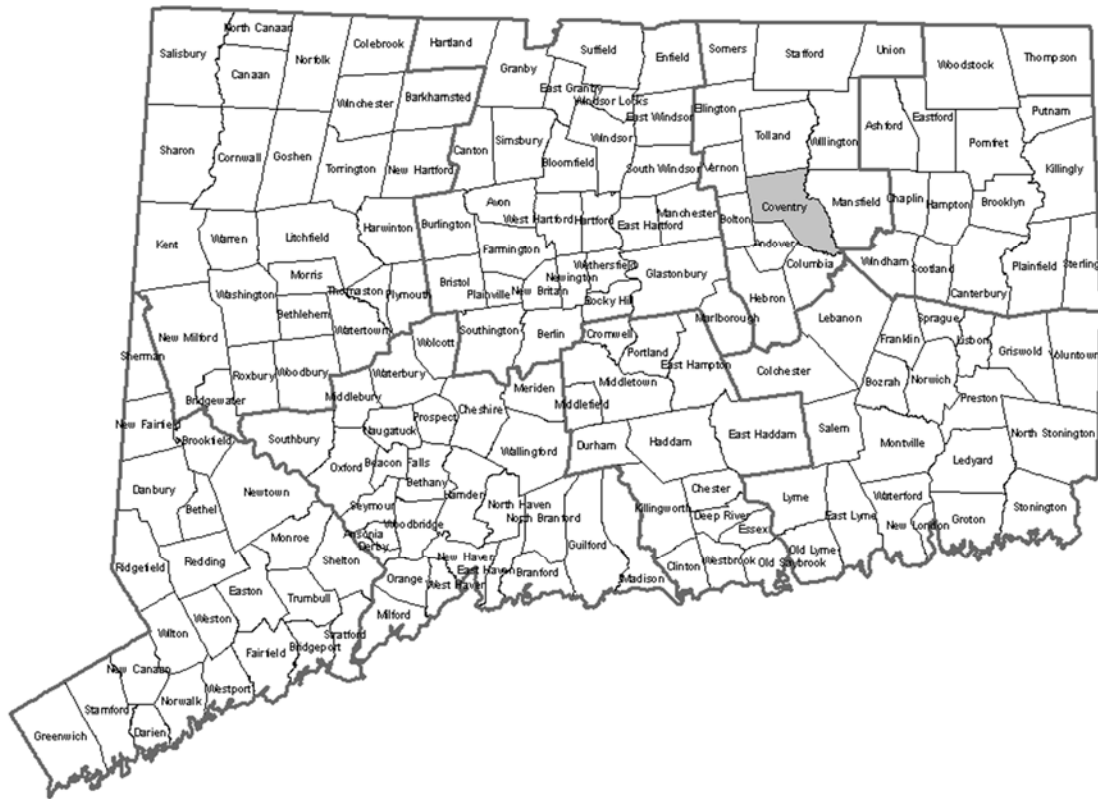
Original Issue Premium

The initial public offering price of certain maturities of the Bonds and the Notes may be greater than the principal amount payable on such Bonds and Notes at maturity. The excess of the initial public offering price at which a substantial amount of these Bonds or the Notes is sold over the principal amount payable at maturity or on earlier call date constitutes original issue premium. The offering prices relating to the yields set forth on the inside cover page of this Official Statement are expected to be the initial public offering prices at which a substantial amount of the Bonds and the Notes were ultimately sold to the public.

Under Sections 1016 and 171 of the Code, the amount of original issue premium treated as amortizing with respect to any Bond or Note during each day it is owned by a taxpayer is subtracted from the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds or Notes by such owner. Amortized original issue premium on the Bonds and the Notes is not treated as a deduction from gross income for federal income tax purposes. Original issue premium on any bond is treated as amortizing on the basis of the taxpayer's yield to maturity using the taxpayer's cost basis and a constant semiannual compounding method. Prospective purchasers of the Bonds and the Notes should consult their own tax advisors with respect to the federal, state and local income tax consequences of the disposition of and receipt of interest on the Bonds and the Notes.

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II. THE ISSUER



DESCRIPTION OF THE TOWN

The area which is now the Town of Coventry was known to the Indians as "Wangumbaug" or "crooked pond" from the curved shape of the lake within the Town's present boundaries. The area was settled in 1711 and named after the City of Coventry in Warwickshire, England, and was incorporated in 1712, encompasses approximately 37.3 square miles within Tolland County, and is located 19 miles east of Hartford and 6 miles northwest of Willimantic. Coventry is bounded on the east by Mansfield; on the north by Tolland; on the south by Columbia and Andover; and to the west by Bolton and Vernon. The Town is primarily a suburban residential community with single-family homes mixed with agriculture and some manufacturing.

The Town is traversed by State Routes 31 and 275 and U. S. Routes 6 and 44. Interstate 84 and 384 are approximately 10-minute drive, providing for east-west transportation to Hartford and New York or Worcester, Boston, or Providence, Rhode Island. Air passenger service and freight service is available at Bradley International Airport in Windsor Locks, which is approximately 45 minutes from Coventry. Rail service for passenger and freight is available in Hartford. The New England Central Railroad maintains a freight line on the eastern edge of Coventry, connecting between Canada and New London, Connecticut.

The Town provides preschool early educational development courses and adult education courses in addition to grades K-12. Higher education courses are offered at the University of Connecticut main campus, 5 miles east of the Town or from Eastern Connecticut University, Manchester Community College or other institutions located in Hartford.

The Town has an Economic Development Commission to access various Town options for future growth and development. Additionally, the Town of Coventry Housing Authority maintains 80 units of elderly and handicapped housing. Senior citizens services provide meals-on-wheels and various activities supported by bus transportation provided by the Town and the Regional Transit District.

FORM OF GOVERNMENT

The Town of Coventry adopted its first charter on October 2, 1967, effective November 4, 1969. The latest revision to the Charter was effective November 5, 1991.

Legislative power of the Town is vested in the Town Council, which consists of an elected Council Chairman and six Councilmen. Under the Charter, the Council has both fiscal and administrative authority and responsibility. The Town Manager is the Chief Executive Officer of the Town and is directly responsible to the Town Council for planning, organizing, and directing the activities of all municipal departments and agencies under his or her jurisdiction.

The Town Manager appoints the department heads with the approval of the Town Council. The Town Manager is responsible for the preparation of the Annual Town report, for the keeping of complete books of accounts on appropriations, and exercises other powers and duties as imposed upon him or her by the Town Council.

MUNICIPAL OFFICIALS

The current Town officials are:

| <u>Town Council</u> | <u>Name</u> | <u>Term Ending</u> | <u>Years of Service</u> |
|-------------------------------------|-------------------------------------|--------------------|-------------------------|
| Chairman..... | Lisa Thomas..... | 2023 | 13 Years |
| Vice Chairman..... | Mary Milkovic..... | 2023 | 1.5 Years |
| Secretary..... | Jonathan B. Hand..... | 2023 | 6 Years |
| Councilor..... | Julie A. Blanchard..... | 2023 | 17 Years |
| Councilor..... | John French..... | 2023 | 1.5 Years |
| Councilor..... | Robyn Gallagher..... | 2023 | 1.5 Years |
| Councilor..... | Matthew Kyer..... | 2023 | 1.5 Years |
| <u>Other Officials</u> | | | |
| Interim Town Manager..... | John A. Elsesser ¹ | Appointed | 35 Years |
| Town Clerk..... | Lori Tollmann..... | Appointed | 8 Years |
| Finance Director/Town Treasurer.... | Julia Chapman..... | Appointed | Less than 1 Year |
| Assessor..... | John Preisner..... | Appointed | 1 Year |
| Tax Collector..... | Carrie Zahner..... | Appointed | 1.5 Years |
| Superintendent of Schools..... | David L. Petrone..... | Appointed | 12 Years |

¹ Mr. Elsesser retired as Town Manager effective July 1, 2023. Mr. Elsesser will serve as interim Town Manager effective July 1, 2023 through September 30, 2023, or until the hire date of a new Town Manager, whichever is the earlier to occur.

SUMMARY OF MUNICIPAL SERVICES

Police: Police protection is provided by the Town police department consisting of the Chief, 5 sergeants, and 10 patrol officers. Three full-time clerks perform clerical and dispatch duties. Part-time dispatchers cover weekends and holidays. The police department also maintains a marine patrol boat for use at Wangumbaug Lake. The police department includes a Municipal Animal Control Officer, who works to enforce the Connecticut statutes with respect to dog and animal control.

Fire: The Town has 1 town-wide volunteer fire department. The Town of Coventry Volunteer Fire Department consists of 32 active members, 4 engine tankers, 1 ladder truck, 1 heavy rescue truck, 1 forestry truck, 1 all-terrain vehicle, and 4 service vehicles. The Town has two main fire stations and two substations. Members from both fire departments attend regular drills and training sessions. Members are also trained as Emergency Medical Providers.

Emergency Medical Assistance: The Town has 2 ambulances and 2 first response vehicles run by the Town of Coventry Fire-EMS Department’s EMS Division. Hospitals in Manchester, Windham, Hartford, and Rockville (Vernon) are no more than 30 minutes away. In addition, 2 Life Star helicopters from Hartford Hospital are available for extreme emergencies and paramedic services are available through Windham Hospital, Manchester Ambulance and Rockville Hospital.

Health Services: The Town is a member of the Eastern Highlands Health District which provides public health and environmental services to ten area towns. The Town also contracts with Visiting Nurses and Health Services of Connecticut, for visiting nurse's services.

Solid Waste: The Town instituted a volume-based collection system of refuse and recyclables on August 1, 1993 and closed its sanitary landfill in 1994. The Town, through the Coventry Resource Recovery Authority ("COVRRRA"), contracts with a private company for curbside pick-up of refuse and recycling and recently converted to tipper-barrel type collection. The Town offers a choice of three-barrel sizes for refuse and two-barrel sizes for recycling. Collection costs are paid for by annual user fees administered by COVRRRA. The Town has contracted with the Willimantic Waste for disposal of refuse and recyclables. Average monthly curbside recycling is 220 tons. For fiscal year ending June 30, 2023, the tipping fee was \$86.00 per ton and \$31.82 per ton for the recycling. The Town operates a bulk waste transfer facility with all bulky waste being sent to Willimantic Waste at a fee of \$83.00 per ton. A Regional Household Chemical Collection Facility is located in Willington, use of which is fully covered by the COVRRRA annual user fee.

Water Pollution Control Authority: The Water Pollution Control Authority (the "Authority") of the Town was created March 17, 1980, pursuant to Section 7-246 of the Connecticut General Statutes. The Authority consists of five members appointed by the Town Council for two-year terms. The Authority is responsible for the effective management of the community sewerage system and for developing a sewer avoidance policy.

The sewerage treatment plant has been operational since February 1987. To date, there are 1,200 properties connected to the sewer system, primarily in the Wangumbaug Lake area and the central village section of Town. Other Town residents are served by individual private septic systems. A \$17,800,000 project to extend sewers further around the lake was completed in 2008. The Town financed the project through a series of grants and loans from the United States Department of Agriculture's Rural Development Authority and the State of Connecticut Clean Water Fund Program. The Town assessed benefiting property owners for the net cost of the project. See "Clean Water Fund Program" herein.

The Town is currently working with the Towns of Vernon and Bolton to connect properties located on route 44 to Vernon's sewer system.

Public Library: The Booth & Dimock Memorial Library provides a full range of services to the Town. The library maintains an annual circulation of over 75,000 plus 2,000 in library loans and 5,300 in electronic circulation. In addition, the library provides internet public access computers, a video collection, magazines, music, books on CD and CD Rom software as well as lending e-readers and offering digital downloads. Statewide reciprocal borrowing arrangements are also available through the Connecticut program, of which the library is a member. All public libraries in Connecticut, including the Connecticut State Library, and the University of Connecticut's Babbidge Library, are available to Coventry residents through the remote interlibrary loan service. The library also interfaces with iCONN.org, an online service sponsored by the Connecticut State Library and the Department of Higher Education. iCONN contains full-text versions of periodicals and books.

Roads: The Town has approximately 125 miles of municipally paved roads and 8.5 miles of state roads within its boundaries.

Electricity: Electric power is provided by Eversource Energy.

Natural Gas: Natural gas lines are currently available to Town residents in limited areas along the route to supply the Town Complex and Main Street. This new line has the capability of expansion when the market warrants it. The Spectra Energy's Algonquin Gas Transmission line bisects Town. Alternatively, bottled propane gas is available from private vendors.

Water: Individual private wells provide the majority of households in Town with water. Approximately 30% of all dwellings are served by small neighborhood water companies serving limited areas. A majority of these systems are owned or operated by Connecticut Water. Connecticut Water is investing in major system upgrades and additional supply.

The Town is in the process of building an additional water tower in Connection with Connecticut Water which will increase the number of dwellings served.

MUNICIPAL EMPLOYMENT

| <u>Fiscal Year</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government..... | 70 | 69 | 69 | 68 | 68 | 68 |
| Board of Education..... | 299 | 309 | 312 | 318 | 318 | 329 |
| Total..... | 369 | 378 | 381 | 386 | 386 | 397 |

Source: Town Officials.

MUNICIPAL EMPLOYEES BY CATEGORY

| <u>General Government</u> | <u>Employees</u> |
|--|---------------------|
| Town Manager..... | 2.0 |
| Department of Finance..... | 8.0 |
| Building/Fire..... | 3.0 |
| Town Clerk..... | 2.5 |
| Public Safety..... | 20.0 |
| Public Works ¹ | 24.0 |
| Planning, Zoning & Inland Wetlands.... | 4.0 |
| Recreation..... | 2.0 |
| Human Services..... | 4.5 |
| General Government Total..... | <u>70.0</u> |
| | |
| <u>Board of Education</u> | |
| Teachers..... | 174.1 |
| Principal & Administration..... | 7.0 |
| Secretaries & Aides..... | 66.4 |
| Nurses..... | 4.8 |
| Cafeteria..... | 5.6 |
| Custodial & Maintenance..... | 18.9 |
| Non-bargaining..... | <u>21.8</u> |
| Board of Education Total..... | 298.6 |
| | |
| Total..... | <u>368.6</u> |

¹ Includes COVRRRA and WPCA employees.

Source: Town Officials.

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MUNICIPAL EMPLOYEES BARGAINING UNITS

| Employees Represented | Union Organization | Number of Employees | Current Contract Expiration |
|--|---|----------------------------|------------------------------------|
| <u>General Government</u> | | | |
| Police..... | United Service Employees, COPS Division..... | 19.0 | June 30, 2023 ¹ |
| Highway Department.... | Local 1303-05, Council 4, AFSCME, AFLCIO..... | 17.0 | June 30, 2025 |
| Town Hall Employees.. | Local 1303-84, Council 4, AFSCME, AFLCIO..... | 16.0 | June 30, 2026 |
| Supervisors..... | Local 818, Council 4, ADSCME, AFL-CIO..... | 8.0 | June 30, 2023 ¹ |
| | General Government sub-total..... | <u>60.0</u> | |
| <u>Board of Education</u> | | | |
| Administrators..... | Coventry Administrative Association..... | 7.0 | June 30, 2024 |
| Teachers..... | Coventry Education Association..... | 174.1 | June 30, 2024 |
| Secretaries..... | Local 1303, Council 4, AFSCME, AFLCIO..... | 17.9 | June 30, 2023 ¹ |
| Custodians..... | Local 1303, Council 4, AFSCME, AFLCIO..... | 18.9 | June 30, 2024 |
| Paraprofessionals..... | Coventry Paraprofessional Association..... | 48.5 | June 30, 2024 |
| School Nurses..... | Local 1303, Council 4, AFSCME, AFLCIO..... | 4.8 | June 30, 2023 ¹ |
| Cafeteria Workers..... | Local 1303, Council 4, AFSCME, AFLCIO..... | 5.6 | June 30, 2023 ¹ |
| | Board of Education sub-total..... | <u>276.8</u> | |
| <u>Non-Bargaining Employees</u> | | | |
| | General Government..... | 10.0 | |
| | Board of Education..... | 21.8 | |
| | | <u>31.8</u> | |
| | Grand Total | <u>368.6</u> | |

¹ In negotiations.
Source: Town Officials.

Connecticut General Statutes Sections 7-473c, 7-474 and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipal entity may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employees' organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either party. In reaching its determination, the arbitration panel gives priority to the public interest and the financial capability of the municipal employer, including consideration of other demands on the financial capability of the municipal employer. For binding arbitration, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less for teachers' contracts, and 15% or less for municipal employees' contracts, is not available for payment of the cost of any item subject to arbitration. In light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

EDUCATIONAL SYSTEM

The Town provides pre-kindergarten (Pre-K) through high school education in five (5) school facilities, which consist of one school for pupils in pre-K; one school for grades K through 2; one school for grades 3-5; one school for grades 6-8; and one high school for grades 9-12. The schools are governed by a seven-member Board of Education.

EDUCATIONAL FACILITIES

| <u>School</u> | <u>Grades</u> | <u>Date of Construction (Additions)</u> | <u>Number of Classrooms</u> | <u>Type of Construction</u> | <u>Enrollment 10/01/22</u> |
|--------------------------------|---------------|---|---------------------------------|---------------------------------|--------------------------------|
| Hale Early Education Center... | PreK | 2015 | 4 | Wood | 107 |
| Coventry Grammar..... | K-2 | 1956 (1991) (1999) | 26 | Brick | 375 |
| G.H. Robertson..... | 3-5 | 1948 (1989) (1999) | 17 | Brick | 357 |
| Captain Nathan Hale..... | 6-8 | 1967 (1991) (1999) | 33 | Cinder Block | 389 |
| Coventry High School..... | 9-12 | 1962 (1983) (1999) | 45 | Brick | 425 |
| Total | | | 125 | | 1,653 |

Source: Office of the Superintendent of Schools.

SCHOOL ENROLLMENT

| <u>School Year</u> | <u>Grade Pre-K</u> | <u>Grades K-5</u> | <u>Grades 6-8</u> | <u>Grades 9-12</u> | <u>Total</u> |
|--------------------|------------------------|-----------------------|-----------------------|------------------------|--------------|
| <i>Historical</i> | | | | | |
| 2018-19 | 98 | 721 | 364 | 458 | 1,641 |
| 2019-20 | 96 | 728 | 400 | 450 | 1,674 |
| 2020-21 | 80 | 704 | 387 | 431 | 1,602 |
| 2021-22 | 104 | 730 | 398 | 423 | 1,655 |
| 2022-23 | 107 | 732 | 389 | 425 | 1,653 |
| <i>Projected</i> | | | | | |
| 2023-24 | 107 | 719 | 400 | 439 | 1,665 |
| 2024-25 | 107 | 734 | 379 | 446 | 1,666 |
| 2025-26 | 107 | 735 | 375 | 454 | 1,671 |
| 2026-27 | 107 | 688 | 372 | 455 | 1,622 |
| 2027-28 | 107 | 679 | 405 | 442 | 1,633 |

Source: Office of the Superintendent of Schools.

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III. ECONOMIC AND DEMOGRAPHIC INFORMATION

POPULATION TRENDS

| <u>Year</u> | <u>Town of Coventry</u> | <u>Tolland County</u> | <u>State of Connecticut</u> |
|-------------|-----------------------------|---------------------------|---------------------------------|
| 1980 | 8,895 | 114,823 | 3,107,576 |
| 1990 | 10,063 | 128,699 | 3,287,116 |
| 2000 | 11,504 | 136,364 | 3,405,565 |
| 2010 | 12,435 | 152,691 | 3,574,097 |
| 2021 | 12,186 | 150,120 | 3,605,330 |

Source: U.S. Department of Commerce, Bureau of the Census, 1980-2010; 2017-2021 American Community Survey.

AGE DISTRIBUTION OF THE POPULATION

| <u>Age</u> | <u>Town of Coventry</u> | | <u>Tolland County</u> | | <u>State of Connecticut</u> | |
|--------------------------|-------------------------|----------------|-----------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Under 5..... | 642 | 5.3 | 6,132 | 4.1 | 182,122 | 5.1 |
| 5 - 9..... | 688 | 5.6 | 6,709 | 4.5 | 196,540 | 5.5 |
| 10 - 14..... | 707 | 5.8 | 8,000 | 5.3 | 224,371 | 6.2 |
| 15 - 19..... | 702 | 5.8 | 14,472 | 9.6 | 245,790 | 6.8 |
| 20 - 24..... | 839 | 6.9 | 19,024 | 12.7 | 241,370 | 6.7 |
| 25 - 34..... | 1,205 | 9.9 | 16,211 | 10.8 | 445,861 | 12.4 |
| 35 - 44..... | 1,384 | 11.4 | 16,020 | 10.7 | 439,098 | 12.2 |
| 45 - 54..... | 1,849 | 15.2 | 18,649 | 12.4 | 488,283 | 13.5 |
| 55 - 59..... | 927 | 7.6 | 10,415 | 6.9 | 269,688 | 7.5 |
| 60 - 64..... | 1,221 | 10.0 | 10,556 | 7.0 | 252,028 | 7.0 |
| 65 - 74..... | 1,402 | 11.5 | 14,225 | 9.5 | 357,409 | 9.9 |
| 75 - 84..... | 420 | 3.4 | 7,104 | 4.7 | 173,149 | 4.8 |
| 85 and over.. | 200 | 1.6 | 2,603 | 1.7 | 89,621 | 2.5 |
| Total | <u>12,186</u> | <u>100.0</u> | <u>150,120</u> | <u>100.0</u> | <u>3,605,330</u> | <u>100.0</u> |
| Median Age (years) | 44.4 | | 37.5 | | 41.0 | |

Source: U. S. Bureau of the Census, American Community Survey, 2017-2021.

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INCOME DISTRIBUTION

| | <u>Town of Coventry</u> | | <u>Tolland County</u> | | <u>State of Connecticut</u> | |
|---------------------------|-------------------------|----------------|-----------------------|----------------|-----------------------------|----------------|
| | <u>Families</u> | <u>Percent</u> | <u>Families</u> | <u>Percent</u> | <u>Families</u> | <u>Percent</u> |
| Less than \$10,000 | 43 | 1.2 | 734 | 2.0 | 23,811 | 2.6 |
| \$ 10,000 to 14,999 | 13 | 0.4 | 399 | 1.1 | 14,243 | 1.6 |
| \$ 15,000 to 24,999 | 75 | 2.1 | 919 | 2.5 | 36,091 | 4.0 |
| \$ 25,000 to 34,999 | 141 | 3.9 | 1,690 | 4.6 | 44,586 | 4.9 |
| \$ 35,000 to 49,999 | 315 | 8.6 | 2,411 | 6.5 | 71,397 | 7.8 |
| \$ 50,000 to 74,999 | 512 | 14.0 | 4,702 | 12.7 | 123,873 | 13.6 |
| \$ 75,000 to 99,999 | 644 | 17.7 | 4,873 | 13.1 | 113,529 | 12.5 |
| \$100,000 to 149,999 .. | 538 | 14.7 | 8,992 | 24.2 | 188,052 | 20.7 |
| \$150,000 to 199,999 .. | 643 | 17.6 | 5,728 | 15.4 | 117,255 | 12.9 |
| \$200,000 or more | 724 | 19.8 | 6,633 | 17.9 | 177,169 | 19.5 |
| Total | 3,648 | 100.0 | 37,081 | 100.0 | 910,006 | 100.0 |

Source: U. S. Bureau of the Census, American Community Survey, 2017-2021.

INCOME LEVELS

| | <u>Town of Coventry</u> | <u>Tolland County</u> | <u>State of Connecticut</u> |
|--|-------------------------|-----------------------|-----------------------------|
| Per Capita Income, 2021 | \$47,507 | \$42,942 | \$47,869 |
| Per Capita Income, 2010 | \$34,524 | \$33,108 | \$36,775 |
| Per Capita Income, 2000 | \$27,143 | \$25,474 | \$28,766 |
| Median Family Income, 2021 | \$110,521 | \$114,852 | \$106,441 |
| Median Family Income, 2010 | \$91,931 | \$91,631 | \$84,170 |
| Median Family Income, 2000 | \$72,674 | \$70,856 | \$65,521 |
| Percent Below Poverty Level 2021 | 4.8% | 5.0% | 6.8% |

Source: U. S. Bureau of the Census, American Community Survey, 2017-2021.

EDUCATIONAL ATTAINMENT

Years of School Completed, Age 25 & Over

| | <u>Town of Coventry</u> | | <u>Tolland County</u> | | <u>State of Connecticut</u> | |
|---|-------------------------|----------------|-----------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Less than 9th grade | 130 | 1.5 | 1,830 | 1.9 | 101,461 | 4.0 |
| 9th to 12th grade | 167 | 1.9 | 3,129 | 3.3 | 123,560 | 4.9 |
| High School graduate | 2,150 | 25.0 | 25,023 | 26.1 | 656,949 | 26.1 |
| Some college - no degree | 1,426 | 16.6 | 15,870 | 16.6 | 418,214 | 16.6 |
| Associates degree | 896 | 10.4 | 8,917 | 9.3 | 194,987 | 7.8 |
| Bachelor's degree | 2,266 | 26.3 | 23,004 | 24.0 | 561,567 | 22.3 |
| Graduate or professional degree | 1,573 | 18.3 | 18,010 | 18.8 | 458,399 | 18.2 |
| Total | 8,608 | 100.0 | 95,783 | 100.0 | 2,515,137 | 100.0 |
| Percent High School Graduate or Higher .. | | 96.5% | | 94.8% | | 91.1% |
| Percent Bachelor's Degree or Higher | | 44.6% | | 42.8% | | 40.6% |

Source: U. S. Bureau of the Census, American Community Survey, 2017-2021.

MAJOR EMPLOYERS

| <u>Employer</u> | <u>Nature of Business</u> | <u>Estimated Number of Employees</u> |
|---------------------------|-------------------------------|--|
| Town of Coventry..... | Government/Education..... | 369 |
| Highland Park Market..... | Retail Grocer..... | 79 |
| Teleflex Medical..... | Surgical Sutures/Medical..... | 63 |
| Dunkin Dounuts..... | Coffee Shop..... | 41 |
| Bidwell Tavern..... | Restaurant..... | 30 |
| CVS Pharmacy..... | Retail Pharmacy..... | 27 |
| Walgreens..... | Retail Pharmacy..... | 21 |
| Sadlak Industries..... | Manufacturing..... | 20 |
| Cumberland Farms..... | Gas Station..... | 13 |
| Dimitri's..... | Restaurant..... | 10 |

Source: Town of Coventry.

EMPLOYMENT BY INDUSTRY

| | <u>Town of Coventry</u> | | <u>Tolland County</u> | | <u>State of Connecticut</u> | |
|---|-------------------------|----------------|-----------------------|----------------|-----------------------------|----------------|
| | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> | <u>Number</u> | <u>Percent</u> |
| Agriculture, forestry, fisheries..... | - | - | 516 | 0.7 | 7,314 | 0.4 |
| Construction..... | 476 | 7.4 | 5,025 | 6.5 | 113,665 | 6.2 |
| Manufacturing..... | 711 | 11.1 | 8,684 | 11.3 | 192,688 | 10.6 |
| Wholesale trade..... | 175 | 2.7 | 1,652 | 2.1 | 41,165 | 2.3 |
| Retail trade..... | 620 | 9.7 | 7,566 | 9.8 | 194,081 | 10.6 |
| Transportation & warehousing & utilities... | 137 | 2.1 | 3,246 | 4.2 | 80,481 | 4.4 |
| Information..... | 154 | 2.4 | 1,230 | 1.6 | 36,259 | 2.0 |
| Finance, insurance, real estate..... | 626 | 9.8 | 6,990 | 9.1 | 164,657 | 9.0 |
| Professional, scientific & management..... | 461 | 7.2 | 7,155 | 9.3 | 212,866 | 11.7 |
| Educational, health & social services..... | 1,984 | 31.0 | 23,312 | 30.2 | 482,274 | 26.5 |
| Arts, entertainment & recreation..... | 476 | 7.4 | 5,870 | 7.6 | 148,835 | 8.2 |
| Other professional services..... | 194 | 3.0 | 2,896 | 3.8 | 82,217 | 4.5 |
| Public administration..... | 395 | 6.2 | 3,031 | 3.9 | 66,493 | 3.6 |
| Total..... | <u>6,409</u> | <u>100.0</u> | <u>77,173</u> | <u>100.0</u> | <u>1,822,995</u> | <u>100.0</u> |

Source: U.S. Bureau of Census, American Community Survey, 2017-2021.

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UNEMPLOYMENT RATE STATISTICS
(Non-seasonally adjusted)

| <u>Period</u> | <u>Town of Coventry</u> | | <u>Percentage Unemployed</u> | | |
|-----------------------|-----------------------------|-------------------------------|---|--|---|
| | <u>Employed¹</u> | <u>Unemployed¹</u> | <u>Town of Coventry (%)¹</u> | <u>Hartford Labor Market (%)¹</u> | <u>State of Connecticut (%)¹</u> |
| Jan-May 2023..... | 7,518 | 275 | 3.5 | 3.9 | 4.0 |
| <u>Annual Average</u> | | | | | |
| 2022..... | 7,686 | 292 | 3.7 | 4.2 | 4.2 |
| 2021..... | 7,267 | 375 | 4.9 | 6.3 | 6.3 |
| 2020..... | 7,314 | 455 | 5.9 | 7.8 | 7.9 |
| 2019..... | 7,820 | 227 | 2.8 | 3.6 | 3.6 |
| 2018..... | 7,716 | 254 | 3.2 | 3.9 | 3.9 |
| 2017..... | 7,651 | 284 | 3.6 | 4.4 | 4.4 |
| 2016..... | 7,487 | 310 | 4.0 | 4.9 | 4.8 |
| 2015..... | 7,415 | 360 | 4.6 | 5.6 | 5.6 |
| 2014..... | 7,294 | 427 | 5.5 | 6.6 | 6.6 |
| 2013..... | 7,091 | 515 | 6.8 | 7.9 | 8.0 |

Source: State of Connecticut, Department of Labor; United States Department of Labor, Bureau of Labor Statistics.

AGE DISTRIBUTION OF HOUSING

| <u>Year Built</u> | <u>Town of Coventry</u> | | <u>Tolland County</u> | | <u>State of Connecticut</u> | |
|--------------------------|-------------------------|----------------|-----------------------|----------------|-----------------------------|----------------|
| | <u>Units</u> | <u>Percent</u> | <u>Units</u> | <u>Percent</u> | <u>Units</u> | <u>Percent</u> |
| Built 2020 or later..... | - | 0.0 | 104 | 0.2 | 768 | 0.1 |
| Built 2010 to 2019..... | 240 | 4.7 | 3,810 | 6.3 | 53,427 | 3.5 |
| Built 2000 to 2009..... | 377 | 7.4 | 6,173 | 10.2 | 104,519 | 6.8 |
| Built 1990 to 1999..... | 635 | 12.4 | 5,943 | 9.8 | 118,124 | 7.7 |
| Built 1980 to 1989..... | 837 | 16.3 | 9,172 | 15.1 | 191,539 | 12.5 |
| Built 1970 to 1979..... | 588 | 11.5 | 8,780 | 14.5 | 206,448 | 13.5 |
| Built 1960 to 1969..... | 373 | 7.3 | 8,547 | 14.1 | 203,726 | 13.3 |
| Built 1950 to 1959..... | 857 | 16.7 | 6,489 | 10.7 | 224,412 | 14.7 |
| Built 1940 to 1949..... | 419 | 8.2 | 2,890 | 4.8 | 100,445 | 6.6 |
| Built 1939 or earlier... | 797 | 15.6 | 8,730 | 14.4 | 323,631 | 21.2 |
| Total..... | <u>5,123</u> | <u>100.0</u> | <u>60,638</u> | <u>100.0</u> | <u>1,527,039</u> | <u>100.0</u> |

Source: U.S. Bureau of Census, American Community Survey, 2017-2021.

CHARACTERISTICS OF HOUSING UNITS

| Type | Town of Coventry | | Tolland County | | State of Connecticut | |
|------------------------------|-------------------------|----------------|-----------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent |
| 1-unit, detached..... | 4,596 | 89.7 | 41,856 | 69.0 | 899,368 | 58.9 |
| 1-unit, attached..... | 85 | 1.7 | 2,202 | 3.6 | 90,010 | 5.9 |
| 2 units..... | 101 | 2.0 | 2,368 | 3.9 | 122,509 | 8.0 |
| 3 or 4 units..... | 65 | 1.3 | 4,348 | 7.2 | 127,995 | 8.4 |
| 5 to 9 units..... | 141 | 2.8 | 3,902 | 6.4 | 79,520 | 5.2 |
| 10 to 19 units..... | 18 | 0.4 | 2,102 | 3.5 | 54,673 | 3.6 |
| 20 or more units..... | 17 | 0.3 | 3,038 | 5.0 | 141,189 | 9.2 |
| Mobile home, boat, other.... | 100 | 2.0 | 822 | 1.4 | 11,775 | 0.8 |
| Total | 5,123 | 100.0 | 60,638 | 100.0 | 1,527,039 | 100.0 |

Source: U.S. Bureau of Census, American Community Survey, 2017-2021.

OWNER OCCUPIED HOUSING VALUES

| Sales Price Category | Town of Coventry | | Tolland County | | State of Connecticut | |
|-----------------------------|-------------------------|----------------|-----------------------|----------------|-----------------------------|----------------|
| | Number | Percent | Number | Percent | Number | Percent |
| Less than \$50,000..... | 59 | 1.4 | 764 | 1.9 | 19,747 | 2.1 |
| \$50,000 to \$99,999..... | 38 | 0.9 | 967 | 2.4 | 25,603 | 2.8 |
| \$100,000 to \$149,999..... | 503 | 11.8 | 2,604 | 6.5 | 68,932 | 7.4 |
| \$150,000 to \$199,999..... | 860 | 20.2 | 6,065 | 15.1 | 130,158 | 14.1 |
| \$200,000 to \$299,999..... | 1,328 | 31.2 | 15,201 | 37.9 | 250,981 | 27.1 |
| \$300,000 to \$499,999..... | 1,182 | 27.7 | 12,139 | 30.3 | 268,183 | 29.0 |
| \$500,000 to \$999,999..... | 293 | 6.9 | 1,971 | 4.9 | 117,839 | 12.7 |
| \$1,000,000 or more..... | - | 0.0 | 361 | 0.9 | 44,060 | 4.8 |
| Total | 4,263 | 100.0 | 40,072 | 100.0 | 925,503 | 100.0 |
| Median Value..... | \$256,300 | | \$264,500 | | \$286,700 | |

Source: U.S. Bureau of Census, American Community Survey, 2017-2021.

BUILDING PERMITS

| Fiscal Year Ending 6/30 | Town of Coventry | |
|------------------------------------|-------------------------|--------------|
| | Number | Value |
| 2023 ¹ | 753 | \$25,606,913 |
| 2022 | 1,013 | 19,627,363 |
| 2021 | 1,161 | 19,108,430 |
| 2020 | 937 | 17,498,397 |
| 2019 | 899 | 13,016,222 |
| 2018 | 917 | 14,710,298 |
| 2017 | 810 | 12,139,797 |
| 2016 | 938 | 12,843,239 |
| 2015 | 821 | 12,673,888 |
| 2014 | 847 | 13,349,232 |

¹ As of June 1, 2023.

Source: Town Officials; Building Inspector's Office.

IV. TAX BASE DATA

ASSESSMENT PRACTICES

In accordance with State law, the Town last completed a general revaluation of real property as of October 1, 2019, which was effective for fiscal year 2020-21. Next revaluation is scheduled for October 1, 2024. Connecticut General Statutes Section 12-62, as amended in 2006, requires a revaluation every five years and requires the assessor to fully inspect each parcel, including measuring or verifying the exterior dimensions of a building and entering and examining the interior of the building, once every ten assessment years. The maintenance of an equitable tax base and the location and appraisal of all real and personal property within the Town for inclusion onto the Grand List are the responsibilities of the Assessor's Office. The Grand List represents the total assessed values for all taxable real and personal property and motor vehicles located within the Town on October 1. Each year, the Town's Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at 70% of the estimated market value at the time of the last general revaluation.

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

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

Motor vehicle lists are furnished to the Town by the State of Connecticut and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials. Section 12-7b of the Connecticut General Statutes, as amended, provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next July 1, are subject to a property tax as if the motor vehicle had been included on the October 1 Grand List. The tax is prorated, and the pro-ration is based on the number of months of ownership between October 1 and the following July 1. Cars purchased in August and September are not taxed until the next October 1 Grand List. If the motor vehicle replaces a motor vehicle that was taxed on the October 1 Grand List, the taxpayer is entitled to certain credits. Assessments for motor vehicles are computed at 70% of the annual appraisal of market value.

PROPERTY TAX COLLECTION PROCEDURE

Real estate property taxes for the fiscal year are paid on the grand list of the prior October 1, and are due July 1, payable in two installments, one-half on July 1 and one-half on January 1. Personal property and motor vehicle taxes are payable in one installment on July 1, with motor vehicle supplemental bills payable on January 1. Payments not received by August 1 and February 1 become delinquent and are subject to interest at the rate of 1.5% per month for all delinquent property taxes. In accordance with State law, the oldest outstanding tax is collected first.

MOTOR VEHICLE PROPERTY TAX RATE

Connecticut General Statutes Section 12-71e, as amended, allows municipalities to tax motor vehicles at a different rate than other taxable property, but caps the motor vehicle tax rate at 39.00 mills for the assessment year commencing October 1, 2016, at 45.00 mills for the assessment year commencing October 1, 2017, and 32.46 for assessment year commencing October 1, 2020 and each assessment year thereafter. Section 4-661 of the General Statutes, as amended, diverts a portion of State collected sales tax revenue to provide funding to municipalities to mitigate the revenue loss attributed to the motor vehicle property tax cap. The Town's motor vehicle tax rates for the current 2022 assessment year (the fiscal year ending June 30, 2024) is 31.74 mills.

TAXABLE GRAND LIST

| Grand List Dated | Fiscal Year | Real Property | Personal Property | Motor Vehicle Property | Net Taxable Grand List | % Growth |
|-------------------------|--------------------|----------------------|--------------------------|-------------------------------|-------------------------------|-----------------|
| 2022 | 2024 | \$906,317,550 | \$51,278,060 | \$138,987,000 | \$1,096,582,610 | 1.8% |
| 2021 | 2023 | 895,237,200 | 48,496,700 | 133,118,745 | 1,076,852,645 | 3.6% |
| 2020 | 2022 | 886,831,100 | 45,049,697 | 107,131,280 | 1,039,012,077 | 1.6% |
| 2019 ¹ | 2021 | 879,842,800 | 43,177,230 | 99,666,280 | 1,022,686,310 | 4.6% |
| 2018 | 2020 | 839,596,750 | 40,658,100 | 97,637,790 | 977,892,640 | 1.2% |
| 2017 | 2019 | 832,566,850 | 38,363,265 | 95,031,720 | 965,961,835 | 1.5% |
| 2016 | 2018 | 826,763,250 | 32,368,638 | 92,835,480 | 951,967,368 | 0.2% |
| 2015 | 2017 | 820,782,150 | 29,316,513 | 99,675,478 | 949,774,141 | 2.0% |
| 2014 ¹ | 2016 | 815,032,050 | 26,399,488 | 89,541,693 | 930,973,231 | -6.9% |
| 2013 | 2015 | 888,619,570 | 23,512,510 | 87,582,470 | 999,714,550 | 0.5% |

¹ Revaluation.

Source: Assessor's Office, Town of Coventry.

PROPERTY TAX LEVIES AND COLLECTIONS

| Grand List 1-Oct | FY Ending 30-Jun | Net Taxable Grand List | Mill Rate | Tax Levy | Percent Collected End of Each Fiscal Year | Percent Annual Levy Uncollected 6/30/2022 | Amount Uncollected as of 6/30/2022 |
|-------------------------|-------------------------|-------------------------------|------------------|-----------------|--|--|---|
| 2022 | 2024 | \$1,096,582,610 | 31.74 | \$34,370,794 | In process | In process | In process |
| 2021 | 2023 | 1,076,852,645 | 31.15 | 33,139,280 | In process | In process | In process |
| 2020 | 2022 | 1,039,012,077 | 31.15 | 32,757,199 | 98.8% | 1.2% | \$382,376 |
| 2019 ¹ | 2021 | 1,022,686,310 | 31.17 | 32,117,205 | 98.9% | 0.4% | 141,567 |
| 2018 | 2020 | 977,892,640 | 32.20 | 31,735,559 | 98.7% | 0.1% | 29,765 |
| 2017 | 2019 | 965,961,835 | 32.20 | 31,436,880 | 98.7% | 0.1% | 17,045 |
| 2016 | 2018 | 951,967,368 | 32.00 | 30,712,349 | 98.8% | 0.0% | 14,988 |
| 2015 | 2017 | 949,774,141 | 31.20 | 29,817,602 | 98.9% | 0.1% | 16,349 |
| 2014 ¹ | 2016 | 930,973,231 | 31.20 | 29,303,009 | 98.3% | 0.0% | 10,634 |
| 2013 | 2015 | 999,714,550 | 28.47 | 28,655,700 | 98.3% | 0.0% | 10,386 |

¹ Revaluation.

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

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TEN LARGEST TAXPAYERS

| Business-Name | Nature Of Business | Assessment Valuation as 10/1/2022 | Rank | Percent of Total |
|------------------------------------|---------------------------|--|-------------|-----------------------------|
| Eversource..... | Utility..... | 29,243,410 | 1 | 2.67% |
| Connecticut Water Company..... | Utility..... | 6,087,370 | 2 | 0.56% |
| White Mountain-Coventry LLC..... | Retail..... | 3,250,600 | 3 | 0.30% |
| Chester Investment Trust LLC..... | Retail..... | 3,055,200 | 4 | 0.28% |
| Meadow Brook of Coventry LLC.... | Retail..... | 2,350,300 | 5 | 0.21% |
| Teleflex - CT Devices..... | Manufacturing..... | 2,124,030 | 6 | 0.19% |
| Coventry Self Storage..... | Self-Storage..... | 1,982,640 | 7 | 0.18% |
| Cumberland Farms, Inc..... | Retail..... | 1,883,990 | 8 | 0.17% |
| Algonquin Gas Transmission LLC.... | Utility..... | 1,788,320 | 9 | 0.16% |
| Earth Dynamics LLC..... | Construction..... | 1,359,460 | 10 | 0.12% |
| Total | | \$ 53,125,320 | | 4.84% |

¹ Based on 10/1/22 Net Taxable Grand List of \$1,096,582,610.

Source: Assessor’s Office, Town of Coventry.

EQUALIZED NET GRAND LIST

| Grand List of 10/1 | Equalized Net Grand List | % Growth |
|-------------------------------|-------------------------------------|---------------------|
| 2020 | \$1,760,193,623 | 20.44% |
| 2019 | 1,461,430,484 | -5.23% |
| 2018 | 1,542,001,856 | 4.01% |
| 2017 | 1,482,536,634 | 1.98% |
| 2016 | 1,453,811,079 | 1.97% |
| 2015 | 1,425,790,912 | 7.21% |
| 2014 | 1,329,903,900 | -3.48% |
| 2013 | 1,377,873,593 | 1.82% |
| 2012 | 1,353,205,676 | 2.27% |
| 2011 | 1,323,175,982 | -0.63% |

Source: Assessor’s Office, Town of Coventry.

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V. FINANCIAL INFORMATION

FISCAL YEAR

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

ACCOUNTING POLICIES

The Town's accounting policies are summarized in Note 1 "Summary of Significant Accounting Policies" in the Notes to the Financial Statements (Appendix A).

BASIS OF ACCOUNTING

See Note 1 "Measurement Focus, Basis of Accounting and Financial Statement Presentation" in the Notes to the Financial Statements (Appendix A).

ANNUAL AUDIT

The Town has engaged outside independent auditors, CliftonLarsonAllen LLP, of West Hartford, Connecticut. The most recently completed audit report covers the fiscal year ended June 30, 2021. Included in this Official Statement and made a part hereof as Appendix A are the "Financial Statements of the Town of Coventry, Connecticut" as of June 30, 2021. Appendix A includes the auditor's opinion on the general-purpose financial statements and does not include all schedules, management letter or supplemental schedules from the complete audit report.

Certificate of Achievement for Excellence in Financial Reporting - The Town has received a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association ("GFOA") of the United States and Canada for its annual financial reports for fiscal years ended June 30, 2008 through 2021. To be eligible for the award, financial reports must include general purpose financial statements presented in conformity with GAAP, and have been audited in accordance with generally accepted audit standards. The report also contains a wide variety of information useful in evaluating the financial condition of a government and conforms to certain generally accepted terminology and formatting standards established for the Certificate Program. The Town will submit its annual financial report for fiscal year ended June 30, 2022 to the GFOA to determine its eligibility for another certificate.

BUDGETARY PROCEDURES

The process of compiling the annual budget begins in December when guidelines are provided to individual boards and commissions. Budget requests are submitted in early February and a series of meetings are held with representatives of key agencies reviewing them. Sources of revenue other than property taxes are also analyzed. The Town Council makes preliminary budget determinations in early April. They are presented at the Public Hearing in April for discussion and comment by residents. The Town Council then makes any adjustments it considers appropriate and approves a final budget plan which is presented at the Town Meeting to be held on the fourth Saturday in April. The Town meeting is adjourned to a budget referendum of qualified voters on the second Tuesday following the Town Meeting.

EMPLOYEE PENSION SYSTEMS

Coventry Employee Retirement System - The Town of Coventry Employee Retirement System ("CERS") is a single-employer retirement system established and administered by the Town to provide pension benefits to substantially all employees of the Town and Board of Education, except for professional employees of the Board of Education who are covered by the State of Connecticut Teachers Retirement System. The Town pension plan is a defined benefit plan to which town employees contribute a percentage of covered payroll equal to one half of the normal cost, adjusted annually, not to exceed 4%, except for police employees who contribute a rate equal to 7.0% of covered payroll. The membership of the plan consisted of 236 members, as of July 1, 2022, the date of the latest actuarial valuation. (See Appendix A, "Pension Plans", of the "Notes to Financial Statements").

The Town has implemented Government Accounting Standards Board's (GASB) Statement No. 67 regarding the financial reporting of its pension plans. In accordance with GASB Statement No. 67, the net position is based on the fair market value as of the end of the fiscal year and the total pension liability is based on the actuarial assumptions as of the prior valuation date updated to the end of the fiscal year. The components of the net pension liability of the Town Plan were as follows over the past five years:

Municipal Employees Plan

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total pension liability at June 30, 2021.. | \$22,520,572 | \$21,706,341 | \$20,644,335 | \$19,687,097 | \$18,273,254 |
| Plan fiduciary net position..... | 16,126,850 | 18,213,577 | 14,179,772 | 15,253,235 | 15,229,938 |
| Town's net pension liability..... | <u>\$6,393,722</u> | <u>\$3,492,764</u> | <u>\$6,464,563</u> | <u>\$4,433,862</u> | <u>\$3,043,316</u> |

| | | | | | |
|-------------------------------------|--------|--------|--------|--------|--------|
| Plan fiduciary net position as | | | | | |
| a % of total pension liability..... | 71.61% | 83.91% | 68.69% | 77.48% | 83.35% |

The following represents the net pension liability of the Town Plan, calculated using the current discount rate, 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 or 1 percentage point higher than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|------------------------------|--------------------|------------------------------|--------------------|
| | <u>6.10%</u> | <u>7.10%</u> | <u>8.10%</u> |
| NPL as of June 30, 2022..... | \$ 8,865,447 | \$ 6,393,722 | \$ 4,335,346 |

An actuarial valuation is prepared annually and the Town's most recent actuarial valuation is dated of July 1, 2022. The following presents historical information regarding the pension system.

Schedule of Funding Progress

| <u>Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|-----------------------|----------------------------------|--|----------------------------|---------------------|------------------------|--|
| 7/1/2022 | \$16,820,980 | \$23,076,499 | 6,255,519 | 72.9% | \$7,243,714 | 86.36% |
| 7/1/2021 | 16,917,266 | 22,370,408 | 5,453,142 | 75.6% | 7,343,619 | 74.26% |
| 7/1/2020 | 16,199,738 | 21,290,008 | 5,090,270 | 76.1% | 7,296,574 | 69.76% |
| 7/1/2019 | 16,010,885 | 19,859,194 | 3,848,309 | 80.6% | 7,426,736 | 51.82% |
| 7/1/2018 | 15,185,211 | 18,555,952 | 3,370,741 | 81.8% | 6,878,308 | 49.01% |

Schedule of Employer Contributions

| <u>Fiscal Year Ended</u> | <u>Actuarially Determined Employer Contribution (ADEC)</u> | <u>Annual Contribution</u> | <u>% of ARC Contributed</u> |
|--------------------------|--|----------------------------|-----------------------------|
| 2024 ¹ | \$ 1,040,759 | \$ 1,040,759 | 100.0% |
| 2023 ² | 935,296 | 935,296 | 100.0 |
| 2022 | 892,800 | 892,800 | 100.0 |
| 2021 | 724,037 | 724,037 | 100.0 |
| 2020 | 678,722 | 678,722 | 100.0 |

¹ Adopted budget.

² Unaudited estimate.

State of Connecticut Teachers' Retirement System – Teachers, principals, superintendents or supervisors engaged in service of public schools in the Town participate in a contributory defined benefit plan established under Chapter 167a of Connecticut General Statutes and administered by the Connecticut State Teachers' Retirement Board. Certain certified teachers are eligible to participate in the plan and are required to contribute 7.0% of their annual earnings. Neither the Board of Education nor the Town contributes to the plan. The State of Connecticut is legally responsible for making contributions to the plan.

For further information on the plans, please refer to Appendix A under the Town of Coventry's "Notes to Financial Statements, Note 9", herein.

OTHER POST-EMPLOYMENT BENEFITS

The Town, in accordance with various collective bargaining agreements, is committed to providing medical benefits to certain eligible retirees and their spouses, under a single-employer plan. The Post-Retirement Medical Program ("RMP") covers Town and Board of Education employees. All Town of Coventry employees are eligible to purchase medical insurance. The benefits include individual, two-person or family coverage under the CIGNA (or equivalent), including hospitalization, surgical, prescriptions, dental and major medical. Employees who choose to participate must pay the full premium cost. Board of Education employees may also purchase life insurance at the full premium cost. Spouses can continue coverage after the retiree's death. The Town does not issue a separate stand-alone financial statement for this program.

The Town funding and payment of postemployment benefits are accounted for in the General Fund on a pay-as-you-go basis. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund may not be established in the future to exclusively control the funding and reporting of postemployment benefits, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers.

The Town of Coventry's annual other postemployment benefit ("OPEB") cost is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The Town implemented GASB Statement No. 74 effective for fiscal year ended June 30, 2018. In accordance with GASB Statement No. 74, the net position is based on the fair market value as of the end of the fiscal year and the total OPEB liability is based on the actuarial assumptions as of the prior valuation date updated to the end of the fiscal year. Under GASB Statement No. 74, the components of the Town's net OPEB liability over the past five years were as follows:

| | Total OPEB Liability | | | | |
|---|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Beginning Balance..... | \$7,282,967 | \$7,931,299 | \$7,102,982 | \$8,728,588 | \$8,517,083 |
| Changes for the year: | | | | | |
| Services cost..... | 281,855 | 569,867 | 353,250 | 315,871 | 421,300 |
| Interest on total OPEB liability..... | 161,248 | 186,042 | 257,475 | 346,872 | 317,034 |
| Difference between expected and actual experience.. | - | - | - | - | - |
| Effect of economic/demographic gains or (losses)... | - | 1,236,192 | - | (2,467,530) | - |
| Effect of assumption changes or other inputs..... | (1,088,649) | (2,473,533) | 418,937 | 343,445 | (360,004) |
| Benefits payments..... | (200,288) | (166,900) | (201,345) | (164,264) | (166,825) |
| Net changes..... | <u>(845,834)</u> | <u>(648,332)</u> | <u>828,317</u> | <u>(1,625,606)</u> | <u>211,505</u> |
| Ending balance..... | <u>\$6,437,133</u> | <u>\$7,282,967</u> | <u>\$7,931,299</u> | <u>\$7,102,982</u> | <u>\$8,728,588</u> |

The following represents the net OPEB liability of the Town, calculated using a discount rate that are 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------------|----------------------------------|--------------------|
| | 2.54% | 3.54% | 4.54% |
| Town Employees net OPEB liability as of June 30, 2022..... | \$ 7,202,007 | \$ 6,437,133 | \$ 5,780,563 |

The following represents the net OPEB liability of the Town, calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

| | 1% Decrease | Healthcare Cost Trend Rate | 1% Increase |
|---|--------------------|---------------------------------------|--------------------|
| Town Employees net OPEB liability as of June 30, 2022..... | \$ 5,580,633 | \$ 6,437,133 | \$ 7,464,968 |

The following presents historical information regarding the post-employment benefit funding progress. The Town’s most recent complete actuarial valuation was effective July 1, 2022.

Schedule of Funding Progress

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---------------------------|--|--|------------------------------------|-------------------------|----------------------------|--|
| 7/1/2022 | \$ - | \$4,607,409 | \$4,607,409 | 0.00% | \$25,363,848 | 18.17% |
| 7/1/2020 | - | 6,976,815 | 6,976,815 | 0.00% | 21,073,024 | 33.11% |
| 7/1/2018 | - | 6,352,993 | 6,352,993 | 0.00% | 21,659,935 | 29.33% |
| 7/1/2016 | - | 7,362,047 | 7,362,047 | 0.00% | 20,377,000 | 36.13% |
| 7/1/2014 | - | 5,140,425 | 5,140,425 | 0.00% | 18,728,000 | 27.45% |

For further information on the plans, please refer to Appendix A under the Town of Coventry’s “Notes to Financial Statements, Note 10”, herein.

INVESTMENT POLICIES AND PROCEDURES

Under the Town Charter and under Connecticut General Statutes Section 7-400, the Town may invest in certificate of deposits, repurchase agreements, municipal notes, bonds, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all the federal home loan banks, all federal land banks, the Tennessee Valley Authority, or any other agency of the United States government, mutual funds and money market mutual funds.

The Town's investment practices have been to invest in certificates of deposit, repurchase agreements, U. S. Treasury bonds, bills and notes, demand accounts, the State of Connecticut Short Term Investment Fund (STIF).

MUNICIPAL BUDGET EXPENDITURE CAP

Connecticut General Statutes Section 4-66l, as amended (“Section 4-66l”), creates certain disincentives on increasing adopted budget expenditures for municipalities in Connecticut. Beginning in fiscal year 2018, the Office of Policy and Management (“OPM”) must reduce the amount of the municipal revenue sharing grant for those municipalities whose increase in its adopted budget expenditures, with certain exceptions, exceeds the previous fiscal year by 2.5% or more or the rate of inflation, whichever is greater (the “expenditure cap”). The reduction to the municipal revenue sharing grant will generally equal 50 cents for every dollar by which the municipality’s adopted budget exceeds the expenditure cap. A municipality whose population increased from

the previous fiscal year, as determined by OPM, may increase its adopted budget expenditures over the expenditure cap by an amount proportionate to its population growth. Section 4-66l requires each municipality to annually certify to the Secretary of OPM whether the municipality has exceeded the expenditure cap, and if so, the amount by which the expenditure cap was exceeded. For fiscal years ending June 30, 2023 and June 30, 2024, the Town will not receive municipal revenue sharing grant moneys from the State.

Under Section 4-66l, municipal spending does not include expenditures: (i) for debt service, special education, or costs to implement court orders or arbitration awards; (ii) associated with a major disaster or emergency declaration by the President or disaster emergency declaration issued by the Governor under the civil preparedness law; (iii) for any municipal revenue sharing grant the municipality disburses to a district; or (iv) budgeting for an audited deficit, non-recurring grants, capital expenditures or payments on unfunded pension liabilities.

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COMPARATIVE GENERAL FUND OPERATING STATEMENT
Budget and Actual (Budgetary Basis)

| | <u>Fiscal Year 2020-21</u> | | | <u>Fiscal Year</u> | <u>Fiscal Year</u> |
|--|----------------------------|--------------------------|--|-------------------------------------|---------------------------------|
| | <u>Final</u> | <u>Actual</u> | <u>Variance</u> | <u>2022-23</u> | <u>2023-24</u> |
| | <u>Budget</u> | <u>Operations</u> | <u>Favorable</u> <u>(Unfavorable)</u> | <u>Unaudited</u> <u>Estimate</u> | <u>Adopted</u> <u>Budget</u> |
| REVENUES | | | | | |
| Property Taxes, Interest & Liens..... | \$32,757,303 | \$ 32,863,240 | \$ 105,937 | \$34,219,639 | \$35,270,794 |
| Intergovernmental | 8,355,484 | 8,474,491 | 119,007 | 9,071,729 | 8,491,046 |
| Investment Income..... | 50,000 | 18,533 | (31,467) | 185,233 | 60,000 |
| Local Revenues..... | 573,850 | 789,554 | 215,704 | 734,520 | 1,085,150 |
| TOTAL REVENUES | <u>41,736,637</u> | <u>42,145,818</u> | <u>409,181</u> | <u>44,211,121</u> | <u>44,906,990</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 1,909,140 | 1,871,968 | 37,172 | 1,932,256 | 2,009,240 |
| Public Safety | 2,759,991 | 2,707,716 | 52,275 | 3,015,374 | 3,156,860 |
| Public Works..... | 2,645,623 | 2,614,005 | 31,618 | 2,662,609 | 2,751,370 |
| Human Services..... | 315,041 | 299,450 | 15,591 | 325,510 | 351,975 |
| Culture & Recreation..... | 603,175 | 600,275 | 2,900 | 696,423 | 654,190 |
| Insurance & Sundry..... | 2,521,730 | 2,501,833 | 19,897 | 2,678,495 | 2,859,120 |
| Education..... | 28,305,819 | 28,302,046 | 3,773 | 28,373,429 | 29,594,330 |
| Capital Outlays..... | 777,078 | 777,078 | - | 968,500 | 708,000 |
| Debt Service..... | 2,761,581 | 2,749,655 | 11,926 | 2,932,164 | 2,909,930 |
| TOTAL EXPENDITURES | <u>42,599,178</u> | <u>42,424,026</u> | <u>175,152</u> | <u>43,584,760</u> | <u>44,995,015</u> |
| Excess (deficiency) of revenues over expenditures | <u>(862,541)</u> | <u>(278,208)</u> | <u>584,333</u> | <u>626,361</u> | <u>(88,025)</u> |
| Other Financing Sources (Uses): | | | | | |
| Use of fund balance..... | 508,548 | | (508,548) | - | 175,000 |
| Cancellation of prior year encumbrances.. | - | 11,469 | 11,469 | - | - |
| Operating Transfers In..... | 486,493 | 486,493 | - | - | - |
| Operating Transfers Out..... | (132,500) | (132,500) | - | (362,500) | (86,975) |
| Total Other Financing Sources (Uses)..... | <u>862,541</u> | <u>365,462</u> | <u>(497,079)</u> | <u>(362,500)</u> | <u>88,025</u> |
| Excess (deficiency) of Revenues Over and Other Financing Sources Expenditures and Other Financing Uses..... | <u>\$ -</u> | <u>\$ 87,254</u> | <u>\$ 87,254</u> | <u>\$ 263,861</u> | <u>\$ -</u> |

Source: Audited Financial Statements Fiscal Year 2021-22; unaudited estimate Fiscal Year 2022-23; Adopted Budget Fiscal Year 2023-24.

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

| FISCAL YEAR ENDED: | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 6,121,922 | \$ 6,928,036 | \$ 6,277,461 | \$ 5,409,478 | \$ 5,955,699 |
| Receivables, net..... | 876,220 | 810,134 | 837,404 | 762,350 | 694,286 |
| Due from Other Funds..... | 839,233 | 555,069 | 672,723 | 1,322,890 | 520,373 |
| Prepaid items..... | 192,457 | 62,071 | 52,589 | 26,489 | 23,329 |
| TOTAL ASSETS..... | \$ 8,029,832 | \$ 8,355,310 | \$ 7,840,177 | \$ 7,521,207 | \$ 7,193,687 |
| LIABILITIES | | | | | |
| Accounts and other payables..... | \$ 820,629 | \$ 1,071,230 | \$ 916,072 | \$ 490,710 | \$ 456,727 |
| Accrued payroll..... | - | - | - | 339,717 | 330,360 |
| Unearned revenue..... | 35,208 | 181,337 | 32,633 | 43,025 | 96,543 |
| Total Liabilities | 855,837 | 1,252,567 | 948,705 | 873,452 | 883,630 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue: | | | | | |
| Property taxes..... | 693,498 | 649,723 | 661,584 | 571,660 | 526,092 |
| TOTAL DEFERRED INFLOWS..... | 693,498 | 649,723 | 661,584 | 571,660 | 526,092 |
| FUND BALANCE | | | | | |
| Nonspendable | 192,457 | 62,071 | 52,589 | 26,489 | 23,329 |
| Restricted | 11,407 | 11,597 | 14,607 | 18,297 | 34,048 |
| Committed | 46,192 | 5,697 | 104,248 | 2,699 | - |
| Assigned | 531,953 | 658,425 | 372,664 | 417,131 | 422,829 |
| Unassigned | 5,698,488 | 5,715,230 | 5,685,780 | 5,611,479 | 5,303,759 |
| TOTAL FUND BALANCE..... | 6,480,497 | 6,453,020 | 6,229,888 | 6,076,095 | 5,783,965 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES..... | \$ 8,029,832 | \$ 8,355,310 | \$ 7,840,177 | \$ 7,521,207 | \$ 7,193,687 |

Source: Audited Financial Statements.

ANALYSIS OF GENERAL FUND EQUITY
(GAAP BASIS)

| FISCAL YEAR ENDED: | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Nonspendable..... | \$ 192,457 | \$ 62,071 | \$ 52,589 | \$ 26,489 | \$ 23,329 |
| Restricted..... | 11,407 | 11,597 | 14,607 | 18,297 | 34,048 |
| Committed..... | 46,192 | 5,697 | 104,248 | 2,699 | - |
| Assigned..... | 531,953 | 658,425 | 372,664 | 417,131 | 422,829 |
| Unassigned..... | 5,698,488 | 5,715,230 | 5,685,780 | 5,611,479 | 5,303,759 |
| Total Fund Balance..... | \$ 6,480,497 | \$ 6,453,020 | \$ 6,229,888 | \$ 6,076,095 | \$ 5,783,965 |
| Unassigned Fund Balance As % of | | | | | |
| Total Expenditures..... | 12.11% | 12.43% | 12.40% | 12.92% | 11.67% |

Source: Audited Financial Statements.

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

| FISCAL YEAR ENDED: | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | | |
| Property taxes..... | \$32,863,240 | \$32,290,548 | \$31,831,641 | \$31,520,482 | \$30,835,771 |
| Intergovernmental revenue..... | 12,876,409 | 12,527,265 | 12,911,759 | 10,993,066 | 13,609,567 |
| Charges for Services | 803,959 | 808,109 | 591,517 | 581,167 | 649,782 |
| Investment income..... | 18,533 | 15,911 | 89,793 | 81,677 | 54,911 |
| Transfers In..... | 529,720 | 578,976 | 574,899 | 540,941 | 580,077 |
| Total Revenues & Transfers In | \$47,091,861 | \$46,220,809 | \$45,999,609 | \$43,717,333 | \$45,730,108 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 1,887,179 | 1,843,713 | 1,748,377 | 1,607,551 | 1,492,501 |
| Public Safety | 2,497,460 | 2,529,851 | 2,501,932 | 2,501,399 | 2,372,805 |
| Public Works..... | 2,634,217 | 2,525,978 | 2,434,995 | 2,408,855 | 2,362,323 |
| Human Services..... | 306,681 | 277,118 | 275,628 | 293,181 | 279,276 |
| Culture & recreation..... | 594,775 | 575,612 | 583,849 | 548,636 | 537,368 |
| Insurance & sundry..... | 2,437,002 | 2,336,134 | 2,220,460 | 2,170,684 | 2,161,875 |
| Education..... | 32,721,486 | 31,939,561 | 31,795,150 | 29,591,196 | 32,303,060 |
| Capital Outlays..... | - | - | - | 2,903,017 | 2,774,781 |
| Debt Service..... | 2,789,656 | 2,910,360 | 2,813,266 | 479,546 | 320,980 |
| Transfers Out..... | 1,195,928 | 1,059,350 | 1,472,159 | 921,138 | 860,980 |
| Total Expenditures & Transfers Out .. | 47,064,384 | 45,997,677 | 45,845,816 | 43,425,203 | 45,465,949 |
| Results from Operations..... | 27,477 | 223,132 | 153,793 | 292,130 | 264,159 |
| Fund Balance - July 1 | 6,453,020 | 6,229,888 | 6,076,095 | 5,783,965 | 5,519,806 |
| Fund Balance - June 30 | \$ 6,480,497 | \$ 6,453,020 | \$ 6,229,888 | \$ 6,076,095 | \$ 5,783,965 |

Source: Audited Financial Statements.

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PROPERTY TAX REVENUES

| Fiscal Year | General Fund | | Property Tax |
|-------------------|-------------------------|-----------------------|---|
| | Revenues & Transfers in | Property Tax Revenues | Revenues as a Percentage of General Fund Revenues |
| 2024 ¹ | \$45,081,990 | \$35,270,794 | 78.2 % |
| 2023 ² | 44,211,121 | 34,219,639 | 77.4 |
| 2022 | 47,091,861 | 32,863,240 | 69.8 |
| 2021 | 46,220,809 | 32,290,548 | 69.9 |
| 2020 | 45,999,609 | 31,831,641 | 69.2 |

¹ Adopted Budget, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

² Unaudited estimate, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

INTERGOVERNMENTAL REVENUES

| Fiscal Year | General Fund | | Aid as a Percentage of |
|-------------------|-------------------------|---------------------------|------------------------|
| | Revenues & Transfers in | Intergovernmental Revenue | General Fund Revenues |
| 2024 ¹ | \$45,081,990 | \$8,491,046 | 18.8 % |
| 2023 ² | 44,211,121 | 9,071,729 | 20.5 |
| 2022 | 47,091,861 | 12,876,409 | 27.3 |
| 2021 | 46,220,809 | 12,527,265 | 27.1 |
| 2020 | 45,999,609 | 12,911,759 | 28.1 |

¹ Adopted Budget, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

² Unaudited estimate, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

EXPENDITURES

| Fiscal Year | Education | Public Safety | General Government | Public Works | Debt Service |
|-------------------|-------------------|---------------|--------------------|--------------|--------------|
| | 2024 ¹ | 65.6% | 7.0% | 4.5% | 6.1% |
| 2023 ² | 64.6% | 6.9% | 4.4% | 6.1% | 6.7% |
| 2022 | 69.5% | 5.3% | 4.0% | 5.6% | 5.9% |
| 2021 | 69.4% | 5.5% | 4.0% | 5.5% | 6.3% |
| 2020 | 69.4% | 5.5% | 3.8% | 5.3% | 6.1% |
| 2019 | 68.1% | 5.8% | 3.7% | 5.5% | 1.1% |
| 2018 | 71.0% | 5.2% | 3.3% | 5.2% | 0.7% |
| 2017 | 70.9% | 5.0% | 3.3% | 5.1% | 1.2% |

¹ Adopted Budget, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

² Unaudited estimate, budgetary basis, excludes on-behalf payments to the Connecticut State Teachers' Retirement System.

VI. DEBT SUMMARY

PRINCIPAL AMOUNT OF INDEBTEDNESS

As of August 16, 2023
(Pro Forma)

| <u>Long-Term Debt</u> | | | Original | Debt | Date of |
|------------------------|---|------------|---------------------|----------------------|-------------|
| Date | Purpose | Rate % | Issue | Outstanding | Fiscal Year |
| | | | | As of 8/16/2023 | Maturity |
| <i>General Purpose</i> | | | | | |
| 2/9/2010 | General Purpose, Refunding Series B.... | 2.00-4.00% | \$ 1,195,000 | \$ 150,000 | 2026 |
| 3/27/2012 | General Purpose Bonds..... | 2.00-3.38% | 1,675,000 | 775,000 | 2032 |
| 3/24/2015 | General Purpose, Refunding..... | 2.00-4.00% | 2,473,000 | 1,262,000 | 2031 |
| 3/12/2016 | General Purpose Bonds..... | 2.00-4.00% | 3,400,000 | 2,425,000 | 2036 |
| 9/26/2019 | General Purpose Bonds..... | 2.00-5.00% | 4,700,000 | 3,760,000 | 2039 |
| 6/15/2022 | General Purpose Bonds..... | 4.00-5.00% | 1,075,000 | 1,015,000 | 2042 |
| 8/16/2023 | General Purpose Bonds (This Issue)..... | TBD | 4,865,000 | 4,865,000 | 2043 |
| | Sub-Total..... | | \$19,383,000 | \$ 14,252,000 | |
| <i>Schools</i> | | | | | |
| 2/9/2010 | School Refunding Bonds..... | 1.00-4.00% | 7,600,000 | - | 2024 |
| 3/24/2015 | School Bonds..... | 2.00-4.00% | 1,802,000 | 783,000 | 2031 |
| 9/26/2019 | School Bonds..... | 2.00-5.00% | 2,570,000 | 2,050,000 | 2039 |
| 6/15/2022 | School Bonds..... | 4.00-5.00% | 3,105,000 | 2,945,000 | 2042 |
| | Total Long-Term Debt..... | | \$15,077,000 | \$ 5,778,000 | |
| <i>Sewers</i> | | | | | |
| 3/31/2009 | Sewers, CWF - PLO..... | 2.000% | 8,456,516 | 2,075,440 | 2027 |
| | Total Long-Term Debt..... | | \$ 8,456,516 | \$ 2,075,440 | |
| | Total..... | | \$42,916,516 | \$ 22,105,440 | |

OTHER LONG-TERM DEBT:

Capital Leases Payable as of August 16, 2023:

| | |
|------------|--------------------|
| 2024 | \$305,022 |
| 2025 | 260,047 |
| 2026 | 208,293 |
| Thereafter | 492,584 |
| | <u>\$1,265,946</u> |

OUTSTANDING SHORT-TERM DEBT

Short-Term Debt:

| <u>Project</u> | <u>Amount</u> <u>Authorized</u> | <u>Previously</u> <u>Bonded</u> ¹ | <u>Premium/</u> <u>Grants</u> <u>Applied</u> | <u>The Notes</u> <u>(This Issue)</u> |
|--------------------------------|------------------------------------|---|--|---|
| Coventry High School HVAC..... | \$ 11,070,000 | \$ 2,700,000 | \$ - | \$ 2,070,000 |

CLEAN WATER FUND PROGRAM

The Town is a participant in the State of Connecticut Clean Water Fund Program (General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at a rate of 2% per annum. All participating municipalities receive a grant of 20% and a loan of 80% of total eligible costs (with the exception of combined sewer overflow correction projects which are financed with a 50% grant and a 50% loan and de-nitrification projects which are financed with a 30% grant and a 70% loan).

Loans to each municipality are made pursuant to Project Grant and Project Loan Agreements (the “Loan Agreements”). Each municipality is obligated to repay only that amount which it draws down for the payment of project costs (Interim Funding Obligations). Each municipality must deliver to the state one obligation secured by the full faith and credit of the municipality, and/or a dedicated source of revenue of such municipality.

Amortization of each loan is required to begin one year from the earlier of the project completion date specified in the Loan Agreement, or the actual project completion date. The final maturity of each loan is twenty years from the project completion date. Principal and payments are payable (1) in equal monthly installments commencing one month after the scheduled completion date, or (2) in a single annual installment representing, 1/20 of total principal not later than one year from the project completion date specified in the Loan Agreement and repayable thereafter in monthly installments. Loans made under Loan Agreements entered into prior to July 1, 1998 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. The borrowers may prepay their loans at any time prior to maturity without penalty.

The Town has the following permanent Clean Water Fund loan outstanding:

| <u>Project</u> | <u>Date of Issue</u> | <u>Original 2% Loan Amount</u> | <u>Amount Outstanding 8/16/2023</u> | <u>Final Maturity</u> |
|---------------------|----------------------|------------------------------------|---|---------------------------|
| CWF PLO 461-DC..... | 6/30/2008 | \$8,456,516 | \$2,075,440 | 6/30/2027 |

SCHOOL BUILDING GRANT REIMBURSEMENTS

Pursuant to Section 10-287i of the Connecticut General Statutes, the State of Connecticut provides proportional progress payments for eligible construction costs during certain phases of construction. The following projects will be reimbursed under this method:

| <u>Project</u> | <u>Amount of Appropriation/ Authorization</u> | <u>Estimated Eligible Cost</u> | <u>Estimated Reimbursement Rate</u> | <u>Estimated Grant¹</u> |
|--------------------------------|---|--|---|--|
| Coventry High School HVAC..... | \$ 11,070,000 | \$10,622,202 | 59.29% | \$ 6,297,710 |

¹ Estimated grants receivable are based upon eligibility of reimbursable project costs. Final eligible costs to be determined at completion of post project audit. At this time the Town has not received any progress payments for this project.

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COMBINED SCHEDULE OF LONG-TERM DEBT – GENERAL FUND AND SEWER FUND

As of August 16, 2023

(Pro Forma)

| Fiscal Year Ending 30-Jun | Existing Indebtedness ^{1, 2} | | The Bond (This Issue) | | Total Debt Service | Percent Retired |
|---------------------------------|---------------------------------------|---------------------|-----------------------|-------------|-----------------------|--------------------|
| | Principal | Interest | Principal | Interest | | |
| 2024 | \$ 1,636,283 | \$ 537,232 | \$ - | \$ - | \$ 2,173,515 | 7.40% |
| 2025 | 1,759,070 | 485,793 | - | - | 2,244,862 | 15.36% |
| 2026 | 1,759,648 | 424,815 | 260,000 | - | 2,444,462 | 24.50% |
| 2027 | 1,625,439 | 366,673 | 260,000 | - | 2,252,112 | 33.03% |
| 2028 | 1,075,000 | 319,946 | 260,000 | - | 1,654,946 | 39.06% |
| 2029 | 1,075,000 | 282,940 | 260,000 | - | 1,617,940 | 45.10% |
| 2030 | 1,075,000 | 249,246 | 255,000 | - | 1,579,246 | 51.12% |
| 2031 | 1,075,000 | 215,321 | 255,000 | - | 1,545,321 | 57.14% |
| 2032 | 845,000 | 187,363 | 255,000 | - | 1,287,363 | 62.11% |
| 2033 | 755,000 | 163,713 | 255,000 | - | 1,173,713 | 66.68% |
| 2034 | 750,000 | 141,750 | 255,000 | - | 1,146,750 | 71.23% |
| 2035 | 750,000 | 119,900 | 255,000 | - | 1,124,900 | 75.78% |
| 2036 | 750,000 | 98,050 | 255,000 | - | 1,103,050 | 80.32% |
| 2037 | 565,000 | 75,750 | 255,000 | - | 895,750 | 84.03% |
| 2038 | 565,000 | 59,000 | 255,000 | - | 879,000 | 87.74% |
| 2039 | 565,000 | 41,800 | 255,000 | - | 861,800 | 91.45% |
| 2040 | 205,000 | 24,600 | 255,000 | - | 484,600 | 93.53% |
| 2041 | 205,000 | 16,400 | 255,000 | - | 476,400 | 95.61% |
| 2042 | 205,000 | 8,200 | 255,000 | - | 468,200 | 97.69% |
| 2043 | - | - | 255,000 | - | 255,000 | 98.85% |
| 2044 | - | - | 255,000 | - | 255,000 | 100.00% |
| Total | \$17,240,440 | \$ 3,818,491 | \$ 4,865,000 | \$ - | \$25,923,931 | |

¹ Excludes principal payments of \$282,417 and interest payments of \$11,330 paid by the Town to date in fiscal year 2023-24.

² Excludes capital lease obligations.

Source: Town Officials.

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SCHEDULE OF LONG-TERM DEBT – GENERAL FUND

As of August 16, 2023

(Pro Forma)

| Fiscal Year | Existing Indebtedness ^{1, 2} | | The Bond (This Issue) | | Total Debt Service | Percent Retired |
|--------------------|--|--------------------|-------------------------------|------------------|---------------------------|------------------------|
| | Ending 30-Jun | Principal | Interest | Principal | | |
| 2024 | \$ 1,165,000 | \$ 503,096 | \$ - | \$ - | \$ 1,668,096 | 5.82% |
| 2025 | 1,235,000 | 458,496 | - | - | 1,693,496 | 11.98% |
| 2026 | 1,225,000 | 408,096 | 260,000 | - | 1,893,096 | 19.40% |
| 2027 | 1,080,000 | 360,746 | 260,000 | - | 1,700,746 | 26.09% |
| 2028 | 1,075,000 | 319,946 | 260,000 | - | 1,654,946 | 32.75% |
| 2029 | 1,075,000 | 282,940 | 260,000 | - | 1,617,940 | 39.42% |
| 2030 | 1,075,000 | 249,246 | 255,000 | - | 1,579,246 | 46.06% |
| 2031 | 1,075,000 | 215,321 | 255,000 | - | 1,545,321 | 52.70% |
| 2032 | 845,000 | 187,363 | 255,000 | - | 1,287,363 | 58.19% |
| 2033 | 755,000 | 163,713 | 255,000 | - | 1,173,713 | 63.23% |
| 2034 | 750,000 | 141,750 | 255,000 | - | 1,146,750 | 68.25% |
| 2035 | 750,000 | 119,900 | 255,000 | - | 1,124,900 | 73.27% |
| 2036 | 750,000 | 98,050 | 255,000 | - | 1,103,050 | 78.28% |
| 2037 | 565,000 | 75,750 | 255,000 | - | 895,750 | 82.38% |
| 2038 | 565,000 | 59,000 | 255,000 | - | 879,000 | 86.47% |
| 2039 | 565,000 | 41,800 | 255,000 | - | 861,800 | 90.56% |
| 2040 | 205,000 | 24,600 | 255,000 | - | 484,600 | 92.86% |
| 2041 | 205,000 | 16,400 | 255,000 | - | 476,400 | 95.16% |
| 2042 | 205,000 | 8,200 | 255,000 | - | 468,200 | 97.45% |
| 2043 | - | - | 255,000 | - | 255,000 | 98.73% |
| 2044 | - | - | 255,000 | - | 255,000 | 100.00% |
| Total | \$15,165,000 | \$3,734,414 | \$ 4,865,000 | \$ - | \$23,764,414 | |

¹ Excludes principal payments of \$240,000 and interest payments of \$7,800 paid by the Town to date in fiscal year 2023-24.

² Excludes capital lease obligations.

Source: Town Officials.

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SCHEDULE OF LONG-TERM DEBT –SEWER FUND

As of August 16, 2023

(Pro Forma)

| Fiscal Year | Existing Indebtedness¹ | | Total | Percent | | | |
|--------------------|--|------------------------------|-----------------------------|---------------------|----------------|------------------|---------|
| | Ending | Principal² | Interest² | Debt Service | Retired | | |
| 30-Jun | | | | | | | |
| 2024 | \$ | 471,283 | \$ | 34,135 | \$ | 505,419 | 22.71% |
| 2025 | | 524,070 | | 27,296 | | 551,366 | 47.96% |
| 2026 | | 534,648 | | 16,718 | | 551,366 | 73.72% |
| 2027 | | 545,439 | | 5,927 | | 551,366 | 100.00% |
| Total | \$ | 2,075,440 | \$ | 84,077 | \$ | 2,159,517 | |

¹ Excludes principal payments of \$42,417 and interest payments of \$3,530 paid by the Town in current Fiscal year 2023-24.

² Excludes capital lease obligations.

Source: Town Officials.

OVERLAPPING AND UNDERLYING INDEBTEDNESS

Apart from the Town, other political subdivisions with power to issue debt or cause taxes to be levied on taxable property in the Town are various beach associations. Currently such jurisdictions report no underlying debt.

DEBT STATEMENT¹

As of August 16, 2023

(Pro Forma)

| | |
|---|----------------------|
| Long-Term Indebtedness (includes this issue) | |
| <i>The Bonds (This Issue)</i> | \$ 4,865,000 |
| General Purpose..... | 9,387,000 |
| Schools ² | 5,778,000 |
| Sewers - CWF PLO..... | 2,075,440 |
| Total Long-Term Indebtedness | <u>22,105,440</u> |
| Short-Term Indebtedness | |
| <i>The Notes (This Issue)</i> | 2,070,000 |
| Total Short-Term Indebtednes | <u>2,070,000</u> |
| Total Direct Indebtedness | <u>24,175,440</u> |
| Less: | |
| Sewer Assessments - as of 6/30/2023..... | (779,284) |
| Net Direct Indebtedness | <u>23,396,156</u> |
| Overlapping Indebtedness | <u>-</u> |
| Total Overall Net Direct Indebtedness | <u>\$ 23,396,156</u> |

¹ Does not include \$6,996,599 of authorized but unissued debt.

² Includes \$76,000 in water purpose bonds which are excluded from statutory debt limit pursuant to Connecticut General Statutes.

CURRENT DEBT RATIOS

As of August 16, 2023

(Pro Forma)

| | |
|--|-----------------|
| Population ¹ | 12,186 |
| Net Taxable Grand List (10/1/22)..... | \$1,096,582,610 |
| Estimated Full Value..... | \$1,566,546,586 |
| Equalized Net Taxable Grand List (10/1/20) ² | \$1,760,193,623 |
| Per Capita Income (2021) ¹ | \$47,507 |

| | Total Direct debt \$24,175,440 | Total Net Direct Debt \$23,396,156 | Total Overall Net Debt \$23,396,156 |
|---|---|---|--|
| Per Capita..... | \$1,983.87 | \$1,919.92 | \$1,919.92 |
| Ratio to Net Taxable Grand List..... | 2.20% | 2.13% | 2.13% |
| Ratio to Estimated Full Value..... | 1.54% | 1.49% | 1.49% |
| Ratio to Equalized Net Taxable Grand List..... | 1.37% | 1.33% | 1.33% |
| Debt per Capita to Money Income per Capita..... | 4.18% | 4.04% | 4.04% |

¹ U.S. Bureau of Census, American Community Survey 2017-21.

² Office of Policy and Management, State of Connecticut.

LEGAL REQUIREMENTS FOR APPROVAL OF BORROWING

The Town has the power to incur indebtedness by issuing its bonds or notes as authorized by the General Statutes of Connecticut subject to statutory debt limitations and the requirements of the Town Charter for the authorization of indebtedness.

TEMPORARY FINANCING

When general obligation bonds have been authorized, bond anticipation notes may be issued maturing in not more than two years (CGS Sec. 7-378). Temporary notes may be renewed up to ten years from their original date of issue as long as all project grant payments are applied toward payment of project costs or temporary notes when they become due and payable, and the legislative body schedules principal reductions by the end of the third year and for each subsequent year during which such temporary notes remain outstanding, in an amount equal to a minimum of 1/20th (1/30th for sewer projects and certain school projects) of the estimated net project cost (CGS Sec. 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds two years.

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

Temporary notes may also be issued for up to 15 years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original date of issue (whichever is sooner), and in each year thereafter, the notes must be reduced by 1/15th of the total amount of the notes issued by funds derived from sources of payment specified by statute. Temporary notes may be issued in one-year maturities for up to 15 years in anticipation of sewer assessments receivable, such notes to be reduced annually by the amount of assessments received during the preceding year (CGS Sec. 7-269a).

LIMITATION OF INDEBTEDNESS

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

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

In no case however, shall total indebtedness exceed seven times the base. "Annual receipts from taxation," (the "base") are defined as total tax collections including interest, penalties and late payment of taxes and state payments for revenue loss under CGS Sections 12-129d and 7-528.

The CGS also provide for exclusion from the debt limit calculation debt (i) issued in anticipation of taxes; (ii) issued for the supply of water, gas, electricity, electric demand response, conservation and load management, distributed generation and renewable energy projects; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; for the construction and operation of a municipal community antenna television system and for two or more of such purposes; (iii) issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement; (iv) issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or for which allocation has been approved by the State Bond Commission or from a contract with the state, state agencies or another municipality providing for the reimbursement of costs but only to the extent such indebtedness can be paid from such proceeds; (v) issued for certain water pollution control projects; and (vi) upon placement in an escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient to provide for the payment when due of principal of and interest on such bond, note or other evidence of indebtedness.

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STATEMENT OF STATUTORY DEBT LIMITATION

As of August 16, 2023

(Pro Forma)

Total Receipts for fiscal year ended June 30, 2022 (including interest and lien fees) \$ 32,856,433

State Reimbursement for Revenue Loss on:

| | |
|----------------------------------|----------------------|
| Tax Relief for Elderly | - |
| Base for Establishing Debt Limit | <u>\$ 32,856,433</u> |

| | <u>General Purpose</u> | <u>Schools</u> | <u>Sewers</u> | <u>Urban Renewal</u> | <u>Past Pension</u> | <u>Total Debt</u> |
|--|---------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|
| (2.25 times base)..... | \$73,926,974 | | | | | |
| (4.50 times base)..... | | \$147,853,949 | | | | |
| (3.75 times base)..... | | | \$123,211,624 | | | |
| (3.25 times base)..... | | | | \$106,783,407 | | |
| (3.00 times base)..... | | | | | \$98,569,299 | |
| (7.00 times base)..... | | | | | | \$229,995,031 |
| Indebtedness (Includes this issue) ¹ | | | | | | |
| Bonds Payable..... | \$ 9,311,000 ² | \$ 5,778,000 | \$ - | \$ - | \$ - | \$ 15,089,000 |
| State of Connecticut Clean Water | | | | | | |
| Fund PLO..... | - | - | 2,075,440 | | | 2,075,440 |
| <i>The Bonds (This Issue)</i> | 4,865,000 | - | - | - | - | 4,865,000 |
| <i>The Notes (This Issue)</i> | - | 2,070,000 | - | - | - | 2,070,000 |
| Authorized but | | | | | | |
| Unissued Debt..... | 100,000 | 6,805,000 | 91,599 | - | - | 6,996,599 |
| Total Bonded Indebtedness..... | 14,276,000 | 14,653,000 | 2,167,039 | - | - | 31,096,039 |
| Sewer Assessments Receivable ³ ... | - | - | (779,284) | - | - | (779,284) |
| Net Bonded Indebtedness..... | 14,276,000 | 14,653,000 | 1,387,755 | - | - | 30,316,755 |
| Excess of Limit Over | | | | | | |
| Outstanding and | | | | | | |
| Authorized Debt..... | \$59,650,974 | \$133,200,949 | \$121,823,869 | \$106,783,407 | \$98,569,299 | \$199,678,277 |

¹ Under Connecticut General Statutes total indebtedness for all classes cannot exceed seven times the base, or \$229,995,031.

² Does not include \$76,000 in water purpose bonds which are excluded from statutory debt limit pursuant to Connecticut General Statutes.

³ As of June 30, 2023.

AUTHORIZED BUT UNISSUED DEBT

| <u>Project</u> | <u>Amount of Total Authorization</u> | <u>Prior Bonds/ Grants/ Bond Premium</u> | <u>The Bonds (This Issue)</u> | <u>The Notes (This Issue)</u> | <u>Authorized But Unissued Debt</u> |
|---|--------------------------------------|--|-------------------------------|-------------------------------|-------------------------------------|
| Wangumbaug Lake Sewer Extension..... | \$ 17,800,000 | \$17,708,401 | \$ - | \$ - | \$ 91,599 ¹ |
| School Building Energy Upgrades..... | 3,000,000 | 2,570,000 | - | - | 430,000 |
| School Roof Replacement..... | 6,680,000 | 6,605,000 | - | - | 75,000 |
| Softball Complex..... | 325,000 | 325,000 | - | - | - |
| Library Renovation..... | 1,700,000 | 1,600,000 | - | - | 100,000 |
| Roads, Bridges, Culvert and Payloader 2022.... | 4,865,000 | - | 4,865,000 | - | - |
| Coventry High School HVAC 2023 ² | 11,070,000 | 2,700,000 | - | 2,070,000 | 6,300,000 |
| Total All Projects | <u>\$ 45,440,000</u> | <u>\$31,508,401</u> | <u>\$ 4,865,000</u> | <u>\$ 2,070,000</u> | <u>\$ 6,996,599</u> |

¹ The Town does not expect any further borrowing on this project.

² The Town expects to receive a total of \$6,297,710 in state grants for this project which will reduce the authorized but unissued debt by a similar amount.

CAPITAL IMPROVEMENT PROGRAM

| | <u>2023/2024</u> | <u>2024/2025</u> | <u>2025/2026</u> | <u>2026/2027</u> | <u>2027/2028</u> | <u>Total</u> |
|---------------------------------|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| Summary of Programs | | | | | | |
| Capital Non-Recurring..... | \$ 15,500 | \$ 50,000 | \$ 100,000 | \$ 175,000 | \$ 200,000 | \$ 540,500 |
| Culture & Recreation..... | 304,200 | 76,500 | 110,000 | 105,000 | 10,115,000 | 10,710,700 |
| Education..... | 4,140,000 | 1,021,000 | 7,218,000 | 406,000 | 380,000 | 13,165,000 |
| General Administration..... | 7,144,000 | 157,800 | 91,000 | 2,072,000 | 182,000 | 9,646,800 |
| Human Services..... | 35,000 | 60,000 | - | - | 30,000 | 125,000 |
| Public Safety..... | 166,000 | 448,000 | 721,500 | 193,500 | 270,500 | 1,799,500 |
| Public Works..... | 5,734,050 | 17,715,250 | 1,244,500 | 1,414,000 | 9,334,000 | 35,441,800 |
| Total..... | \$ 17,538,750 | \$ 19,528,550 | \$ 9,485,000 | \$ 4,365,500 | \$ 20,511,500 | \$ 71,429,300 |
| Source of Funding | | | | | | |
| Bonding..... | \$ 2,000,000 | \$ 352,500 | \$ 3,415,000 | \$ 500,000 | \$ 16,000,000 | 22,267,500 |
| Cafeteria Fund..... | 20,000 | - | - | - | - | 20,000 |
| Capital Non-Recurring..... | 50,000 | - | - | - | - | 50,000 |
| Cemetery Fund..... | 5,000 | - | - | - | - | 5,000 |
| Donations/Grants..... | 105,460 | - | - | - | - | 105,460 |
| EMS fund..... | - | - | 462,000 | - | 50,000 | 512,000 |
| General Fund..... | 723,500 | 1,546,800 | 1,750,000 | 1,541,500 | 1,787,500 | 7,349,300 |
| Lease Purchase..... | 287,000 | 495,000 | 245,000 | 249,000 | 253,000 | 1,529,000 |
| Local Locip..... | 10,000 | - | - | - | - | 10,000 |
| LOCIP..... | 101,000 | 100,000 | 100,000 | 100,000 | 100,000 | 501,000 |
| Miscellaneous Highway Fund..... | 16,000 | - | - | - | - | 16,000 |
| Patriot's Park Fund..... | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 25,000 |
| Sewer Fund..... | 15,000 | - | 218,000 | 180,000 | 26,000 | 439,000 |
| State/Federal Grant/Loan..... | 14,200,790 | 17,029,250 | 3,290,000 | 1,790,000 | 2,290,000 | 38,600,040 |
| Total..... | \$ 17,538,750 | \$ 19,528,550 | \$ 9,485,000 | \$ 4,365,500 | \$ 20,511,500 | \$ 71,429,300 |

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HISTORICAL DEBT STATEMENT

| | <u>2023¹</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-------------------------|----------------------|----------------------|----------------------|----------------------|
| Population ² | 12,186 | 12,186 | 12,186 | 12,434 | 12,433 |
| Net taxable grand list..... | \$ 1,096,582,610 | \$ 1,076,852,645 | \$ 1,039,012,077 | \$ 1,022,686,310 | \$ 977,892,640 |
| Estimated full value..... | \$ 1,566,546,586 | \$ 1,538,360,921 | \$ 1,484,302,967 | \$ 1,460,980,443 | \$ 1,396,989,486 |
| Equalized net taxable grand list ³ | \$1,760,193,623 | \$1,760,193,623 | \$1,461,430,484 | \$1,542,001,856 | \$1,482,536,634 |
| Per capita income ² | \$ 47,507 | \$ 47,507 | \$ 47,507 | \$ 47,578 | \$ 45,562 |
| Long-Term Debt | | | | | |
| Bonds..... | \$ 15,405,000 | \$ 16,815,000 | \$ 13,855,000 | \$ 15,235,000 | \$ 9,345,000 |
| CWF - PLO..... | 2,117,857 | 2,621,395 | 3,114,970 | 3,598,779 | 4,073,016 |
| Short-Term Debt | | | | | |
| Bond Anticipation Notes.. | - | - | - | - | - |
| Total Direct Debt..... | <u>\$ 17,522,857</u> | <u>\$ 19,436,395</u> | <u>\$ 16,969,970</u> | <u>\$ 18,833,779</u> | <u>\$ 13,418,016</u> |
| Total Net Direct Debt..... | <u>\$ 16,743,573</u> | <u>\$ 18,441,211</u> | <u>\$ 15,734,880</u> | <u>\$ 17,325,401</u> | <u>\$ 11,579,027</u> |

¹ Unaudited estimate.

² U.S. Bureau of Census.

³ Office of Policy and Management, State of Connecticut.

HISTORICAL DEBT RATIOS

| | <u>2023¹</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-------------------------|-------------|-------------|-------------|-------------|
| Total Direct Debt: | | | | | |
| Per Capita..... | \$ 1,437.95 | \$ 1,594.98 | \$ 1,392.58 | \$ 1,514.70 | \$ 1,079.23 |
| To Net Taxable Grand List..... | 1.60% | 1.80% | 1.63% | 1.84% | 1.37% |
| To Estimated Full Value..... | 1.12% | 1.26% | 1.14% | 1.29% | 0.96% |
| To Equalized Net Grand List..... | 1.00% | 1.10% | 1.16% | 1.22% | 0.91% |
| Debt per Capita to per Capita Income.. | 3.03% | 3.36% | 2.93% | 3.18% | 2.37% |
| Net Direct Debt: | | | | | |
| Per Capita..... | \$ 1,374.00 | \$ 1,513.31 | \$ 1,291.23 | \$ 1,393.39 | \$ 931.31 |
| To Net Taxable Grand List..... | 1.53% | 1.71% | 1.51% | 1.69% | 1.18% |
| To Estimated Full Value..... | 1.07% | 1.20% | 1.06% | 1.19% | 0.83% |
| To Equalized Net Grand List..... | 0.95% | 1.05% | 1.08% | 1.12% | 0.78% |
| Debt per Capita to per Capita Income.. | 2.89% | 3.19% | 2.72% | 2.93% | 2.04% |

¹ Unaudited estimate.

THE TOWN OF COVENTRY, CONNECTICUT HAS NEVER DEFAULTED IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.

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VII. LEGAL AND OTHER LITIGATION

LITIGATION

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

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the Town on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has assisted the Town as to the plan of finance and the structuring of the Bonds and the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds and the Notes was based on materials provided by the Town and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Town or the information set forth in this Official Statement or any other information available to the Town with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

TRANSCRIPTS AND CLOSING DOCUMENTS

Upon the delivery of the Bonds and the Notes, the winning bidder will be furnished with the following:

1. Signature and No Litigation Certificates stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds and the Notes or the levy or collection of taxes to pay them;
2. A certificate on behalf of the Town signed by the Town Manager and Town Treasurer, which will be dated the date of delivery and attached to a signed copy of this Official Statement, certifying that to the best of said official's knowledge and belief, at the time bids on the Bonds and the Notes were accepted, the descriptions and statements in this Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact, or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by this Official Statement;
3. Receipts for the purchase price of the Bonds and the Notes;
4. The approving opinions of Robinson & Cole LLP, Bond Counsel as to the Bonds and the Notes in substantially the forms attached hereto as Appendices B and C, respectively; and
5. Executed Continuing Disclosure Agreements for the Bonds and the Notes in substantially the forms attached hereto as Appendices D and E, respectively.

The Town has prepared this Preliminary Official Statement for the Bonds and the Notes which is dated July 25, 2023. The Town deems this Official Statement final as of its date for purposes of SEC Rule 15c-12(b)(1), but it is subject to revision or amendment. The Town will make available to the winning bidder of the Bonds and the Notes a reasonable number of copies of the Official Statement at the Town's expense. The copies of the Official Statement will be made available to the winning bidder within seven business days of the bid opening. If the Town's municipal advisor is provided with the necessary information from the winning bidder by noon of the day following the day bids are received, the copies of the Official Statement will include an additional cover page and other pages indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter and any changes on the Bonds. Additional copies may be obtained by the bidder at its own expense by arrangement with the printer.

A transcript of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the office of U.S. Bank Trust Company, National Association and may be examined upon reasonable request.

CONCLUDING STATEMENT

Additional information may be obtained upon request from the Town Manager, Town of Coventry, Town Hall, 1712 Main Street, Coventry, Connecticut 06238 at (860) 742-6324 or from Munistat Services, Inc. at (203) 421-2880.

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

This Official Statement is submitted only in connection with the sale of the Bonds by the Town and may not be reproduced or used in whole or part for any other purpose.

TOWN OF COVENTRY, CONNECTICUT

By: _____
John A. Elsesser
Interim Town Manager

By: _____
Julia Chapman
Town Treasurer

Dated: August __, 2023

APPENDIX A – AUDITED FINANCIAL STATEMENTS

TOWN OF COVENTRY, CONNECTICUT

June 30, 2022

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Appendix A - Financial Statements - is taken from the Annual Comprehensive Financial Report of the Town of Coventry for the Fiscal Year ended June 30, 2022, as presented by the auditors for the general-purpose financial statements. This Appendix does not include all schedules, management letter, or auditor's supplemental schedules from the completed audit report. A copy of the complete report is available upon request to the Town Finance Director, Town of Coventry, Connecticut.



INDEPENDENT AUDITORS' REPORT

Town Council
Town of Coventry, Connecticut

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Coventry, Connecticut, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Coventry, Connecticut's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Coventry, Connecticut, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Coventry, Connecticut and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Coventry, Connecticut's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Coventry, Connecticut's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Coventry, Connecticut's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Coventry, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Town of Coventry, Connecticut as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated December 26, 2021 which contained unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. The General Fund Balance Sheet for the year ended June 30, 2021 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2021 financial statements. The information was subjected to the audit procedures applied in the audit of the 2021 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund Balance Sheet is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2021.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2022, on our consideration of the Town of Coventry, 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 Coventry, 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 Coventry, Connecticut's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

West Hartford, Connecticut
December 26, 2022

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

This discussion and analysis of the Town of Coventry, Connecticut's (the Town) financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2022. Please read this MD&A in conjunction with the Town's financial statements, Exhibits I to IX.

Financial Highlights

- Net position of the Town of Coventry's governmental activities increased by \$7.6 million.
- During the year, the Town had \$54.3 million in revenues for governmental programs. Of this, % was generated from property tax revenues (Table 2).
- Total cost of all of the Town's programs was \$46.7 million with no new programs added this year. This is a decrease of approximately \$10.5 million from the prior year. This decrease is largely attributable to changes in the pension and OPEB expense related to the teacher retirement board plan, as well as the OPEB expense on the Town's OPEB plan.
- The Town's total general obligation bonded debt increased by \$2.96 million or 21.4% due scheduled repayments offset by the issuance of \$4,180,000 of new debt.
- The General Fund reports a GAAP fund balance this year of \$6,480,497 less an assigned balance for encumbrances of \$356,953, an assigned balance for the fiscal year 2023 budget of \$175,000, a committed balance of \$46,192, a non-spendable balance of \$192,457, and a restricted balance of \$11,407, leaving an unassigned fund balance of \$5,698,488. The Fiscal Management policy of the Town Council sets a target of fund balance at 15%. At the close of the current fiscal year, unassigned fund balance for the General Fund when expressed as a percentage of General Fund governmental expenditures is 12.42%.
- The State of Connecticut contributed \$3,865,862 and \$90,971 on behalf of Coventry certified staff to the teachers' retirement fund pension and OPEB, respectively.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits I and II, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits III to IX. For governmental activities, these statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government-Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits I and II. The statement of net position and the statement of activities report information about the Town and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Town's net position and changes in them. The Town's net position, defined as the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

Government-Wide Financial Statements (Continued)

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, public works, human services, culture and recreation, insurance and sundry, and education. The Town has no business-type activities.

Fund Financial Statements

The fund financial statements begin with Exhibit III and provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by Charter. However, the Town establishes many other funds to help control and manage financial activities for particular purposes (such as the Educational Facility Use fund) or to show that it is meeting legal responsibilities for using grants and other money (like grants received from the State of Connecticut). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds (Exhibits III and IV)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary Funds (Exhibits V to VII)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. The Town's proprietary funds consist of the Town's internal service fund used to report activities to pay for the dental and medical self-insurance costs.
- *Fiduciary Funds (Exhibits VIII and IX)* - The Town is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

Government-Wide Financial Analysis

The Town's combined net position increased from a year ago. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities.

**TABLE 1
NET POSITION**

| | Governmental Activities | |
|---|----------------------------|-----------------------|
| | 2022 | 2021 |
| Assets: | | |
| Current Assets | \$ 28,499,081 | \$ 23,391,993 |
| Capital Assets, Net of Accumulated Depreciation | <u>120,147,332</u> | <u>119,947,506</u> |
| Total Assets | 148,646,413 | 143,339,499 |
| Deferred Outflows of Resources | 6,675,308 | 2,846,715 |
| Liabilities: | | |
| Long-Term Liabilities Outstanding | 36,034,960 | 30,702,910 |
| Other Liabilities | <u>4,582,814</u> | <u>4,227,194</u> |
| Total Liabilities | 40,617,774 | 34,930,104 |
| Deferred Inflows of Resources | 1,532,850 | 5,704,909 |
| Net Position: | | |
| Net Investment in Capital Assets | 97,999,198 | 101,222,555 |
| Restricted | 6,467,582 | 7,682,783 |
| Unrestricted | <u>8,704,317</u> | <u>(3,354,137)</u> |
| Total Net Position | <u>\$ 113,171,097</u> | <u>\$ 105,551,201</u> |

Overall, net position increased by \$7.6 million or 7.2% over the prior year net position (\$113.2 million compared to \$105.5 million). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - changed from (\$3.4) million at June 30, 2021 to \$8.7 million at June 30, 2022. This increase was driven by the increase in net position as well as the release of restrictions on funds designated for capital projects. The largest portion of the Town of Coventry's net position (\$98 million or 86.6%) reflects its investment in capital assets (e.g., land, buildings, vehicles, furniture and equipment, water systems and infrastructure) less related debt used to acquire those assets that is still outstanding. These capital assets are a fundamental part of our service delivery to our citizens but are not available for future spending since the capital assets themselves cannot be used to liquidate these liabilities.

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

Government-Wide Financial Analysis (Continued)

Changes in governmental net position can be explained as follows:

- Increase in current net position of \$7.6 million as outlined in Table II.
- Total assets increased during the fiscal year by \$5.3 million, or 3.7%. The main driver behind this increase was an increase in cash of \$4 million and an increase the advance to plan administer of \$728 thousand. This advance is related to the Town's self-funded health insurance account.
- Increase in deferred outflows of resources in the amount of \$3.8 million or 134.5%, and an decrease to deferred inflows of resources in the amount of \$4.2 million or 73.1%, both due to actual versus projected variables relating to the Town's pension and OPEB plans.
- Increase in total liabilities of \$5.7 million or 16.3% caused by the issuance of \$4.1 million in general obligation bonds, and an increase to the Total pension liabilities of \$2.9 million.

**TABLE 2
CHANGE IN NET POSITION**

| | Governmental Activities | |
|--|----------------------------|----------------|
| | 2022 | 2021 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services | \$ 4,576,380 | \$ 3,943,250 |
| Operating Grants and Contributions | 14,678,462 | 19,457,584 |
| Capital Grants and Contributions | 1,847,250 | 1,962,078 |
| General Revenues: | | |
| Property Taxes | 32,907,015 | 32,278,687 |
| Grants and Contributions Not Restricted to Specific Purposes | 228,691 | 73,462 |
| Unrestricted Investment Earnings | 30,988 | 40,669 |
| Total Revenues | 54,268,786 | 57,755,730 |
| Expenses: | | |
| General Government | 825,329 | 3,021,286 |
| Public Safety | 5,194,900 | 4,510,971 |
| Public Works | 8,836,063 | 6,875,339 |
| Human Services | 577,032 | 454,257 |
| Culture and Recreation | 1,200,829 | 995,922 |
| Education | 29,469,409 | 40,763,701 |
| Debt Service | 545,328 | 598,254 |
| Total Expenses | 46,648,890 | 57,219,730 |
| Change in Net Position | 7,619,896 | 536,000 |
| Beginning Net Position | 105,551,201 | 105,015,201 |
| Ending Net Position | \$ 113,171,097 | \$ 105,551,201 |

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

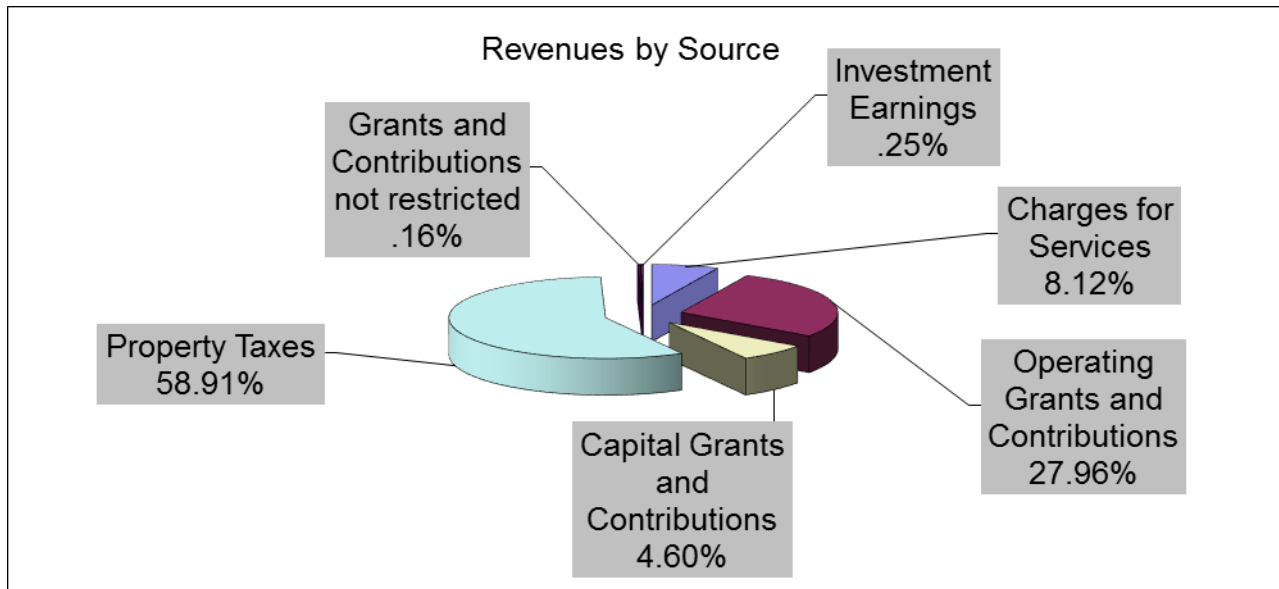
Government-Wide Financial Analysis (Continued)

Revenues

The Town's total revenues were \$54.3 million. Major revenue changes include the following:

- Program revenues: Charges for services increased by \$633,130. Recreation charges increased \$237 thousand due to increased activity as COVID restrictions were released. EMS charges increased \$48 thousand due to increases in call volume. Preschool revenues were \$102 thousand higher than the prior year.
- Operating grants and contributions decreased by \$4.7 million or 24.4%. This decrease was a result in a decrease to the State Teacher's Retirement Pension expense of \$5.4 million, offset by an increase in educational grants received during COVID.
- Capital grants and contributions increased by \$115 thousand or 5.6% which included LOTCIP projects for Swamp Road and South Road.
- General revenues: Property taxes increased over the previous year by 1.9% due to grand list growth. Investment earnings totaled \$31 thousand, a decrease of \$9.5 thousand, or 23.8%, from the prior year due to market conditions.

The following chart shows the breakdown of revenues by source:



**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

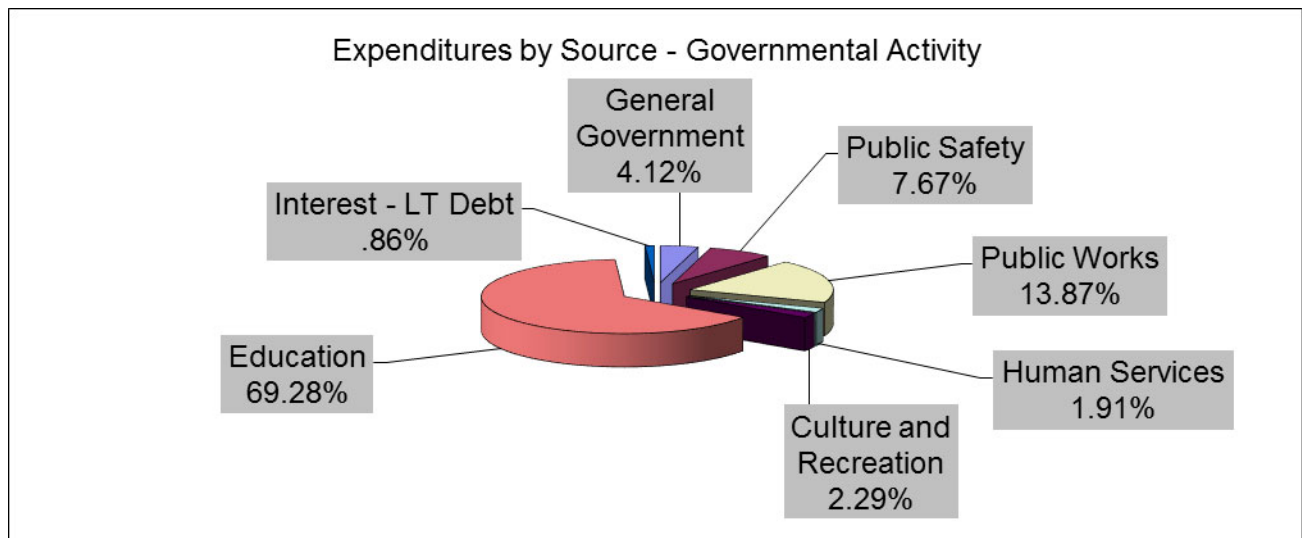
Government-Wide Financial Analysis (Continued)

Expenses

The total cost of all programs and services was \$46.7 million, a decrease of \$10.5 million from the prior year. The following is an explanation of the major changes:

- Decrease to the Town's net OPEB liability of \$845 thousand based on the most recent actuarial valuation.
- Decrease to the to the State Teacher's Retirement Pension expense of \$5.4 million.
- Increase to the Town's net pension liability of \$2.9 million based on the most recent actuarial valuation.

The following chart shows expenses by function:



**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

Government-Wide Financial Analysis (Continued)

Expenses (Continued)

Table 3 presents the cost of each of the Town's programs - general government, public safety, public works, human services, culture and recreation, education and debt service - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Town's taxpayers by each of these functions.

The General Government function includes costs related to overall governmental administration, and includes recording of legally required documents, computer system management, finance system management, assessment and collection of taxes, elections, land use planning and economic development.

Public Safety encompasses a full service police department, volunteer fire services and an ambulance service with contracted paramedic services.

Public Works includes the maintenance of Town roadways, repairs of the town fleet, maintenance at town parks and athletic facilities, management of the Town's cemeteries, code enforcement and engineering services. The solid waste and sewer operating programs are supported by user fees. This program is self-supporting and reduces the overall burden on the property tax.

Human Services include general family services, youth services and elderly services. In addition, this function incorporates the Community Development Block Grant program, which provides grants and no-interest loans for home improvement and community construction projects.

Culture and Recreation funds a grant to the Booth-Dimock Memorial Library and provides support for the full parks and recreation program. The General Fund provided \$30,000 of the costs of summer life guards in the Recreation Fund. The balance is supported by the fees charged for a variety of programs offered to Town residents, summer camps for youth, full waterfront services at Coventry Lake and miscellaneous programs offered at the Town parks.

**TABLE 3
GOVERNMENTAL ACTIVITIES**

| | Total Cost of Services | | Net Cost of Services | |
|------------------------|------------------------|----------------------|------------------------|------------------------|
| | 2022 | 2021 | 2022 | 2021 |
| General Government | \$ 825,329 | \$ 3,021,286 | \$ 366,613 | \$ (2,049,250) |
| Public Safety | 5,194,900 | 4,510,971 | (4,629,597) | (3,890,816) |
| Public Works | 8,836,063 | 6,875,339 | (5,163,874) | (3,391,336) |
| Human Services | 577,032 | 454,257 | (374,016) | (348,355) |
| Culture and Recreation | 1,200,829 | 995,922 | (635,951) | (612,070) |
| Education | 29,469,409 | 40,763,701 | (14,564,645) | (20,966,737) |
| Debt Service | 545,328 | 598,254 | (545,328) | (598,254) |
| Total | <u>\$ 46,648,890</u> | <u>\$ 57,219,730</u> | <u>\$ (25,546,798)</u> | <u>\$ (31,856,818)</u> |

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

Town Funds Financial Analysis - Governmental Funds

At the close of the fiscal year the Town of Coventry reported (as presented in the balance sheet - Exhibit III) a combined fund balance of \$17.6 million, which is an increase from last year's total of \$13.5 million. The changes are explained as follows:

- General Fund balance increased by \$27,477, a 0.4% increase. This is due to revenues in excess of current year expenditures. Tax Revenues collected exceeded budgetary expectation by \$105 thousand. In addition, there was significant savings in Police Operations and Fleet Maintenance budgets due to employee vacancies.
- Sewer Assessment fund balance increased \$13,480 or 6.7% due to increased collections of sewer assessments. Upon the completion of the sewer expansion project around the lake, increased debt service requirements will cause this fund to shrink until all assessments have been collected and all debt has been paid.
- CDBG fund balance decreased \$34,949. This fund uses grant monies to support its projects and only spends funds on hand for new loan projects. Several outstanding loans were repaid during the year. In addition, DOH approved a senior center upgrade project which began during the year.
- Capital Projects fund balance increased by \$3.58 million or 86.4%. The Town issued \$4.18 million in general obligation bonds for school roof replacement, library renovation and creation of a softball field. Significant expenditures related to those projects were incurred during the year, as well as additional road work from a road bond issued in FY2020.
- Miscellaneous Grant fund balance increased by \$174,635. This is due to the timing of grant payments. The Town anticipates to receive full reimbursement from the State of Connecticut in the next fiscal year.
- Non-major Governmental Funds fund balance increased \$340,182 or 12.1%. The major changes were as follows: Recreation increased by \$107 thousand due to grant revenue and increased programming; COVRRRA decreased by \$149 thousand due to increases in the cost of trash, the School lunch fund increased \$404 thousand increased due to increased grant revenues due to COVID, the Sewer Use Fund decreased \$166 thousand due to an increase in the transfer out to assist with Clean Water Loan payments, the EMS fund decreased by \$89 thousand due to increase ambulance coverage obtained through a service contract and the Preschool Fund increased \$205 thousand.

General Fund Budget Highlights

The final adopted budgeted for fiscal year 2022 included the use of fund balance of \$508,548. Final results were an increase to fund balance of \$87,254. Overall, revenues were under final budget appropriations by \$87,898. Of this, \$11,469 was a result of the cancellation of prior year encumbrances. Taxes were over budgeted projections by \$105 thousand due conservative collection rates used in the budget process. Operating grants were \$119,007 over final budget, due to the Coronavirus Relief Funds. Conveyance tax and building permits were over budget by \$64,251 and \$57,352, respectively, due to increased activity town-wide.

Expenditures were within final budget authorization, with an ending positive variance of \$175,152. Public works was under budget by \$31,618 due to vacancy savings and a light winter. Public Safety was under budget by \$52,275 primarily due to vacancy savings.

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

Throughout the fiscal year, the Town Council approved appropriation increases of \$308,548 which were used to fund the match on the landfill venting grant, the Town Manager's intern, engineering for a LOTCIP grant, to create a sick and severance fund, to fund the deficit in the EMS fund, EV charging stations and to fund an additional transfer to CNREF.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2022, the Town had \$120.1 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads and bridges as shown in Table 4. This amount represents a net decrease (including additions and deductions) of \$38.5 thousand.

**TABLE 4
CAPITAL ASSETS (Net of Depreciation)**

| | Governmental Activities | |
|-----------------------------------|----------------------------|----------------|
| | 2022 | 2021 |
| Land | \$ 3,759,669 | \$ 3,690,669 |
| Buildings | 33,543,874 | 34,356,880 |
| Improvements Other Than Buildings | 3,498,266 | 2,915,540 |
| Equipment | 5,743,786 | 6,042,524 |
| Infrastructure | 71,495,177 | 70,598,554 |
| Construction in Progress | 2,106,560 | 2,581,749 |
| Total | \$ 120,147,332 | \$ 120,185,916 |

This year's major additions included:

- Purchase of property
- Dump Truck
- Board of Education Kubotas (2)
- Police cruisers (2)
- Public Works large mower
- Public Works radio upgrades
- Replacement of Service Vehicle 418
- Self-contained breathing apparatus replacements
- Keyless access to Town Hall and Fire Departments
- Town Hall and BOE recording equipment
- School HVAC and energy upgrades
- Softball Field engineering
- CHS wall repair
- Library renovation
- Road repair/replacement from bonding
- Swamp Road realignment
- South Street Road Improvements

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

More detailed information about the Town's capital assets is presented in Note 1 and Note 5 to the financial statements.

Capital Assets and Debt Administration (Continued)

Long-Term Debt

At June 30, 2022, the Town had \$16,815,000 in general obligation bonds outstanding versus \$13,855,000 last year – an increase of \$2,960,000 due to scheduled repayments of \$1,220,000 and new debt issues of \$4,180,000. Clean Water Fund Loans of \$2,621,395 are a reduction of \$493,575 from the last fiscal year balance of \$3,114,970. The Town's rating was increase to AA+ by Standard and Poors in September 2019.

The State limits the amount of general obligation debt that cities can issue based on a formula determined under State Statutes based on type of debt and tax base. The Town's outstanding general obligation debt is significantly below the state-imposed limit.

Other obligations include landfill post closure liability, and accrued vacation pay and sick leave. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Town's elected and appointed officials considered many factors when setting the fiscal year 2022 budget tax rates. The relatively low ratio of commercial to residential property places a high burden on the residential taxpayer. Opportunities to relieve this burden through the implementation of fees or the application for grant monies are always pursued.

During the budget process the Town Council considered the uncertainty of State aid to municipalities, an improving real estate market, the low interest rate environment, and general taxpayer sentiment when adopting the General Fund budget for 2022-2023. Additional consideration was given due to economic circumstances relating to the COVID 19 pandemic. The final proposed budget had a 3.37% increase for General Government, a 1.44% increase for Education, an increase of .048% in Capital expenditures and a 5.41% increase for Debt Service. It also added a transfer to fund ambulance operations of \$362,500. The adopted budget General Fund budget is \$43,703,945, a total increase of 3.02% from the original fiscal year 2022 budget.

The property tax revenue increase needed was 3.91% from the previous year to fund this budget. The mil rate for the Town remained flat at 31.15, with grand list growth causing an increase in expected tax revenue. The budget was approved by the voters at the first adjourned Town Meeting on June 28, 2022.

The Town will use budget revenues to finance programs currently offered. No new programs are proposed. The adopted budget for 2022-2023 includes the use of \$175,000 of unassigned fund balance to offset expenditures. Council policy has established a goal for an unassigned general fund balance of 15% of expenditures. General Fund unassigned fund balance as of June 30, 2022 is 12.42% when expressed as a percentage of General Fund governmental expenditures.

**TOWN OF COVENTRY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2022**

Contacting the Town's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, Town of Coventry, 1712 Main Street, Coventry, Connecticut, 06238.

BASIC FINANCIAL STATEMENTS

TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2022

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 16,123,657 |
| Investments | 4,131,274 |
| Receivables, Net | 5,468,742 |
| Inventory | 42,874 |
| Prepaid Items | 195,157 |
| Due from Fiduciary Funds | 54,060 |
| Advance to Plan Administrator | 2,483,317 |
| Capital Assets Not Being Depreciated | 5,866,229 |
| Capital Assets Being Depreciated, Net of Accumulated Depreciation | 114,281,103 |
| Total Assets | 148,646,413 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows Related to Pensions | 1,975,888 |
| Deferred Outflows Related to OPEB | 4,622,310 |
| Deferred Charge on Refunding | 77,110 |
| Total Deferred Outflows of Resources | 6,675,308 |
| LIABILITIES | |
| Accounts Payable and Accrued Liabilities | 2,133,299 |
| Unearned Revenue | 2,449,515 |
| Noncurrent Liabilities: | |
| Due Within One Year | 2,497,916 |
| Due in More Than One Year | 33,537,044 |
| Total Liabilities | 40,617,774 |
| DEFERRED INFLOWS OF RESOURCES | |
| Lease Receivables | 12,632 |
| Deferred Inflows Related to Pensions | 34,868 |
| Deferred Inflows Related to OPEB | 1,485,350 |
| Total Deferred Inflows of Resources | 1,532,850 |
| NET POSITION | |
| Net Investment in Capital Assets | 97,999,198 |
| Restricted for: | |
| Trust Purposes - Nonexpendable | 13,595 |
| Trust Purposes - Expendable | 20,075 |
| Capital Projects | 1,729,525 |
| Debt Service | 1,476,085 |
| Unspent Grants | 2,874,610 |
| Other Purposes | 353,692 |
| Unrestricted | 8,704,317 |
| Total Net Position | \$ 113,171,097 |

See accompanying Notes to Financial Statements.

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|--------------------------------|----------------------|-------------------------|--|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| GOVERNMENTAL ACTIVITIES | | | | | |
| General Government | \$ 825,329 | \$ 789,047 | \$ 402,895 | \$ - | \$ 366,613 |
| Public Safety | 5,194,900 | 511,809 | 25,744 | 27,750 | (4,629,597) |
| Public Works | 8,836,063 | 1,927,417 | - | 1,744,772 | (5,163,874) |
| Human Services | 577,032 | 57,445 | 145,571 | - | (374,016) |
| Culture and Recreation | 1,200,829 | 347,309 | 142,841 | 74,728 | (635,951) |
| Education | 29,469,409 | 943,353 | 13,961,411 | - | (14,564,645) |
| Interest on Long-Term Debt | 545,328 | - | - | - | (545,328) |
| Total Governmental Activities | <u>\$ 46,648,890</u> | <u>\$ 4,576,380</u> | <u>\$ 14,678,462</u> | <u>\$ 1,847,250</u> | (25,546,798) |
| GENERAL REVENUES | | | | | |
| | | | | | 32,907,015 |
| | | | | | 228,691 |
| | | | | | 30,988 |
| | | | | | <u>33,166,694</u> |
| CHANGE IN NET POSITION | | | | | |
| | | | | | 7,619,896 |
| | | | | | <u>105,551,201</u> |
| | | | | | <u>\$ 113,171,097</u> |

See accompanying Notes to Financial Statements.

**TOWN OF COVENTRY, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

| | General | Sewer Assessment | CDBG Grant | Capital Projects | Miscellaneous Grants Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|---------------------|---------------------|---------------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$ 1,996,561 | \$ 200,498 | \$ 217,903 | \$ 7,826,427 | \$ 2,282,301 | \$ 3,460,021 | \$ 15,983,711 |
| Investments | 4,125,361 | - | - | - | - | 5,913 | 4,131,274 |
| Receivables, Net | 876,220 | 995,184 | 2,139,769 | 176,684 | 180,511 | 1,068,165 | 5,436,533 |
| Due from Other Funds | 839,233 | - | - | - | - | - | 839,233 |
| Other | 192,457 | - | - | - | - | 2,700 | 195,157 |
| Inventories | - | - | - | - | - | 42,874 | 42,874 |
| Total Assets | <u>\$ 8,029,832</u> | <u>\$ 1,195,682</u> | <u>\$ 2,357,672</u> | <u>\$ 8,003,111</u> | <u>\$ 2,462,812</u> | <u>\$ 4,579,673</u> | <u>\$ 26,628,782</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts and Other Payables | \$ 820,629 | \$ - | \$ 73,175 | \$ 111,756 | \$ 374,279 | \$ 235,432 | \$ 1,615,271 |
| Accrued Payroll | - | - | - | - | 295 | 58,734 | 59,029 |
| Due to Other Funds | - | - | - | - | - | 391,173 | 391,173 |
| Unearned Revenue | 35,208 | - | - | 37,362 | 2,072,619 | 304,326 | 2,449,515 |
| Total Liabilities | <u>855,837</u> | <u>-</u> | <u>73,175</u> | <u>149,118</u> | <u>2,447,193</u> | <u>989,665</u> | <u>4,514,988</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Unavailable Revenue: | | | | | | | |
| Property Taxes | 693,498 | - | - | - | - | - | 693,498 |
| Special Assessments | - | 983,948 | - | - | - | - | 983,948 |
| Sewer Receivable | - | - | - | - | - | 42,891 | 42,891 |
| COVRRRA Receivable | - | - | - | - | - | 72,296 | 72,296 |
| Loans Receivable | - | - | 2,139,769 | - | - | - | 2,139,769 |
| Grants Receivable | - | - | - | 128,205 | 176,160 | - | 304,365 |
| Lease Receivable | - | - | - | - | - | 12,632 | 12,632 |
| Other Receivables | - | - | - | - | - | 299,466 | 299,466 |
| Total Deferred Inflows of Resources | <u>693,498</u> | <u>983,948</u> | <u>2,139,769</u> | <u>128,205</u> | <u>176,160</u> | <u>427,285</u> | <u>4,548,865</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | 192,457 | - | - | - | - | 56,469 | 248,926 |
| Restricted | 11,407 | 211,734 | 144,728 | 1,729,525 | - | 928,511 | 3,025,905 |
| Committed | 46,192 | - | - | 5,996,263 | - | 2,481,186 | 8,523,641 |
| Assigned | 531,953 | - | - | - | - | - | 531,953 |
| Unassigned | 5,698,488 | - | - | - | (160,541) | (303,443) | 5,234,504 |
| Total Fund Balances | <u>6,480,497</u> | <u>211,734</u> | <u>144,728</u> | <u>7,725,788</u> | <u>(160,541)</u> | <u>3,162,723</u> | <u>17,564,929</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 8,029,832</u> | <u>\$ 1,195,682</u> | <u>\$ 2,357,672</u> | <u>\$ 8,003,111</u> | <u>\$ 2,462,812</u> | <u>\$ 4,579,673</u> | <u>\$ 26,628,782</u> |

See accompanying Notes to Financial Statements.

**TOWN OF COVENTRY, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2022**

RECONCILIATION TO THE STATEMENT OF NET POSITION

Fund Balances - Total Governmental Funds (Exhibit III) \$ 17,564,929

Amounts reported for governmental activities in the statement of net position (Exhibit I) are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

| | |
|--------------------------------|---------------------|
| Governmental Capital Assets | 182,205,355 |
| Less: Accumulated Depreciation | <u>(62,058,023)</u> |
| Net Capital Assets | 120,147,332 |

Other long-term assets are not available to pay for current-period expenditures and, therefore, are recorded as deferred inflows of resources in the funds:

| | |
|---|-----------|
| Property Tax Receivables Greater Than 60 Days | 498,163 |
| Interest Receivable on Property Taxes | 195,335 |
| Assessments Receivable | 983,948 |
| Sewer Use Receivable | 42,891 |
| Mortgage Loans | 2,139,769 |
| COVRA and Other Receivables | 371,762 |
| Grants Receivable | 304,365 |
| Deferred Outflows Related to Pensions | 1,975,888 |
| Deferred Outflows Related to OPEB | 4,622,310 |

Internal service funds are used by management to charge the costs of risk management to individual funds. The assets and liabilities of the internal service funds are reported with governmental activities in the statement of net position.

1,929,427

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:

| | |
|--------------------------------------|--------------------|
| Net Pension Liability | (6,393,722) |
| Bonds and Notes Payable | (19,436,395) |
| Interest Payable on Bonds and Notes | (126,954) |
| Compensated Absences | (999,301) |
| Notes payable | (1,577,045) |
| Lease payable | (339,509) |
| Bond Premium | (803,430) |
| Net OPEB Liability | (6,437,133) |
| Deferred Charge on Refunding | 77,110 |
| Landfill Postclosure Liability | (48,425) |
| Deferred Inflows Related to Pensions | (34,868) |
| Deferred Inflows Related to OPEB | <u>(1,485,350)</u> |

Net Position of Governmental Activities as Reported on the Statement of Net Position (Exhibit I)

\$ 113,171,097

See accompanying Notes to Financial Statements.

TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

| | General | Sewer Assessments | CDBG Grant | Capital Projects | Miscellaneous Grants Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|-------------------|---------------------|---------------------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | | | |
| Property Taxes | \$ 32,863,240 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 32,863,240 |
| Intergovernmental | 12,876,409 | - | - | 29,477 | 1,524,707 | 3,284,095 | 17,714,688 |
| Charges for Services | 803,959 | 302,302 | 57,445 | - | - | 3,606,883 | 4,770,589 |
| Investment Earnings | 18,533 | 171 | - | 2,710 | - | 8,053 | 29,467 |
| Miscellaneous | - | - | - | 81,791 | - | 212,919 | 294,710 |
| Total Revenues | <u>46,562,141</u> | <u>302,473</u> | <u>57,445</u> | <u>113,978</u> | <u>1,524,707</u> | <u>7,111,950</u> | <u>55,672,694</u> |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General Government | 1,887,179 | - | - | 83,302 | 142,718 | 30,500 | 2,143,699 |
| Public Safety | 2,497,460 | - | - | - | 72,279 | 849,380 | 3,419,119 |
| Public Works | 2,634,217 | - | - | - | 26,764 | 2,334,734 | 4,995,715 |
| Human Services | 306,681 | - | 92,394 | - | 25,246 | 8,377 | 432,698 |
| Culture and Recreation | 594,775 | - | - | - | 31,600 | 437,889 | 1,064,264 |
| Insurance and Sundry | 2,437,002 | - | - | - | - | - | 2,437,002 |
| Education | 32,721,486 | - | - | - | - | 3,039,969 | 35,761,455 |
| Debt Service | 2,789,656 | - | - | - | - | - | 2,789,656 |
| Capital Outlay | - | - | - | 2,722,916 | 1,054,565 | 160,942 | 3,938,423 |
| Total Expenditures | <u>45,868,456</u> | <u>-</u> | <u>92,394</u> | <u>2,806,218</u> | <u>1,353,172</u> | <u>6,861,791</u> | <u>56,982,031</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 693,685 | 302,473 | (34,949) | (2,692,240) | 171,535 | 250,159 | (1,309,337) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Issuance of General Obligation Bonds | - | - | - | 4,180,000 | - | - | 4,180,000 |
| Bond Premium | - | - | - | 295,308 | - | - | 295,308 |
| Issuance of Leases Payable | - | - | - | 159,720 | - | - | 159,720 |
| Issuance of Notes Payable | - | - | - | 776,500 | - | - | 776,500 |
| Transfers In | 529,720 | - | - | 902,078 | 3,100 | 290,750 | 1,725,648 |
| Transfers Out | (1,195,928) | (288,993) | - | (40,000) | - | (200,727) | (1,725,648) |
| Total Other Financing Sources (Uses) | <u>(666,208)</u> | <u>(288,993)</u> | <u>-</u> | <u>6,273,606</u> | <u>3,100</u> | <u>90,023</u> | <u>5,411,528</u> |
| NET CHANGE IN FUND BALANCES | 27,477 | 13,480 | (34,949) | 3,581,366 | 174,635 | 340,182 | 4,102,191 |
| Fund Balances - Beginning of Year | <u>6,453,020</u> | <u>198,254</u> | <u>179,677</u> | <u>4,144,422</u> | <u>(335,176)</u> | <u>2,822,541</u> | <u>13,462,738</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 6,480,497</u> | <u>\$ 211,734</u> | <u>\$ 144,728</u> | <u>\$ 7,725,788</u> | <u>\$ (160,541)</u> | <u>\$ 3,162,723</u> | <u>\$ 17,564,929</u> |

See accompanying Notes to Financial Statements.

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

RECONCILIATION TO THE STATEMENT OF ACTIVITIES

| | | |
|---|----|-------------|
| Net change in Fund Balances - Total Governmental Funds (Exhibit IV) | \$ | 4,102,191 |
| Amounts reported for governmental activities in the statement of activities (Exhibit II) are different because: | | |
| Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: | | |
| Capital Outlay | | 2,906,374 |
| Depreciation and Amortization Expense | | (2,892,625) |
| The statement of activities reports losses arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. | | |
| | | (52,333) |
| Change in Deferred Outflows Related to Pensions | | 907,367 |
| Change in Deferred Outflows Related to OPEB | | 2,938,575 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, and revenues recognized in the funds are not reported in the statement of activities: | | |
| Property Tax Receivable, Interest and Lien Revenue - Accrual Basis Change | | 43,775 |
| Sewer Use and Assessment Receivable - Accrual Basis Change | | (257,882) |
| Loans and Other Receivables - Accrual Basis Change | | (41,127) |
| Amortization of Bond Premiums | | 70,645 |
| COVRRRA and Other Receivables | | 58,258 |
| Grants Receivable | | (46,159) |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized and deferred in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows: | | |
| Bond Principal Payments | | 1,220,000 |
| Clean Water Fund Principal Payments | | 493,575 |
| Bond Issuance | | (4,180,000) |
| Premiums on Bond Issuance | | (295,308) |
| Notes Payable Payments | | 470,128 |
| Notes Payable Financing | | (776,500) |
| Lease Payable Payments | | 58,621 |
| Lease Payable Financing | | (159,720) |
| 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: | | |
| Compensated Absences | | 41,118 |
| Accrued Interest | | 7,329 |
| Amortization of Deferred Charge on Refunding | | (17,349) |
| Net Other Postemployment Benefit Expense | | 845,834 |
| Net Pension Expense | | (2,900,958) |
| Change in Deferred Inflows Related to Pensions | | 1,503,253 |
| Change in Deferred Inflows Related to OPEB | | 2,681,438 |
| Landfill Postclosure Care | | 18,925 |
| Internal service funds are used by management to charge costs to individual funds. The net revenue of certain activities of internal services funds is reported with governmental activities. | | |
| | | 872,451 |
| Change in Net Position of Governmental Activities as Reported on the Statement of Activities (Exhibit II) | \$ | 7,619,896 |

See accompanying Notes to Financial Statements.

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

| | <u>Governmental Activities Internal Service Funds</u> |
|-------------------------------|---|
| ASSETS | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 139,946 |
| Accounts Receivable | 32,209 |
| Advance to Plan Administrator | <u>2,483,317</u> |
| Total Assets | <u>2,655,472</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Claims Payable | 332,045 |
| Due to Other Funds | <u>394,000</u> |
| Total Liabilities | <u>726,045</u> |
| NET POSITION | |
| Unrestricted | <u><u>\$ 1,929,427</u></u> |

See accompanying Notes to Financial Statements.

TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022

| | <u>Governmental Activities</u> <u>Internal</u> <u>Service Funds</u> |
|-----------------------------------|---|
| OPERATING REVENUES | |
| Employer Contributions | \$ 5,059,536 |
| Employee Contributions | 1,203,121 |
| Total Operating Revenues | <u>6,262,657</u> |
| OPERATING EXPENSES | |
| Administrative Expense | 778,519 |
| Employee Benefits | 4,613,208 |
| Total Operating Expenses | <u>5,391,727</u> |
| OPERATING INCOME | 870,930 |
| NONOPERATING REVENUE | |
| Investment Income | <u>1,521</u> |
| CHANGE IN NET POSITION | 872,451 |
| Net Position - Beginning of Year | <u>1,056,976</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 1,929,427</u></u> |

See accompanying Notes to Financial Statements.

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2022**

| | Governmental Activities |
|--|----------------------------|
| | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Users | \$ 6,230,448 |
| Cash Payments to Providers of Benefits | (6,182,994) |
| Net Cash Provided by Operating Activities | 47,454 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment Income | 1,521 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 48,975 |
| Cash and Cash Equivalents - Beginning of Year | 90,971 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 139,946 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating Income | \$ 870,930 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | |
| (Increase) Decrease in Accounts Receivable | (32,209) |
| (Increase) Decrease in Advance to Plan Administrator | (728,421) |
| Increase (Decrease) in Claims Payable | (62,846) |
| Net Cash Provided by Operating Activities | \$ 47,454 |

See accompanying Notes to Financial Statements.

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUND
JUNE 30, 2022**

| | <u>Pension Trust Fund</u> |
|---------------------------------|-----------------------------------|
| ASSETS | |
| Cash and Cash Equivalents | \$ 101,650 |
| Mutual Funds | 9,919,211 |
| Guaranteed Investment Contracts | <u>6,233,942</u> |
| Total Assets | <u>16,254,803</u> |
| LIABILITIES | |
| Due to Other Funds | 54,060 |
| Accounts Payable | <u>73,893</u> |
| Total Liabilities | <u>127,953</u> |
| NET POSITION | |
| Restricted for Pensions | <u><u>\$ 16,126,850</u></u> |

See accompanying Notes to Financial Statements.

**TOWN OF COVENTRY, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2022**

| | <u>Pension Trust Fund</u> |
|-------------------------------------|-----------------------------------|
| ADDITIONS: | |
| Contributions: | |
| Employer | \$ 892,800 |
| Plan Members | <u>276,045</u> |
| Total Contributions | 1,168,845 |
| Investment Income: | |
| Change in Fair Value of Investments | (1,161,070) |
| Total Additions | 7,775 |
| DEDUCTIONS: | |
| Benefits | 2,007,134 |
| Administration | <u>87,368</u> |
| Total Deductions | <u>2,094,502</u> |
| CHANGE IN NET POSITION | (2,086,727) |
| Net Position - Beginning of Year | <u>18,213,577</u> |
| NET POSITION - END OF YEAR | <u><u>\$ 16,126,850</u></u> |

See accompanying Notes to Financial Statements.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Coventry, 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 more significant policies of the Town are described below.

A. Reporting Entity

The Town was incorporated in 1712 and operates under a Council/Manager form of government adopted by Charter in 1967. The seven-member Town Council is the legislative body responsible for enacting ordinances, budget preparation and establishing a property tax mill rate. The Town Manager serves as the Chief Executive Officer in charge of the daily operation of the Town organization in accordance with Council policy and regulation. A seven-member Board of Education, a separately elected body, is responsible for the educational policy of the Coventry Public School system.

The Town provides the following services: general government, public safety, public works, human services, culture and recreation, and education.

The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the pension trust 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period, and other revenues to be available if they are collected within 90 days of the end of the current fiscal year. 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.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Sewer Assessment Fund

The Sewer Assessment Fund accounts for the extension and maintenance of sewer lines. The major source of revenue for this fund is sewer assessment charges.

CDBG Grant Fund

The CDBG Grant Fund accounts for the Community Development Block Grant program grants and loans. The major sources of revenue for this fund are capital grants and repayments on loans.

Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements, and/or equipment. The major sources of financing for this fund are the issuance of general obligation bonds and capital grants.

Miscellaneous Grants Fund

The Miscellaneous Grants Fund accounts for the various grant funded projects and programs. The major sources of revenue for this fund are state and federal grants.

Additionally, the Town reports the following fund types:

Internal Service Fund

The Internal Service Fund accounts for the self-insured activities of the Town.

Pension Trust Fund

The Pension Trust Fund accounts for resources held in trust for the members and beneficiaries of the Town of Coventry Retirement System.

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

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

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Pension Trust Fund (Continued)

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned, then unassigned.

D. Deposits and Investments

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less when purchased.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and certain other investments as described in Note 3.

Investments for the Town are reported at fair value.

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." All property tax receivables are shown net of an allowance for uncollectibles. An amount of \$268,907 has been established as an allowance for uncollectible taxes. At June 30, 2022, this represents 15.23% of all property taxes receivable.

Property taxes become an enforceable lien and are assessed on property as of October 1; however, the legal right to attach property does not exist until July 1. Property assessments are made at 70% of the market value. Real estate taxes are billed on July 1 and are payable in semiannual installments on July 1 and January 1. Personal property and motor vehicle taxes are billed and due July 1, and motor vehicle supplement taxes are billed and due January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

Upon completion of projects, sewer assessments are levied and assessed to the users each October. Usage charges are billed in May and November. Assessments and user charges are due and payable within 30 days, and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Inventories and Prepaid Items

Inventories are reported at cost using the first-in first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include property, 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 \$10,000 for land, \$5,000 for furniture and equipment, and \$100,000 for infrastructure. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

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

| | |
|----------------------------|----------------|
| Buildings and Improvements | 10 to 50 Years |
| System Infrastructure | 40 to 75 Years |
| Furniture and Equipment | 3 to 20 Years |

H. Leases

Lessee

The Town is a lessee for noncancellable leases of equipment. The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the applicable governmental activities or business-type activities in the government-wide and in the proprietary fund financial statements.

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Leases (Continued)

Lessee (Continued)

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor

The Town is a lessor for a noncancellable lease of a building. The Town recognizes a lease receivable and a deferred inflow of resources in the applicable governmental activities or business-type activities in the government-wide and in the governmental and proprietary fund financial statements.

At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Leases (Continued)

Lessor (Continued)

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding and deferred outflows related to pension and OPEB in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions, or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plans (active employees and inactive employees).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide statement of net position, the Town reports deferred inflows of resources related to pension and OPEB and lease receivables.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred Outflows/Inflows of Resources (Continued)

A deferred inflow of resources related to pension and OPEB results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plans (active employees and inactive employees). In addition, for governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from several sources: property taxes, special assessments, sewer receivables, COVRA receivables, grant receivables, other receivables, and long-term loans. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

J. Compensated Absences

Town and Board of Education employees earn vacation and sick time based upon years of service and the terms of various union contracts.

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

K. Net Pension Liability

The net pension liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the pension plan's fiduciary net position. The pension plan's fiduciary net position is determined using the same valuation methods that are used by the pension plan for purposes of preparing its statement of fiduciary net position. The net pension liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Total Other Postemployment Benefits Other than Pensions (OPEB) Liability

The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year and no later than the end of the current fiscal year, consistently applied from period to period.

M. Long-Term Obligations

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

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

N. Equity

Equity in the government-wide financial statements is defined as "net position" and is classified in the following categories:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position – Net position is restricted by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Equity (Continued)

The equity of the fund financial statements is defined as “fund balance” and is classified in the following categories:

Nonspendable Fund Balance – This represents amounts that cannot be spent due to form (e.g., inventories and prepaid amounts).

Restricted Fund Balance – This represents amounts constrained for a specific purpose by external parties, such as grantors, creditors, contributors, or laws and regulations of their governments.

Committed Fund Balance – This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of Coventry Town Council). The Town Council may commit resources, when a member puts forth a resolution and this resolution is passed by the Council, prior to the end of the fiscal year. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned Fund Balance – This represents amounts constrained for the intent to be used for a specific purpose by the Town Manager who has been delegated authority to assign amounts by ordinance within the Town Charter.

Unassigned Fund Balance – This represents fund balance in the General Fund in excess of nonspendable, restricted, committed, and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

The Town has a minimum fund balance policy that establishes a goal for unassigned fund balance in the General Fund at 15% of the General Fund expenditures.

O. Use of Estimates

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

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Adoption of New Accounting Standards

GASB Statement No. 87, Leases

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Town adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements:

- The Town Manager prepares an operating, capital, and debt service budget from information provided by various Town departments. The Board of Education also prepares an operating budget. The budget includes the proposed expenditures and the means to finance them.
- These budgets are presented at a public hearing before being amended and adopted by the Town Council. The Council's operating or General Fund budget is submitted to a Town meeting that approves, rejects, or reduces the budget, which is subsequently adjourned to a referendum for ratification.
- Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established by function and department. Upon request, the Town Council may, by resolution, transfer any unencumbered appropriation, balance or portion thereof from one department, commission, board, or office to another. No transfer shall be made from any appropriations for debt service and other statutory charges. Transfers between line items within a department may be made with the approval of the Town Manager.
- The Town Council can make additional appropriations, subject to fund balance availability and other restrictions, up to 1.5% of the current year's property tax levy. Additional appropriations can be made when unanticipated revenue is made available for specific purposes. Additional appropriations during the year were \$308,548 from fund balance. All additional appropriations were made in accordance with Charter provisions.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

- Appropriations not encumbered at the end of the fiscal year lapse. Encumbrances for capital additions lapse at the end of three years (if there is no activity), and all other encumbrances lapse at the end of one year.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- The General Fund budget is prepared on a modified accrual basis of accounting except for encumbrances, which are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued. Encumbrances outstanding at year-end are reflected in budgetary reports as expenditures in the current year. Additionally, the Town does not budget for revenues or expenditures associated with pension contributions made by the state of Connecticut on behalf of Town of Coventry teachers or for expenditures reimbursed by the state of Connecticut for excess costs related to certain special education students.

B. Deficit Fund Equity

The Miscellaneous grants fund, a major governmental fund, had a deficit of \$160,541 as of June 30, 2022, which will be eliminated in future years by the receipt of federal and state grant funds. The EMS services fund, a nonmajor governmental fund, had a fund deficit of \$275,134 as of June 30, 2022. This deficit will be eliminated in future years by the receipt of charges for services revenues.

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an “out of state bank” as defined by the Statutes, which is not a “qualified public depository.”

The Connecticut General Statutes (Section 7-400) permit municipalities to invest in: 1) obligations of the United States and its agencies, 2) highly rated obligations of any state of the United States or of any political subdivision, authority, or agency thereof, and 3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. Other provisions of the Statutes cover specific municipal funds with particular investment authority. The provisions of the Statutes regarding the investment of municipal pension funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the state Short-Term Investment Fund (STIF). This investment pool is under the control of the State Treasurer, with oversight provided by the Treasurer’s Cash Management Advisory Board and are regulated under the state statutes and subject to annual audit by the Auditors of Public Accounts. Investment yields are accounted for on an amortized-cost basis with an investment portfolio that is designed to attain a market-average rate of return throughout budgetary and economic cycles. Investors accrue interest daily based on actual earnings, less expenses and transfers to the designated surplus reserve, and the fair value of the position in the pool is the same as the value of the pool shares.

A. Deposits

Deposit Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town’s deposit will not be returned. The Town does not have a deposit policy for custodial credit risk. The deposit of public funds is controlled by the Connecticut General Statutes. Deposits may be placed with any qualified public depository that has its main place of business in the state of Connecticut.

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$13,477,584 of the Town’s bank balance of \$17,962,803 was exposed to custodial credit risk as follows:

| | |
|--|---------------|
| Uninsured and Uncollateralized | \$ 11,978,396 |
| Uninsured and Collateral Held by the Pledging Bank’s Trust Department, Not in the Town’s Name | 1,499,188 |
| Total Amount Subject to Custodial Credit Risk | \$ 13,477,584 |

Connecticut General Statutes require that each depository maintain segregated collateral (not required to be based on a security agreement between the depository and the municipality and, therefore, not perfected in accordance with federal law) in an amount equal to a defined percentage of its public deposits based upon the depository’s risk-based capital ratio.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

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, 2022, the Town's cash equivalents amounted to \$1,370,736. STIF is an investment pool of high-quality, short-term money market instruments with an average maturity of less than 60 days. There were no limitations or restrictions on any withdrawals due to redemption notice periods, liquidity fees, or redemption gates. The following table provides a summary of the Town's cash equivalents (excluding U.S. government guaranteed obligations) as rated by nationally recognized statistical rating organizations.

| | |
|---|----------------------|
| | Standard & Poor's |
| State Short-Term Investment Fund (STIF) | AAAm |

B. Investments

Investments as of June 30, 2022, in all funds are as follows:

| | Fair Value | Less Than 1 | 1 - 10 | More Than 10 |
|---------------------------------|-----------------|-------------|--------------|--------------|
| Interest-Bearing Investments | | | | |
| Certificate of Deposit | \$ 2,990,097 | \$ 743,255 | \$ 2,246,842 | \$ - |
| U.S. Government Securities | 233,903 | - | 233,903 | - |
| Total | \$ 3,224,000 | \$ 743,255 | \$ 2,480,745 | \$ - |
| Other Investments: | | | | |
| Mutual Funds | \$ 10,820,572 * | | | |
| Common Stock | 5,913 | | | |
| Guaranteed Investment Contracts | 6,233,942 | | | |
| Total Investments | \$ 20,284,427 | | | |

* Not Rated

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The Town categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets or with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Town has the following recurring fair value measurements as of June 30, 2022:

| | June 30, 2022 | Fair Value Measurements Using | | |
|--|----------------------|-------------------------------|-------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Investments by Fair Value Level: | | | | |
| U.S. Government Securities | \$ 233,903 | \$ 233,903 | \$ - | \$ - |
| Common Stock | 5,913 | 5,913 | - | - |
| Mutual Funds | 10,820,572 | 10,820,572 | - | - |
| Total Investments by Fair Value Level | 11,060,388 | <u>\$ 11,060,388</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Investments Measured at Fair Value | 11,060,388 | | | |
| Investments Measured at Contract Value: | | | | |
| Guaranteed Investment Contracts | 6,233,942 | | | |
| Investments Measured at Amortized Cost: | | | | |
| Certificates of Deposit | 2,990,097 | | | |
| Total Investments | <u>\$ 20,284,427</u> | | | |

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Commercial and residential mortgage-backed securities classified in Level 3 are valued using discounted cash flow techniques. Collateralized debt obligations classified in Level 3 are valued using consensus pricing.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Guaranteed Investment Contracts

The Town has entered into a guaranteed investment contract with Brighthouse Life Insurance Company (Brighthouse). Brighthouse maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. Brighthouse is contractually obligated to repay the principal and a specified interest rate that is guaranteed to the Town. Because the guaranteed investment contract is fully benefit-responsive, contract value is the relevant measurement attribute for the guaranteed investment contract. The guaranteed investment contract is presented on the face of the statements of net position at contract value. Contract value, as reported to the Town by Brighthouse, represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. There are no reserves against contract value for credit risk of the contract issuer or otherwise. The contract is a traditional investment contract. The crediting interest rate is based on a formula agreed upon with the issuer. Such interest rates are reviewed on an annual basis for resetting. The guaranteed investment contract does not permit the insurance company to terminate the agreement prior to the scheduled maturity date. There are no unfunded commitments under the contract. The contract allows redemption at any time with no notice.

Interest Rate Risk

The Town's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Investments

As indicated above, state statutes limit the investment options of cities and towns. The Town's investment policy provides investment guidelines and lists prohibited investments.

Concentration of Credit Risk

The Town's investment policy does not allow for an investment in any one issuer that is in excess of 5% of the Town's total investments.

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the Town or that sells investments to or buys them for the Town), the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2022, the Town had \$5,913 in uninsured and unregistered securities held by the counterparty, or by its trust department or agent that were not in the Town's name.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 RECEIVABLES

Receivables as of year-end for the Town's individual major funds, and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | General | Sewer Assessment | CDBG Grant | Capital Projects | Miscellaneous Grants | Nonmajor and Other Funds | Total |
|---------------------------------------|-------------------|---------------------|---------------------|---------------------|-------------------------|--------------------------------|---------------------|
| Receivables: | | | | | | | |
| Interest | \$ 359,099 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 359,099 |
| Taxes | 690,314 | - | - | - | - | - | 690,314 |
| Accounts | 75,539 | - | - | 9,566 | - | 527,037 | 612,142 |
| Intergovernmental | 20,175 | - | - | 167,118 | 180,511 | 560,705 | 928,509 |
| Special Assessments | - | 995,184 | - | - | - | - | 995,184 |
| Loans | - | - | 2,139,769 | - | - | - | 2,139,769 |
| Leases | - | - | - | - | - | 12,632 | 12,632 |
| Gross Receivables | <u>1,145,127</u> | <u>995,184</u> | <u>2,139,769</u> | <u>176,684</u> | <u>180,511</u> | <u>1,100,374</u> | <u>5,737,649</u> |
| Less Allowance for Uncollectibles: | | | | | | | |
| Taxes | (105,143) | - | - | - | - | - | (105,143) |
| Delinquent Interest | <u>(163,764)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(163,764)</u> |
| Net Total Receivables | <u>\$ 876,220</u> | <u>\$ 995,184</u> | <u>\$ 2,139,769</u> | <u>\$ 176,684</u> | <u>\$ 180,511</u> | <u>\$ 1,100,374</u> | <u>\$ 5,468,742</u> |

NOTE 5 LEASE RECEIVABLES

The Town, acting as lessor, leases facilities under long-term noncancelable lease agreements. The leases expire at various dates through 2026. During the year ended June 30, 2022, the Town recognized \$3,848 and \$560 in lease revenue and interest revenue respectively, pursuant to these contracts.

The future minimum lease payments to be received under lease agreements are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|------------------|-----------------|------------------|
| 2023 | \$ 4,211 | \$ 456 | \$ 4,667 |
| 2024 | 2,686 | 314 | 3,000 |
| 2025 | 2,805 | 195 | 3,000 |
| 2026 | 2,930 | 70 | 3,000 |
| Total | <u>\$ 12,632</u> | <u>\$ 1,035</u> | <u>\$ 13,667</u> |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, consisted of the following:

| | Beginning Balance* | Increases | Decreases | Ending Balance |
|--|-----------------------|---------------------|-----------------------|-----------------------|
| Governmental Activities: | | | | |
| Capital Assets Not Being Depreciated or Amortized: | | | | |
| Land | \$ 3,690,669 | \$ 69,000 | \$ - | \$ 3,759,669 |
| Construction in Progress | 2,581,749 | 1,630,295 | (2,105,484) | 2,106,560 |
| Total Capital Assets Not Being Depreciated or Amortized | 6,272,418 | 1,699,295 | (2,105,484) | 5,866,229 |
| Capital Assets Being Depreciated and Amortized: | | | | |
| Buildings | 53,450,151 | - | - | 53,450,151 |
| Improvements Other Than Buildings | 3,479,977 | 387,088 | (10,000) | 3,857,065 |
| Right to use Equipment | 238,410 | 474,043 | - | 712,453 |
| Furniture and Equipment | 11,069,970 | 360,599 | (425,990) | 11,004,579 |
| Infrastructure | 105,224,045 | 2,090,833 | - | 107,314,878 |
| Total Capital Assets Being Depreciated and Amortized | 173,462,553 | 3,312,563 | (435,990) | 176,339,126 |
| Less Accumulated Depreciation and Amortization for: | | | | |
| Buildings | (19,093,271) | (813,006) | - | (19,906,277) |
| Improvements Other Than Buildings | (802,847) | (123,428) | 8,521 | (917,754) |
| Right to use Equipment | - | (153,498) | - | (153,498) |
| Furniture and Equipment | (5,027,446) | (608,483) | 375,136 | (5,260,793) |
| Infrastructure | (34,625,491) | (1,194,210) | - | (35,819,701) |
| Total Accumulated Depreciation and Amortization | (59,549,055) | (2,892,625) | 383,657 | (62,058,023) |
| Total Capital Assets Being Depreciated or Amortized, Net | 113,913,498 | 419,938 | (52,333) | 114,281,103 |
| Governmental Activities Capital Assets, Net | <u>\$ 120,185,916</u> | <u>\$ 2,119,233</u> | <u>\$ (2,157,817)</u> | <u>\$ 120,147,332</u> |

*Includes July 1, 2021 Right to use Equipment balance related to the implementation of GASB 87, *Leases*.

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

| | |
|--|---------------------|
| Governmental Activities: | |
| General Government | \$ 72,818 |
| Public Safety | 291,058 |
| Public Works | 1,664,619 |
| Human Services | 7,048 |
| Culture and Recreation | 79,236 |
| Education | 777,846 |
| Total Depreciation and Amortization Expense - Governmental Activities | <u>\$ 2,892,625</u> |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 FUND BALANCES

The components of fund balances for the governmental funds at June 30, 2022, are as follows:

| | Major Funds | | | | | Nonmajor Governmental Funds | Total |
|----------------------------|---------------------|----------------------|-------------------|---------------------|---------------------------------|-----------------------------------|----------------------|
| | General Fund | Sewer Assessments | CDBG Grant | Capital Projects | Miscellaneous Grants Fund | | |
| Fund Balances: | | | | | | | |
| Nonspendable: | | | | | | | |
| Inventory | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 42,874 | \$ 42,874 |
| Prepaid Items | 192,457 | - | - | - | - | - | 192,457 |
| Permanent Fund Principal | - | - | - | - | - | 13,595 | 13,595 |
| Restricted for: | | | | | | | |
| Capital Projects | - | - | - | 1,729,525 | - | - | 1,729,525 |
| Unspent Grant Balances | - | - | 144,728 | - | - | 285,748 | 430,476 |
| Debt Repayments | - | 211,734 | - | - | - | 280,403 | 492,137 |
| Other | 11,407 | - | - | - | - | 115,309 | 126,716 |
| Student Activities | - | - | - | - | - | 247,051 | 247,051 |
| Committed to: | | | | | | | |
| Capital Projects | 6,192 | - | - | 5,996,263 | - | 27,340 | 6,029,795 |
| Sick and Severance | 40,000 | - | - | - | - | - | 40,000 |
| Public Safety | - | - | - | - | - | 7,511 | 7,511 |
| Public Works | - | - | - | - | - | 986,118 | 986,118 |
| Recreation | - | - | - | - | - | 116,625 | 116,625 |
| Farmer's Market | - | - | - | - | - | 64,460 | 64,460 |
| Education | - | - | - | - | - | 1,279,132 | 1,279,132 |
| Assigned to: | | | | | | | |
| Subsequent Year's Budget | 175,000 | - | - | - | - | - | 175,000 |
| General Government | 33,509 | - | - | - | - | - | 33,509 |
| Public Safety | 9,443 | - | - | - | - | - | 9,443 |
| Public Works | 34,450 | - | - | - | - | - | 34,450 |
| Human Services | 400 | - | - | - | - | - | 400 |
| Insurance and Sundry | 38,726 | - | - | - | - | - | 38,726 |
| Education | 240,425 | - | - | - | - | - | 240,425 |
| Unassigned | 5,698,488 | - | - | - | (160,541) | (303,443) | 5,234,504 |
| Total Fund Balances | \$ 6,480,497 | \$ 211,734 | \$ 144,728 | \$ 7,725,788 | \$ (160,541) | \$ 3,162,723 | \$ 17,564,929 |

Encumbrances of \$356,953, \$766,697, \$2,914,452, \$6,867, and \$436,941 at June 30, 2022, are contained in the above table in the assigned category of the General Fund, the restricted and committed categories of the Capital Projects Fund, the restricted and unassigned categories of the Miscellaneous Grants fund, the restricted category of the CDBG grant fund, and the restricted and committed categories of the Nonmajor Governmental Funds, respectively.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2022, the Internal Service Fund, the Pension Trust Fund, and the Nonmajor Governmental Funds owed the General Fund \$394,000, \$54,060, and \$391,173, respectively, which resulted from regularly recurring transactions and represented a temporary balance.

Interfund transfers for the year ended June 30, 2022, consisted of the following:

| | Transfers In | | | | Total |
|-----------------------------|-------------------|-------------------|-----------------|-------------------|---------------------|
| | General | Capital | Miscellaneous | Nonmajor | |
| Transfers Out: | | | | | |
| General Fund | \$ - | \$ 902,078 | \$ 3,100 | \$ 290,750 | \$ 1,195,928 |
| Sewer Assessment | 288,993 | - | - | - | 288,993 |
| Capital Projects Fund | 40,000 | - | - | - | 40,000 |
| Nonmajor Governmental Funds | 200,727 | - | - | - | 200,727 |
| Total | <u>\$ 529,720</u> | <u>\$ 902,078</u> | <u>\$ 3,100</u> | <u>\$ 290,750</u> | <u>\$ 1,725,648</u> |

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

NOTE 9 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2022:

| | Beginning Balance* | Additions | Reductions | Ending Balance | Due Within One Year |
|--|-----------------------|---------------------|---------------------|----------------------|------------------------|
| Bonds and Loans Payable: | | | | | |
| General Obligation Bonds | \$ 13,855,000 | \$ 4,180,000 | \$ 1,220,000 | \$ 16,815,000 | \$ 1,410,000 |
| Premium on Issuance | 578,767 | 295,308 | 70,645 | 803,430 | - |
| Loans Payable - Clean Water Fund | 3,114,970 | - | 493,575 | 2,621,395 | 503,537 |
| Total | <u>17,548,737</u> | <u>4,475,308</u> | <u>1,784,220</u> | <u>20,239,825</u> | <u>1,913,537</u> |
| Other Liabilities: | | | | | |
| Notes payable | 1,270,673 | 776,500 | 470,128 | 1,577,045 | 401,195 |
| Lease payable | 238,410 | 159,720 | 58,621 | 339,509 | 65,095 |
| Landfill Postclosure | 67,350 | - | 18,925 | 48,425 | 18,925 |
| Total OPEB Liability | 7,282,967 | - | 845,834 | 6,437,133 | - |
| Net Pension Liability | 3,492,764 | 2,900,958 | - | 6,393,722 | - |
| Compensated Absences | 1,040,419 | 23,647 | 64,765 | 999,301 | 99,164 |
| Total Governmental Activities Long-Term Liabilities | <u>\$ 30,941,320</u> | <u>\$ 8,336,133</u> | <u>\$ 3,242,493</u> | <u>\$ 36,034,960</u> | <u>\$ 2,497,916</u> |

*Amount includes July 1, 2021 lease payable balance related to the implementation of GASB 87, *Leases*.

General obligation bonds allocable to sewer projects are secured by the full faith and credit of the Town but are substantially liquidated by sewer assessments. The remaining liabilities above have typically been liquidated by the General Fund.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds

A summary of general obligation bonds outstanding at June 30, 2022, is as follows:

| Description | Date of Issue | Date of Maturity | Interest Rate (%) | Amount of Original Issue | Balance Outstanding June 30, 2022 |
|---|---------------|------------------|-------------------|--------------------------|-----------------------------------|
| 2015 Refunding School Asbestos GO | 3/24/2015 | 2025 | 0.0 % | \$ 465,000 | \$ 102,000 |
| 2015 Refunding Water System GO | 3/24/2015 | 2025 | 2.00% | 455,000 | 102,000 |
| 2015 Refunding Parker Bridge GO | 3/24/2015 | 2025 | 2.34% | 215,000 | 47,000 |
| 2015 Refunding General Obligation | 3/24/2015 | 2025 | 2.00% | 100,000 | 24,000 |
| 2010 Refunding Bonds Series B | 2/9/2010 | 2025 | 2-4% | 2,605,000 | 330,000 |
| 2010 Refunding Bonds Series B | 2/9/2010 | 2025 | 2-4% | 1,200,000 | 300,000 |
| 2015 Refunding PW garage GO | 3/24/2015 | 2031 | 2.34% | 3,350,000 | 1,377,000 |
| 2015 Refunding School Roof GO | 3/24/2015 | 2031 | 3.55% | 1,600,000 | 693,000 |
| 2015 Refunding NCFD GO | 3/24/2015 | 2032 | 2.88% | 1,675,000 | 865,000 |
| 2016 Road Bonds | 3/1/2016 | 2036 | 2.41% | 3,000,000 | 2,320,000 |
| 2016 Pucker Street Bridge | 3/1/2016 | 2036 | 2.41% | 400,000 | 300,000 |
| 2020 Road Bond | 9/16/2019 | 2038 | 2.00-5.00% | 4,000,000 | 3,400,000 |
| 2020 School Building Energy Efficiency Bond | 9/16/2019 | 2038 | 2.00-5.00% | 2,570,000 | 2,180,000 |
| 2020 Jones Crossing Bond | 9/16/2019 | 2038 | 2.00-5.00% | 700,000 | 595,000 |
| 2022 School Roofs | 6/1/2022 | 2042 | 4.00-5.00% | 3,105,000 | 3,105,000 |
| 2022 Library Renovation | 6/1/2022 | 2042 | 4.00-5.00% | 750,000 | 750,000 |
| 2022 Softball Complex | 6/1/2022 | 2042 | 4.00-5.00% | 325,000 | 325,000 |
| Total | | | | | <u>\$ 16,815,000</u> |

Bonds and Notes Payable

Annual debt service requirements to maturity on general obligation bonds are as follows as of June 30, 2022:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 2023 | \$ 1,410,000 | \$ 380,521 | \$ 1,790,521 |
| 2024 | 1,405,000 | 337,596 | 1,742,596 |
| 2025 | 1,235,000 | 295,946 | 1,530,946 |
| 2026 | 1,225,000 | - | 1,225,000 |
| 2027 | 1,080,000 | 256,296 | 1,336,296 |
| 2028-2032 | 5,145,000 | 828,950 | 5,973,950 |
| 2033-2037 | 3,570,000 | 341,575 | 3,911,575 |
| 2038-2042 | 1,745,000 | 53,550 | 1,798,550 |
| Total | <u>\$ 16,815,000</u> | <u>\$ 2,494,434</u> | <u>\$ 19,309,434</u> |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

Clean Water Fund Loan Payable

The Town is currently participating in the State of Connecticut Clean Water Fund Loan program. The loan matures on June 30, 2027, has an outstanding balance as of June 30, 2022 of \$2,621,395, and is payable monthly with interest at 2%.

Annual debt service requirements to maturity on Clean Water Fund loans are as follows as of June 30, 2022:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 503,537 | \$ 47,829 | \$ 551,366 |
| 2024 | 513,701 | 37,665 | 551,366 |
| 2025 | 524,070 | 27,297 | 551,367 |
| 2026 | 534,648 | 16,719 | 551,367 |
| 2027 | 545,439 | 5,927 | 551,366 |
| Total | <u>\$ 2,621,395</u> | <u>\$ 135,437</u> | <u>\$ 2,756,832</u> |

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

| <u>Category</u> | <u>Debt Limit</u> | <u>Indebtedness</u> | <u>Balance</u> |
|-----------------|-------------------|---------------------|----------------|
| General Purpose | \$ 72,607,136 | \$ 10,283,000 | \$ 62,324,136 |
| Schools | 145,214,271 | 10,862,000 | 134,352,271 |
| Sewers | 121,011,893 | 1,759,318 | 119,252,575 |
| Urban Renewal | 104,876,974 | - | 104,876,974 |
| Pension Deficit | 96,809,514 | - | 96,809,514 |

The total overall statutory debt limit for the Town is equal to seven times annual receipts from taxation or \$225,888,866. Amounts above do not include \$102,000 of Water System Improvement bonds issued, which are excluded from the Town's statutory debt limit pursuant to Connecticut General Statutes.

Bond Authorizations

At June 30, 2022, debt authorized but unissued is as follows:

| <u>Project</u> | <u>Appropriation/ Authorization</u> | <u>Prior Bonds Issued</u> | <u>Paydown Grants Expected/ Received</u> | <u>Authorized But Unissued Debt</u> |
|---------------------------------|---|-----------------------------------|--|---|
| Sewers: | | | | |
| Wangumbaug Lake Sewer Extension | \$ 17,800,000 | \$ 9,815,810 | \$ 7,892,591 | \$ 91,599 |
| Schools: | | | | |
| Energy Efficiency and Code Work | 3,000,000 | 2,570,000 | - | 430,000 |
| School Roof Replacement | 6,500,000 | - | 2,600,000 | 3,900,000 |
| Fire Alarm System Replacement | 180,000 | - | 180,000 | - |
| General Purpose: | | | | |
| Library Renovation | 750,000 | - | 750,000 | - |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 LONG-TERM LIABILITIES (CONTINUED)

Notes Payable

Future minimum note obligations and the net present value of these minimum note payments as of June 30, 2022, are as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> |
|--|------------------------------------|
| 2023 | \$ 435,978 |
| 2024 | 305,022 |
| 2025 | 260,047 |
| 2026 | 208,293 |
| 2027 | 151,688 |
| Thereafter | <u>340,896</u> |
| Total Minimum Note Payments | 1,701,924 |
| Less: Amount Representing Interest | <u>(124,879)</u> |
| Present Value of Minimum Note Payments | <u>\$ 1,577,045</u> |

Landfill Postclosure

State and federal laws and regulations require the Town to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The Town's landfill has stopped accepting waste, closure has been completed, and monitoring is continuing. The remaining postclosure costs are estimated to be \$48,425 over the next four years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Town pays for the costs of monitoring on an ongoing basis through the COVRA Fund.

Lease Liability

The Town leases equipment under long-term, noncancelable lease agreements. The leases expire at various dates through 2030.

Total minimum lease payments under lease agreements are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|-------------------|------------------|-------------------|
| 2023 | \$ 65,095 | \$ 11,830 | \$ 76,925 |
| 2024 | 67,398 | 9,526 | 76,924 |
| 2025 | 69,787 | 7,137 | 76,924 |
| 2026 | 28,786 | 5,240 | 34,026 |
| 2027 | 26,560 | 4,100 | 30,660 |
| 2028-2032 | <u>81,883</u> | <u>5,309</u> | <u>87,192</u> |
| Total | <u>\$ 339,509</u> | <u>\$ 43,142</u> | <u>\$ 382,651</u> |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 PENSION PLANS

Defined Benefit Plan

A. Plan Description

The Town of Coventry Employee Retirement System (CERS or the Plan) is a single-employer retirement system established and administered by the Town to provide pension benefits to substantially all Town and Board of Education employees, except for professional employees of the Board of Education who are covered under the State of Connecticut Teachers Retirement System. The CERS is a defined benefit plan. The CERS is considered to be a part of the Town's financial reporting entity and is included in the Town's basic financial statements as a pension trust fund. Contribution provisions and benefit provisions of the CERS are established by and can be amended by the Town Council subject to ratification of various bargaining units. A separate stand-alone financial report for the CERS is not issued by the Town.

Management of the Plan rests with the Pension Committee, which consists of no fewer than three, nor more than five, members all appointed by the Town Council.

All employees except for sworn officers of the police department are included as participants in the Plan on the first July 1 following the attainment of age 21 and the completion of two years of service. Sworn officers of the police department are included on their dates of hire. No employees are included before the effective date. Police and nonunion employees are vested 100% after five years, and all other employees are vested after 10 years.

Benefits are calculated on a percentage of earnings times years of service. The percentage varies by group. The Plan also provides for early retirement, deferred retirement and disability retirement. Participants have a nonforfeitable right to accrued benefits at the date of termination of employment, provided that they have completed the years required for 100% vesting. Normal retirement age varies from 45 to 65 based on the bargaining unit.

The accrued benefit is paid in the form of a monthly life annuity. Benefits will be actuarially adjusted to reflect any other form of annuity payable. Administrative costs for the Plan are paid from the Plan investment earnings.

The membership of the Plan consisted of the following at July 1, 2021:

| | |
|---|------------|
| Retired Members | 59 |
| Terminated Plan Members Entitled to but Not Yet Receiving Benefits | 26 |
| Active Plan Members | 135 |
| Total | <u>220</u> |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

B. Summary of Significant Accounting Policies

Plan financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which employee services are performed. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

All investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

C. Investments

Investment Policy

The Pension Committee recommended the adoption of an investment policy to the Town Council. The current policy was adopted in August 2007. The goals of the policy are to create a framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable to the Town. The following was the adopted asset allocation as of July 1, 2022:

| <u>Asset Class</u> | <u>Target Allocation</u> |
|------------------------|--------------------------|
| U.S. Large Cap | 11.03 % |
| U.S. Large Cap Value | 10.09 |
| U.S. Mid-Cap | 6.04 |
| U.S. Small Value | 2.85 |
| U.S. Micro Cap | 2.95 |
| International Large | 11.93 |
| International Small | 5.94 |
| Emerging Large | 4.36 |
| Emerging Small | 1.51 |
| U.S. REITS | 1.64 |
| International REITS | 1.54 |
| Fixed Income (MetLife) | 40.00 |
| Cash | 0.12 |
| Total | <u>100.00 %</u> |

Concentrations

The pension plan held fixed income investments of \$6,233,942 with MetLife representing 5% or more of the pension trust fund's fiduciary net position as of June 30, 2022.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

C. Investments (Continued)

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (6.39)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Net Pension Liability of the Town

The components of the net pension liability of the Town at June 30, 2022, were as follows:

| | |
|-----------------------------|---------------------|
| Total Pension Liability | \$ 22,520,572 |
| Plan Fiduciary Net Position | 16,126,850 |
| Net Pension Liability | <u>\$ 6,393,722</u> |

| | |
|---|--------|
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 71.61% |
|---|--------|

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2021, rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.40% |
| Salary Increases | 3.0%, Average, Including Inflation |
| Investment Rate of Return | 7.10%, Net of Pension Plan Investment Expense, Including Inflation |

Mortality rates were based on the Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees, Public Safety, and Teachers), projected to the valuation date with Scale MP-2021, prior was based on the Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees, Public Safety, and Teachers), projected to the valuation date with Scale MP-2020.

The actuarial assumptions used in the July 1, 2021 valuation were based on standard tables adjusted for certain Plan features.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

D. Net Pension Liability of the Town (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the July 1, 2021 valuation (see the discussion of the pension plan's investment policy) are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|---|
| U.S. Large Cap | 4.75 % |
| U.S. Large Cap Value | 5.00 |
| U.S. Mid-Cap | 5.00 |
| U.S. Small Value | 5.50 |
| U.S. Micro Cap | 6.25 |
| International Large | 6.25 |
| International Small | 6.75 |
| Emerging Large | 7.00 |
| Emerging Small | 7.50 |
| U.S. REITS | 4.00 |
| International REITS | 4.00 |
| Fixed Income (MetLife) | 1.20 |
| Cash | (2.15) |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

D. Net Pension Liability of the Town (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)-(b) |
| Balances - June 30, 2021 | \$ 21,706,341 | \$ 18,213,577 | \$ 3,492,764 |
| Changes for the Year: | | | |
| Service Cost | 605,291 | - | 605,291 |
| Interest on Total Pension Liability | 1,546,108 | - | 1,546,108 |
| Differences Between Expected and Actual Experience | 584,612 | - | 584,612 |
| Changes in Assumptions | 85,354 | - | 85,354 |
| Employer Contributions | - | 892,800 | (892,800) |
| Member Contributions | - | 276,045 | (276,045) |
| Net Investment Income (Loss) | - | (1,161,070) | 1,161,070 |
| Benefit Payments, Including Refund to Employee Contributions | (2,007,134) | (2,007,134) | - |
| Administrative Expenses | - | (87,368) | 87,368 |
| Net Changes | <u>814,231</u> | <u>(2,086,727)</u> | <u>2,900,958</u> |
| Balances - June 30, 2022 | <u>\$ 22,520,572</u> | <u>\$ 16,126,850</u> | <u>\$ 6,393,722</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 7.10%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-----------------------|--------------|--------------------------|--------------|
| Net Pension Liability | \$ 8,865,447 | \$ 6,393,722 | \$ 4,335,346 |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 PENSION PLANS (CONTINUED)

Defined Benefit Plan (Continued)

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

For the year ended June 30, 2022, the Town recognized pension expense of \$1,383,138. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 691,182 | \$ 11,298 |
| Changes of Assumptions | 635,376 | 23,570 |
| Net Difference Between Projected and Actual Earning on Pension Plan Investments | 649,330 | - |
| Total | \$ 1,975,888 | \$ 34,868 |

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

| Year Ending June 30, | Amount |
|----------------------|--------------|
| 2023 | \$ 673,110 |
| 2024 | 367,891 |
| 2025 | (43,209) |
| 2026 | 693,576 |
| 2027 | 197,906 |
| Thereafter | 51,746 |
| Total | \$ 1,941,020 |

F. Funding Policy

The Town's funding policy provides for periodic contributions at rates that, when expressed as a percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The contribution rate for normal costs of the Plan was determined using the projected unit credit method. Town employees contribute a percentage of payroll equal to one half of the normal cost, adjusted annually, not to exceed 4%, except for police employees who are required to contribute a rate equal to 7.0% for police of covered payroll. For the year ended June 30, 2022, the Town contributed \$617,847 to the Plan.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 PENSION PLANS (CONTINUED)

Connecticut Teachers Retirement System – Pension

A. Plan Description

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

B. Benefit Provisions

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

Normal Retirement

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

Early Retirement

Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement

Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required for nonservice-related disability eligibility. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 PENSION PLANS (CONTINUED)

Connecticut Teachers' Retirement System – Pension (Continued)

C. Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the state of Connecticut are approved, amended, and certified by the State Teachers' Retirement Board and appropriated by the General Assembly.

Employer (School Districts)

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

The statutes require the state of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

For the year ended June 30, 2022, the amount of "on-behalf" contributions made by the state was \$3,865,862 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

Employees

Effective July 1, 1992, each teacher is required to contribute 6% of salary for the pension benefit.

Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

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

At June 30, 2022, the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the state pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

| | | |
|---|-----------|-------------------|
| Town's Proportionate Share of the Net Pension Liability | \$ | - |
| State's Proportionate Share of the Net Pension Liability Associated with the Town | | 46,168,424 |
| Total | <u>\$</u> | <u>46,168,424</u> |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 PENSION PLANS (CONTINUED)

Connecticut Teachers' Retirement System – Pension (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. At June 30, 2022, the Town has no proportionate share of the net pension liability.

For the year ended June 30, 2022, the Town recognized pension expense and revenue of \$2,980,279 in Exhibit II.

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.50% |
| Salary Increases | 3.0% to 6.5%, Including Inflation |
| Investment Rate of Return | 6.9%, Net of Pension Plan Investment Expense, Including Inflation |

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending June 30, 2019.

Assumption changes since the prior year are as follows:

- There were no changes in assumptions that affected the measurement of the TPL since the prior measurement date.

Benefit changes since the prior year are as follows:

- There were no changes in benefit provisions that affected the measurement of the TPL since the prior measurement date.

Cost-of-Living Allowance

For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 PENSION PLANS (CONTINUED)

Connecticut Teachers' Retirement System – Pension (Continued)

E. Actuarial Assumptions (Continued)

Cost-of-Living Allowance (Continued)

For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retired on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%.

For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Long-Term Rate of Return

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

| Asset Class | Expected Return | Target Allocation |
|-----------------------------------|--------------------|----------------------|
| Domestic Equity Fund | 5.60 % | 20.00 % |
| Developed Market Intl. Stock Fund | 6.00 | 11.00 |
| Emerging Market Intl. Stock Fund | 7.90 | 9.00 |
| Core Fixed Income Fund | 2.10 | 16.00 |
| Inflation Linked Bond Fund | 1.10 | 5.00 |
| Emerging Market Debt Fund | 2.70 | 5.00 |
| High Yield Bond Fund | 4.00 | 6.00 |
| Real Estate Fund | 4.50 | 10.00 |
| Private Equity | 7.30 | 10.00 |
| Alternative Investments | 2.90 | 7.00 |
| Liquidity Fund | 0.40 | 1.00 |
| Total | | <u>100.00 %</u> |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 10 PENSION PLANS (CONTINUED)

Connecticut Teachers' Retirement System – Pension (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that state contributions will be made at the actuarially determined contribution rates in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements available at www.ct.gov.

I. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

Other Postemployment Benefits – Town of Coventry

A. Plan Description

The Town, in accordance with various collective bargaining agreements, is committed to providing medical benefits to certain eligible retirees and their spouses, under a single employer plan. The Post-Retirement Medical Program (RMP) covers Town and Board of Education employees. All Town of Coventry employees are eligible to purchase medical insurance. The benefits include individual, two-person, or family coverage under the Blue Cross Health Plan (or equivalent), including hospitalization, surgical, prescriptions, dental, and major medical. Employees who choose to participate must pay the full premium cost. Board of Education employees may also purchase life insurance at the full premium cost. Spouses can continue coverage after the retiree's death.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Other Postemployment Benefits – Town of Coventry (Continued)

A. Plan Description (Continued)

The Town OPEB plan is administered by the Town. The Town does not issue a separate stand-alone financial statement for this program.

Membership in the plan consisted of the following at July 1, 2020:

| | |
|--|-----|
| Inactive Employees Currently Receiving Benefit Payments | 41 |
| Active Employees | 369 |
| Total | 410 |

B. Funding Policy

The Town funding and payment of postemployment benefits are accounted for in the General Fund on a pay-as-you-go basis. The Town has not established a trust fund to irrevocably segregate assets to fund the liability associated with postemployment benefits in accordance with GASB guidelines. The Town is currently developing a funding strategy to provide for normal cost and the amortization of the accrued liability. Although a trust fund may not be established in the future to exclusively control the funding and reporting of postemployment benefits, the Town anticipates a commitment to fund normal cost and a long-term approach to the amortization of the actuarial accrued liability. The goal is to absorb, within the budgetary process, the actual cost of benefits in the determination of the costs of providing services to taxpayers.

The Town's funding strategy for postemployment obligations are based upon characteristics of benefits on four distinct groups of employees established within their respective collective bargaining units and/or contracts and include the following:

Teachers

- Eligible for Medical, Dental, and Life Coverage if age 50 with 25 years of service or age 55 with 20 years of service or age 60 with 10 years of service.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree's death.

Police

- Eligible for Medical and Dental Coverage if age 45 and 20 years for sworn Police, and rule of 85 for nonsworn employees.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree's death.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Other Postemployment Benefits – Town of Coventry (Continued)

B. Funding Policy (Continued)

Town Employees (Non-Police)

- Eligible for Medical and Dental Coverage if age 62 with 10 years of service.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree's death.

Board of Education (Other Than Teachers)

- Eligible for Dental and Life Coverage if age 62 with 10 years of service.
- Retirees pay full cost of insurance and spouse can continue coverage after retiree's death.

C. Total OPEB Liability

The Town's total OPEB liability of \$6,437,133 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021.

D. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

| | |
|--|--|
| Inflation | 2.60% |
| Salary Increases | Graded by service for Teachers and Administrators, 3.00% for all others |
| Discount Rate | 3.54% |
| Healthcare Cost Trend Rates | 10.00% for 2020, decreasing to an ultimate rate of 4.10% after 53 years |
| Retirees' Share of Benefit-Related Costs | 100% of projected health insurance premiums for retirees for all except Town Manager, whose benefits will be discounted 2.25% per year of service not to exceed 75% discount |

The discount rate was based on the 20-year tax-exempt municipal bond yield.

Mortality rates for Teachers and Administrators were based on Pub-2010 Mortality Table for Employees and Healthy Annuitants with generational projection of future improvements with Scale MP-2019.

The actuarial assumptions used in the July 1, 2020 valuation were based on the standard tables modified for certain plan features such as eligibility, where applicable and input from the plan sponsor.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Other Postemployment Benefits – Town of Coventry (Continued)

E. Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance - July 1, 2021 | \$ 7,282,967 |
| Changes for the Year: | |
| Service Cost | 281,855 |
| Interest on Total OPEB Liability | 161,248 |
| Changes in Assumptions or Other Inputs | (1,088,649) |
| Benefit Payments | (200,288) |
| Net Changes | (845,834) |
| Balance - June 30, 2022 | \$ 6,437,133 |

As of June 30, 2022, the Town increased the discount rate from 2.16% to 3.54%.

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

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|----------------------|--------------|-----------------------------|--------------|
| Total OPEB Liability | \$ 7,202,007 | \$ 6,437,133 | \$ 5,780,563 |

G. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
|----------------------|--------------|-----------------------------------|--------------|
| Total OPEB Liability | \$ 5,580,633 | \$ 6,437,133 | \$ 7,464,968 |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Other Postemployment Benefits – Town of Coventry (Continued)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the Town recognized OPEB expense of \$8,361. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 1,470,550 | \$ 1,002,948 |
| Changes of Assumptions or Other Inputs | 3,151,760 | 482,402 |
| Total | \$ 4,622,310 | \$ 1,485,350 |

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

| Year Ending June 30, | Amount |
|----------------------|----------------|
| 2023 | \$ (434,742) |
| 2024 | (434,742) |
| 2025 | (434,742) |
| 2026 | (434,742) |
| 2027 | (411,766) |
| Thereafter | (986,226) |
| Total | \$ (3,136,960) |

Other Postemployment Benefit – Connecticut State Teachers Retirement Plan

A. Plan Description

Teachers, principals, superintendents, or supervisors engaged in service of public schools plus professional employees at state schools of higher education are eligible to participate in the Connecticut State Teachers' Retirement System Retiree Health Insurance Plan (TRS-RHIP), a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by the Teachers' Retirement Board (TRB), if they choose to be covered.

Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS-RHIP issues a publicly available financial report that can be obtained at www.ct.gov/trb.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Other Postemployment Benefit – Connecticut State Teachers’ Retirement Plan
(Continued)**

B. Benefit Provisions

There are two types of the healthcare benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplement Plans provide coverage for those participating in Medicare but not receiving Subsidized Local School District Coverage.

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

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

If a member participating in Medicare Parts A and B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplement Plans. Effective July 1, 2018, the System added a Medicare Advantage Plan option. Active members, retirees, and the state pay equally toward the cost of the basic coverage (medical and prescription drug benefits) under the Medicare Advantage Plan. Retired members who choose to enroll in the Medicare Supplement Plan are responsible for the full difference in the premium cost between the two plans. Additionally, effective July 1, 2018, retired members who cancel their healthcare coverage or elect to not enroll in a CTRB sponsored healthcare coverage option must wait two years to re-enroll.

Survivor Healthcare Coverage

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

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Other Post Employment Benefit – Connecticut State Teachers’ Retirement Plan
(Continued)**

C. Eligibility

Any member who is currently receiving a retirement or disability benefit is eligible to participate in the plan.

Credited Service

One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching services, state employment, or wartime military service may be purchased prior to retirement if the member pays one-half the cost.

Normal Retirement

Age 60 with 20 years of Credited Service in Connecticut, or 35 years of Credited Service including at least 25 years of service in Connecticut.

Early Retirement

Age 55 with 20 years of Credited Service including 15 years of Connecticut service, or 25 years of Credited Service including 20 years of Connecticut service.

Proratable Retirement

Age 60 with 10 years of Credited Service.

Disability Retirement

No service requirement if incurred in the performance of duty, and five years of Credited Service in Connecticut if not incurred in the performance of duty.

Termination of Employment

Ten or more years of Credited Service.

D. Contributions

State of Connecticut

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

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Other Post Employment Benefit – Connecticut State Teachers’ Retirement Plan
(Continued)**

D. Contributions (Continued)

Employer (School Districts)

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

For the year ended June 30, 2022, the amount of “on-behalf” contributions made by the state was \$90,971 and is recognized in the General Fund as intergovernmental revenues and education expenditures.

Employees/Retirees

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows:

- Active teachers’ pay for one-third of the plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one-third of the plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

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

At June 30, 2022, the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the state pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related state support and the total portion of the net OPEB liability that was associated with the Town was as follows:

| | | |
|--|----|--------------|
| Town's Proportionate Share of the Net OPEB Liability | \$ | - |
| State's Proportionate Share of the Net OPEB Liability Associated with the Town | | 5,029,965 |
| Total | | \$ 5,029,965 |

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. At June 30, 2022, the Town has no proportionate share of the net OPEB liability.

For the year ended June 30, 2022, the Town recognized OPEB expense and revenue of \$(185,741) in Exhibit II.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Other Post Employment Benefit – Connecticut State Teachers’ Retirement Plan
(Continued)**

F. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--|
| Inflation | 2.50% |
| Healthcare Costs Trend Rate | 5.125% for 2020, Decreasing to an Ultimate Rate of 4.50% by 2023 |
| Salary Increases | 3.00% to 6.50%, Including Inflation |
| Investment Rate Of Return | 2.17%, Net of OPEB Plan Investment Expense, Including Inflation |
| Year Fund Net Position Will be Depleted | 2023 |

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females at ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2014 - June 30, 2019.

The changes in the assumptions since the prior year are as follows:

- Discount rate changed from 2.21% to 2.17%
- Expected annual per capita claims costs were updated to better reflect anticipated Medicare and prescription drug claim experience based on scheduled premium increases through calendar year 2024.

The changes in the benefit terms since the prior year are as follows:

- There were no changes to benefit terms in the two years preceding the measurement date.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Other Post Employment Benefit – Connecticut State Teachers’ Retirement Plan
(Continued)**

F. Actuarial Assumptions (continued)

The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the plan’s current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net investment expense and inflation) for each major asset class. The long-term expected rate of return was determined by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The plan is 100% invested in U.S. Treasuries (Cash Equivalents) for which the expected 10-Year Geometric Real Rate of Return is (0.42%).

G. Discount Rate

The discount rate used to measure the total OPEB liability was 2.17%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection was based on an actuarial valuation performed as of June 30, 2020.

In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Annual state contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.

Based on those assumptions, the Plan’s fiduciary net position was projected to be depleted in 2023 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Other Post Employment Benefit – Connecticut State Teachers’ Retirement Plan
(Continued)**

H. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate and the Discount Rate

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

I. OPEB Plan Fiduciary Net Position

Detailed information about the Connecticut State Teachers OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report at www.ct.gov.

J. Other Information

Additional information is included in the required supplementary information section of the financial statements. A schedule of contributions is not presented as the Town has no obligation to contribute to the plan.

NOTE 12 RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Town purchases commercial insurance for all risks of loss. There are no significant reductions in insurance coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage for each of the past three years.

A. Dental Insurance Internal Service Fund

The Town’s dental self-insurance fund is used to account for dental insurance coverage for Town employees. The Town examines the coverage on a yearly basis to determine adequate coverage and minimize risk. A schedule of changes in the claims liability for the years ended June 30, 2022 and 2021, is presented below:

| | Claims Payable July 1 | Claims and Changes in Estimates | Claims Paid | Claims Payable June 30 |
|-----------|-----------------------------|---------------------------------------|----------------|------------------------------|
| 2020-2021 | \$ - | \$ 193,639 | \$ 193,639 | \$ - |
| 2021-2022 | - | 170,696 | 170,696 | - |

**TOWN OF COVENTRY, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 12 RISK MANAGEMENT (CONTINUED)

B. Health Insurance Internal Service Fund

The Coventry Health Insurance Fund (the Fund), which has been recorded as an Internal Service Fund, was established to provide medical and dental health coverage for all eligible Town and Board of Education employees. The Fund is substantially funded by the Town's General Fund based upon estimates for the number of employees and type of coverage (single or family) as well as trends in the costs of coverage and costs of administration. The program's general objectives are to provide the members of the health insurance program with lower costs for coverage and to develop a systematic method to control health costs through wellness initiatives.

The Town and Board of Education participate in the Eastern Connecticut Health Insurance Program. This group consists of five entities, the Towns and Boards of Education of Coventry, Tolland, Plainfield and Putnam and also including EASTCONN, a regional educational service center. This partnership is the first in the state of Connecticut and was formed with a goal to reduce costs through collaboration. A third party administers the plan for which the Fund pays a fee. The Fund has purchased individual stop loss coverage of \$175,000 per claim.

The Town's health self-insurance fund is used to account for medical insurance coverage for Town and Board of Education employees. The Town examines the coverage on a yearly basis to determine adequate coverage and minimize risk. A schedule of changes in the claims liability for the years ended June 30, 2022 and 2021, is presented below.

| | Claims Payable July 1 | Claims and Changes in Estimates | Claims Paid | Claims Payable June 30 |
|-----------|-----------------------------|---------------------------------------|----------------|------------------------------|
| 2020-2021 | \$ 447,468 | \$ 5,537,178 | \$ 5,589,755 | \$ 394,891 |
| 2021-2022 | 394,891 | 4,442,512 | 4,505,358 | 332,045 |

NOTE 13 COMMITMENTS AND CONTINGENCIES

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

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF COVENTRY, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2022
(NON-GAAP BUDGETARY BASIS)**

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|--------------------|-------------------|-------------------|---|
| Property Taxes: | | | | |
| Current Taxes | \$ 31,967,303 | \$ 31,967,303 | \$ 31,899,159 | \$ (68,144) |
| Delinquent Taxes | 270,000 | 270,000 | 313,773 | 43,773 |
| Interest and Penalties | 180,000 | 180,000 | 194,239 | 14,239 |
| Supplemental Motor Vehicles | 340,000 | 340,000 | 456,069 | 116,069 |
| Total Property Taxes | <u>32,757,303</u> | <u>32,757,303</u> | <u>32,863,240</u> | <u>105,937</u> |
| Intergovernmental: | | | | |
| General Government: | | | | |
| Disability Exemption | 1,600 | 1,600 | 1,563 | (37) |
| Grant in Lieu of Taxes | 23,414 | 23,414 | 18,556 | (4,858) |
| Pequot State Property | 13,336 | 13,336 | 13,336 | - |
| Veterans Additional Tax Relief | 7,200 | 7,200 | 6,672 | (528) |
| Emergency Management Performance Grant | 13,037 | 13,037 | 13,037 | - |
| Telephone Access Grant | 18,400 | 18,400 | 16,437 | (1,963) |
| Youth Services Grant | 14,000 | 14,000 | 14,587 | 587 |
| Municipal Revenue Sharing | 10,533 | 10,533 | 17,127 | 6,594 |
| Lake Management Grant | 26,940 | 26,940 | - | (26,940) |
| Municipal Assistance Grant | 113,156 | 113,156 | 113,156 | - |
| Municipal CRF | - | - | 116,766 | 116,766 |
| American Rescue Plan Funding | 150,000 | 150,000 | 150,000 | - |
| Total General Government | <u>391,616</u> | <u>391,616</u> | <u>481,237</u> | <u>89,621</u> |
| Education: | | | | |
| Education Cost Sharing Grant | 7,952,911 | 7,952,911 | 7,981,654 | 28,743 |
| Adult Education | 10,957 | 10,957 | 11,600 | 643 |
| Total Education | <u>7,963,868</u> | <u>7,963,868</u> | <u>7,993,254</u> | <u>29,386</u> |
| Investment Earnings | 50,000 | 50,000 | 18,533 | (31,467) |
| Local Revenues: | | | | |
| Housing Authority PILOT | 40,000 | 40,000 | 43,097 | 3,097 |
| Finance: | | | | |
| Insurance Reimbursement and Claims | 20,000 | 20,000 | 38,332 | 18,332 |
| Conveyance Tax | 135,000 | 135,000 | 199,251 | 64,251 |
| Preschool Administration | 1,000 | 1,000 | 1,291 | 291 |
| Town Clerk: | | | | |
| Office Receipts | 100,000 | 100,000 | 124,997 | 24,997 |
| Assessor: | | | | |
| Copy Charges | 500 | 500 | 189 | (311) |

**TOWN OF COVENTRY, CONNECTICUT
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL – BUDGETARY BASIS (CONTINUED)
YEAR ENDED JUNE 30, 2022
(NON-GAAP BUDGETARY BASIS)**

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------|---|
| Local Revenues (Continued): | | | | |
| Development/Planning: | | | | |
| Zoning Permits | \$ 11,000 | \$ 11,000 | \$ 13,050 | \$ 2,050 |
| Planning and Zoning | - | - | (1,292) | (1,292) |
| Zoning Board of Appeals | - | - | 1,547 | 1,547 |
| Inland Wetlands | - | - | 2,600 | 2,600 |
| Regulations and Maps | 500 | 500 | 217 | (283) |
| Permits | 100 | 100 | (2,390) | (2,490) |
| Building Department: | | | | |
| Building Permits | 211,000 | 211,000 | 268,352 | 57,352 |
| Fire Inspection | 1,500 | 1,500 | 900 | (600) |
| Blasting Permit | 50 | 50 | - | (50) |
| Police Services: | | | | |
| Warden Receipts | 500 | 500 | 480 | (20) |
| Dog License | 9,000 | 9,000 | 10,331 | 1,331 |
| Fingerprinting | 2,000 | 2,000 | 2,238 | 238 |
| Local Parking Fines | 500 | 500 | 70 | (430) |
| Permits | 7,500 | 7,500 | 6,975 | (525) |
| Other | 1,200 | 1,200 | 1,140 | (60) |
| Municipal Surcharge | 2,500 | 2,500 | 868 | (1,632) |
| Miscellaneous: | | | | |
| Miscellaneous Unanticipated | - | - | 44,801 | 44,801 |
| Rents | 30,000 | 30,000 | 32,510 | 2,510 |
| Total Local Revenues | <u>573,850</u> | <u>573,850</u> | <u>789,554</u> | <u>215,704</u> |
| Total Revenues | 41,736,637 | 41,736,637 | 42,145,818 | 409,181 |
| OTHER FINANCING SOURCES | | | | |
| Transfers In: | | | | |
| Use of Fund Balance | 200,000 | 508,548 | - | (508,548) |
| Cancellation of Prior Year Encumbrances | - | - | 11,469 | 11,469 |
| Release BOE COVID Funds | - | - | - | - |
| Sewer Assessment Fund | 478,993 | 478,993 | 478,993 | - |
| Police Special Services | 7,500 | 7,500 | 7,500 | - |
| Total Other Financing Sources | <u>686,493</u> | <u>995,041</u> | <u>497,962</u> | <u>(497,079)</u> |
| Total Revenues and Other Financing Sources | <u>\$ 42,423,130</u> | <u>\$ 42,731,678</u> | 42,643,780 | <u>\$ (87,898)</u> |

Budgetary revenues are different from GAAP revenues because:

| | |
|---|------------------|
| Cancellation of prior year encumbrances are recognized as budgetary revenue | (11,469) |
| The town budgets certain grants directly against expenditure accounts | 445,085 |
| The town budgets certain revenues directly against expenditure accounts | 14,405 |
| Sick and Severance Fund Transfers are not budgeted | 40,000 |
| The town budgets for certain transfers net | 3,227 |
| State OPEB On-Behalf Payments | 90,971 |
| State Pension On-Behalf Payments | <u>3,865,862</u> |

Total Revenues and Other Financing Sources as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Exhibit IV

\$ 47,091,861

**TOWN OF COVENTRY, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2022
(NON-GAAP BUDGETARY BASIS)**

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|--------------------|-----------------|-----------|---|
| General Government: | | | | |
| Town Council | \$ 38,620 | \$ 41,150 | \$ 41,031 | \$ 119 |
| Town Manager | 236,784 | 257,284 | 255,402 | 1,882 |
| Finance Administration | 139,220 | 140,745 | 140,148 | 597 |
| Accounting | 139,350 | 134,325 | 133,702 | 623 |
| Tax Collector | 123,985 | 153,985 | 152,085 | 1,900 |
| Assessor | 158,121 | 162,036 | 159,157 | 2,879 |
| Assessment Appeals | 850 | 435 | 361 | 74 |
| Treasurer | 27,350 | 27,350 | 27,110 | 240 |
| Information Technology | 201,500 | 205,800 | 202,558 | 3,242 |
| Planning | 159,650 | 163,420 | 163,178 | 242 |
| Zoning Board of Appeals | 23,230 | 22,430 | 22,195 | 235 |
| Conservation | 1,835 | 2,535 | 2,450 | 85 |
| Economic Development | 18,860 | 20,330 | 19,979 | 351 |
| Inland Wetlands | 96,290 | 97,150 | 97,047 | 103 |
| Planning and Zoning Commission | 1,075 | 1,075 | 953 | 122 |
| Legal Counsel | 85,000 | 100,000 | 89,223 | 10,777 |
| Probate Court | 9,035 | 9,035 | 9,034 | 1 |
| Recording/Licensing | 166,855 | 166,945 | 164,012 | 2,933 |
| Elections | 72,930 | 70,265 | 70,220 | 45 |
| Town Office Building | 94,550 | 85,350 | 76,737 | 8,613 |
| Central Services | 38,750 | 47,495 | 45,386 | 2,109 |
| Total General Government | 1,833,840 | 1,909,140 | 1,871,968 | 37,172 |
| Public Safety: | | | | |
| Police Administration | 307,660 | 259,696 | 259,525 | 171 |
| Police Operations | 1,294,228 | 1,256,947 | 1,250,468 | 6,479 |
| Police Supportive Services | 358,240 | 365,230 | 333,287 | 31,943 |
| Police Marine Patrol | 5,500 | 5,510 | 3,723 | 1,787 |
| Police Station | 66,580 | 66,580 | 61,883 | 4,697 |
| Fire Marshal | 14,500 | 9,850 | 9,825 | 25 |
| Coventry Volunteer Fire Association | 37,865 | 36,970 | 36,956 | 14 |
| North Coventry Volunteer Fire Department | 35,670 | 44,610 | 44,290 | 320 |
| N. Coventry Substation | 6,350 | 9,590 | 8,781 | 809 |
| Joint Fire Budget | 499,388 | 583,708 | 581,611 | 2,097 |
| CVFA South Street Substation | 14,835 | 14,470 | 14,158 | 312 |
| Civil Emergency Preparedness | 29,975 | 29,385 | 28,128 | 1,257 |
| Animal Control | 77,000 | 77,445 | 75,081 | 2,364 |
| Total Public Safety | 2,747,791 | 2,759,991 | 2,707,716 | 52,275 |
| Public Works: | | | | |
| Roads and Drainage | 652,305 | 666,470 | 663,472 | 2,998 |
| Public Works Building | 66,555 | 74,498 | 74,260 | 238 |
| Snow Removal | 305,350 | 278,317 | 276,898 | 1,419 |
| Facilities Maintenance | 353,165 | 327,095 | 325,169 | 1,926 |
| Public Works Administration | 249,635 | 250,915 | 250,118 | 797 |
| Fleet Maintenance | 484,096 | 494,791 | 487,157 | 7,634 |
| Street Lights | 47,000 | 48,770 | 48,238 | 532 |
| Cemetery Commission | 31,042 | 31,042 | 30,842 | 200 |
| Tree Warden | 74,750 | 96,950 | 96,846 | 104 |
| Facilities - Other | 9,170 | 4,680 | 2,639 | 2,041 |
| Engineering | 91,265 | 103,795 | 91,723 | 12,072 |
| Building Inspection | 158,165 | 197,675 | 196,064 | 1,611 |
| Building Code | 45 | 45 | 45 | - |
| Health Department | 73,080 | 70,580 | 70,534 | 46 |
| Total Public Works | 2,595,623 | 2,645,623 | 2,614,005 | 31,618 |

**TOWN OF COVENTRY, CONNECTICUT
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL – BUDGETARY BASIS (CONTINUED)
YEAR ENDED JUNE 30, 2022
(NON-GAAP BUDGETARY BASIS)**

| | Original Budget | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--|----------------------|----------------------|----------------------|---|
| Human Services: | | | | |
| Visiting Nurses | \$ 500 | \$ 500 | \$ - | \$ 500 |
| Human Services/General Administration | 192,236 | 193,286 | 184,829 | 8,457 |
| Elderly Services | 130,305 | 121,255 | 114,621 | 6,634 |
| Total Human Services | <u>323,041</u> | <u>315,041</u> | <u>299,450</u> | <u>15,591</u> |
| Culture and Recreation: | | | | |
| Booth/Dimock Library | 518,000 | 518,000 | 518,000 | - |
| Parks and Recreation, Supervision | 75,700 | 82,500 | 80,083 | 2,417 |
| Memorial Day | 3,675 | 2,675 | 2,192 | 483 |
| Total Culture and Recreation | <u>597,375</u> | <u>603,175</u> | <u>600,275</u> | <u>2,900</u> |
| Insurance and Sundry: | | | | |
| Municipal Insurance | 359,530 | 342,430 | 341,333 | 1,097 |
| Pension/Social Security | 1,020,900 | 1,007,650 | 990,479 | 17,171 |
| Health Insurance | 1,065,100 | 1,065,100 | 1,064,433 | 667 |
| Contingency | 15,000 | 28,240 | 28,231 | 9 |
| Claims and Losses | 25,000 | 78,310 | 77,357 | 953 |
| Total Insurance and Sundry | <u>2,485,530</u> | <u>2,521,730</u> | <u>2,501,833</u> | <u>19,897</u> |
| Education | 28,305,819 | 28,305,819 | 28,302,046 | 3,773 |
| Capital Outlay | 655,030 | 777,078 | 777,078 | - |
| Debt Service | 2,781,581 | 2,761,581 | 2,749,655 | 11,926 |
| Total Budgetary Expenditures | <u>42,325,630</u> | <u>42,599,178</u> | <u>42,424,026</u> | <u>175,152</u> |
| OTHER FINANCING USES | | | | |
| Transfers Out: | | | | |
| Matching Funds | 2,500 | 2,500 | 2,500 | - |
| Parks and Recreation Fund | 30,000 | 30,000 | 30,000 | - |
| Land Acquisition Fund | 15,000 | 15,000 | 15,000 | - |
| Capital and Nonrecurring Fund | 50,000 | 85,000 | 85,000 | - |
| Total Other Financing Uses | <u>97,500</u> | <u>132,500</u> | <u>132,500</u> | <u>-</u> |
| Total Expenditures and Other Financing Uses | <u>\$ 42,423,130</u> | <u>\$ 42,731,678</u> | <u>42,556,526</u> | <u>\$ 175,152</u> |
| Budgetary expenditures are different from GAAP expenditures because: | | | | |
| Encumbrances for purchases and commitments ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year received for financial reporting purposes | | | 89,530 | |
| Reserve for matching fund expenditures and transfers, net | | | 2,005 | |
| Excess cost grants are netted for budgetary reporting | | | 445,085 | |
| The town budgets certain revenues directly against expenditure accounts | | | 14,405 | |
| State OPEB On-Behalf Payments | | | 90,971 | |
| State Pension On-Behalf Payments | | | <u>3,865,862</u> | |
| Total Expenditures and Other Financing Uses as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Exhibit IV | | | <u>\$ 47,064,384</u> | |

TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST NINE FISCAL YEARS*

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total Pension Liability: | | | | | | | | | |
| Service Cost | \$ 605,291 | \$ 574,628 | \$ 558,327 | \$ 588,285 | \$ 565,374 | \$ 553,015 | \$ 509,257 | \$ 494,424 | \$ 472,429 |
| Interest | 1,546,108 | 1,528,934 | 1,472,095 | 1,384,667 | 1,279,723 | 1,232,383 | 1,112,799 | 1,073,988 | 1,035,694 |
| Differences Between Expected and Actual Experience | 584,612 | 83,691 | (18,778) | 322,672 | 252,167 | (98,117) | 453,936 | (144,868) | - |
| Changes of Assumptions | 85,354 | 571,770 | 203,314 | (68,458) | 275,569 | (45,764) | 129,540 | - | - |
| Benefit Payments, Including Refunds of Member Contributions | (2,007,134) | (1,697,017) | (1,257,720) | (813,323) | (1,173,150) | (877,530) | (440,070) | (1,409,674) | (618,211) |
| Net Change in Total Pension Liability | 814,231 | 1,062,006 | 957,238 | 1,413,843 | 1,199,683 | 763,987 | 1,765,462 | 13,870 | 889,912 |
| Total Pension Liability - Beginning | 21,706,341 | 20,644,335 | 19,687,097 | 18,273,254 | 17,073,571 | 16,309,584 | 14,544,122 | 14,530,252 | 13,640,340 |
| Total Pension Liability - Ending | 22,520,572 | 21,706,341 | 20,644,335 | 19,687,097 | 18,273,254 | 17,073,571 | 16,309,584 | 14,544,122 | 14,530,252 |
| Plan Fiduciary Net Position: | | | | | | | | | |
| Contributions - Employer | 892,800 | 724,037 | 678,722 | 631,502 | 568,278 | 617,847 | 565,362 | 673,765 | 1,097,988 |
| Contributions - Member | 276,045 | 262,001 | 259,747 | 261,267 | 249,086 | 270,830 | 245,912 | 239,053 | 221,335 |
| Net Investment Income (Loss) | (1,161,070) | 4,836,891 | (712,930) | (29,739) | 1,008,061 | 1,712,604 | (47,620) | 159,678 | 1,768,049 |
| Benefit Payments, Including Refunds of Member Contributions | (2,007,134) | (1,697,017) | (1,257,720) | (813,323) | (1,173,150) | (877,530) | (440,070) | (1,409,674) | (618,211) |
| Administrative Expense | (87,368) | (92,107) | (41,282) | (26,410) | (16,843) | (23,173) | (36,641) | (28,694) | (34,485) |
| Net Change in Plan Fiduciary Net Position | (2,086,727) | 4,033,805 | (1,073,463) | 23,297 | 635,432 | 1,700,578 | 286,943 | (365,872) | 2,434,676 |
| Plan Fiduciary Net Position - Beginning | 18,213,577 | 14,179,772 | 15,253,235 | 15,229,938 | 14,594,506 | 12,893,928 | 12,606,985 | 12,972,857 | 10,538,181 |
| Plan Fiduciary Net Position - Ending | 16,126,850 | 18,213,577 | 14,179,772 | 15,253,235 | 15,229,938 | 14,594,506 | 12,893,928 | 12,606,985 | 12,972,857 |
| Net Pension Liability - Ending | <u>\$ 6,393,722</u> | <u>\$ 3,492,764</u> | <u>\$ 6,464,563</u> | <u>\$ 4,433,862</u> | <u>\$ 3,043,316</u> | <u>\$ 2,479,065</u> | <u>\$ 3,415,656</u> | <u>\$ 1,937,137</u> | <u>\$ 1,557,395</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 71.61% | 83.91% | 68.69% | 77.48% | 83.35% | 85.48% | 79.06% | 86.68% | 89.28% |
| Covered Payroll | \$ 7,343,619 | \$ 7,296,574 | \$ 7,426,436 | \$ 6,878,308 | \$ 6,819,574 | \$ 6,536,271 | \$ 6,317,675 | \$ 5,828,844 | \$ 5,849,479 |
| Net Pension Liability as a Percentage of Covered Payroll | 87.07% | 47.87% | 87.05% | 64.46% | 44.63% | 37.93% | 54.07% | 33.23% | 26.62% |

*Note: This schedule is intended to show information for 10 years. Additional year's information will be displayed as it becomes available.

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------------|------------------|
| Actuarially Determined Contribution | \$ 724,037 | \$ 724,037 | \$ 678,722 | \$ 631,502 | \$ 568,278 | \$ 617,847 | \$ 566,352 | \$ 673,765 | \$ 728,299 | \$ 1,079,026 |
| Contributions in Relation to the Actuarially Determined Contribution | 892,800 | 724,037 | 678,722 | 631,502 | 568,278 | 617,847 | 566,352 | 673,765 | 1,097,988 | 1,097,988 |
| Contribution Deficiency (Excess) | <u>\$ 168,763</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 369,689</u> | <u>\$ 18,962</u> |
| Covered Payroll | \$ 7,343,619 | \$ 7,296,574 | \$ 7,426,436 | \$ 6,878,308 | \$ 6,819,574 | \$ 6,536,271 | \$ 6,317,675 | \$ 5,828,844 | \$ 5,849,479 | \$ 5,811,077 |
| Contributions as a Percentage of Covered Payroll | 12.16% | 9.92% | 9.14% | 9.18% | 8.33% | 9.45% | 8.96% | 11.56% | 18.77% | 18.89% |

Notes to Schedule:

Valuation Date: July 1, 2021

Measurement Date: June 30, 2022

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine

Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Salary - Open |
| Remaining Amortization Period | 15 Years |
| Asset Valuation Method | Asset Gains and Losses are Recognized Over a Four-year Period at 25% Per Year. |
| Inflation | 2.40% |
| Salary Increases | 3.00% |
| Investment Rate of Return | Pre-Retirement 7.25% Per Year, Post-Retirement 6.90% |
| Retirement Age | Police Sworn: 45/20 Non-Uniformed Police: Rule of 85 Non-Police Bargaining Unit Employees: 10% at 60, increasing to 100% at 65 Nonbargaining Unit Employees: 62/5 |
| Mortality | Current: Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees, Public Safety and Teachers), Projected to the valuation date with Scale MP-2021 Prior: Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables (with separate tables for General Employees, Public Safety and Teachers), Projected to the valuation date with Scale MP-2020 |

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST NINE FISCAL YEARS***

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual Money-Weighted Rate of Return, Net of Investment Expense | -6.39% | 35.31% | -4.67% | -0.19% | 6.81% | 13.15% | -0.37% | 1.25% | 15.71% |

*Note: This schedule is intended to show information for 10 years. Additional year's information will be displayed as it becomes available.

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT PLAN
LAST EIGHT FISCAL YEARS***

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Town's Proportion of the Net Pension Liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Town's Proportionate Share of the Net Pension Liability | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's Proportionate Share of the Net Pension Liability Associated With the Town | <u>46,168,424</u> | <u>58,292,841</u> | <u>54,264,077</u> | <u>41,840,756</u> | <u>41,168,926</u> | <u>43,433,532</u> | <u>34,183,863</u> | <u>31,555,211</u> |
| Total | <u>\$ 46,168,424</u> | <u>\$ 58,292,841</u> | <u>\$ 54,264,077</u> | <u>\$ 41,840,756</u> | <u>\$ 41,168,926</u> | <u>\$ 43,433,532</u> | <u>\$ 34,183,863</u> | <u>\$ 31,555,211</u> |
| Town's Covered Payroll | \$ 14,388,599 | \$ 13,922,583 | \$ 13,445,593 | \$ 13,396,480 | \$ 13,040,396 | \$ 12,962,869 | \$ 12,733,792 | \$ 12,100,327 |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 60.77% | 49.24% | 52.00% | 57.69% | 55.93% | 52.26% | 59.50% | 61.51% |

Notes to Schedule:

| | |
|---------------------------------------|---|
| Changes in Benefit Terms | None |
| Changes of Assumptions | None |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent of Pay, Closed, Grading to a Level Dollar Amortization Method for the June 30, 2024 Valuation |
| Single Equivalent Amortization Period | 30 Years |
| Asset Valuation Method | 4-Year Smoothed Market |
| Inflation | 2.50% |
| Salary Increase | 3.25%-6.50%, Including Inflation |
| Investment Rate of Return | 6.90%, Net of Investment-Related Expense |

Notes:

- This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.
- The measurement date is one year earlier than the employer's reporting date.

TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FIVE FISCAL YEARS*

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Total OPEB Liability: | | | | | |
| Service Cost | \$ 281,855 | \$ 569,867 | \$ 353,250 | \$ 315,871 | \$ 421,300 |
| Interest | 161,248 | 186,042 | 257,475 | 346,872 | 317,034 |
| Changes of Benefit Terms | | | | | |
| Differences Between Expected and Actual Experience | - | 1,236,192 | - | (2,467,530) | - |
| Changes of Assumptions and Other Inputs | (1,088,649) | (2,473,533) | 418,937 | 343,445 | (360,004) |
| Benefit Payments | <u>(200,288)</u> | <u>(166,900)</u> | <u>(201,345)</u> | <u>(164,264)</u> | <u>(166,825)</u> |
| Net Change in Total OPEB Liability | (845,834) | (648,332) | 828,317 | (1,625,606) | 211,505 |
| Total OPEB Liability - Beginning | <u>7,282,967</u> | <u>7,931,299</u> | <u>7,102,982</u> | <u>8,728,588</u> | <u>8,517,083</u> |
| Total OPEB Liability - Ending | <u><u>\$ 6,437,133</u></u> | <u><u>\$ 7,282,967</u></u> | <u><u>\$ 7,931,299</u></u> | <u><u>\$ 7,102,982</u></u> | <u><u>\$ 8,728,588</u></u> |
| Covered Employee Payroll | \$ 21,073,024 | \$ 21,073,024 | \$ 21,659,935 | \$ 21,659,935 | \$ 20,377,472 |
| Total OPEB Liability as a Percentage of Covered-Employee Payroll | 30.55% | 34.56% | 36.62% | 32.79% | 42.83% |

* This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.

**TOWN OF COVENTRY, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHERS' RETIREMENT PLAN
LAST FIVE FISCAL YEARS***

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|---------------------|---------------------|----------------------|
| Town's Proportion of the Net Pension Liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Town's Proportionate Share of the Net Pension Liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's Proportionate Share of the Net Pension Liability Associated with the Town | <u>5,029,965</u> | <u>8,694,379</u> | <u>8,462,788</u> | <u>8,364,261</u> | <u>10,596,428</u> |
| Total | <u>\$ 5,029,965</u> | <u>\$ 8,694,379</u> | <u>\$ 8,462,788</u> | <u>\$ 8,364,261</u> | <u>\$ 10,596,428</u> |
| Town's Covered Payroll | \$ 14,388,599 | \$ 13,922,583 | \$ 13,445,593 | \$ 13,396,480 | \$ 13,040,396 |
| Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 6.11% | 2.50% | 2.08% | 1.49% | 2.50% |

Notes to Schedule:

Changes in Benefit Terms
Changes of Assumptions

None
Based on the procedure described in GASB 75, the discount rate used to measure plan obligations for financial accounting purposes as of June 30, 2021 was updated to equal the Municipal Bond Index Rate as of June 30, 2021;

Expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience based on scheduled premium increases through calendar year 2024

Actuarial Cost Method
Amortization Method
Remaining Amortization Period
Asset Valuation Method
Investment Rate of Return
Price Inflation

Entry Age
Level Percent of Payroll Over an Open Period
30 Years
Market Value of Assets
3.00%, Net of Investment Related Expense, Including Price Inflation
2.75%

Notes:

- This schedule is intended to show information for 10 years. Additional years' information will be displayed as it becomes available.
- The measurement date is one year earlier than the employer's reporting date.

APPENDIX B - FORM OF OPINION OF BOND COUNSEL – THE BONDS



280 Trumbull Street
 Hartford, CT 06103-3597
 Main (860) 275-8200
 Fax (860) 275-8299

[FORM OF OPINION OF BOND COUNSEL]

August __, 2023

Town of Coventry,
 Coventry, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Town of Coventry, Connecticut (the “Town”), a Tax Regulatory Agreement of the Town, dated August __, 2023 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$4,865,000 Town of Coventry, Connecticut General Obligation Bonds, Issue of 2023, dated August __, 2023 (the “Bonds”), maturing on August 15 in each of the years, in the principal amounts and bearing interest payable on February 15, 2024 and semiannually thereafter on February 15 and August 15 in each year until maturity or earlier redemption, at the rates per annum as follows:

| <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate Per Annum</u> | <u>Year of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate Per Annum</u> |
|-------------------------|-------------------------|--------------------------------|-------------------------|-------------------------|--------------------------------|
| 2025 | \$260,000 | % | 2035 | 255,000 | % |
| 2026 | 260,000 | | 2036 | 255,000 | |
| 2027 | 260,000 | | 2037 | 255,000 | |
| 2028 | 260,000 | | 2038 | 255,000 | |
| 2029 | 255,000 | | 2039 | 255,000 | |
| 2030 | 255,000 | | 2040 | 255,000 | |
| 2031 | 255,000 | | 2041 | 255,000 | |
| 2032 | 255,000 | | 2042 | 255,000 | |
| 2033 | 255,000 | | 2043 | 255,000 | |
| 2034 | 255,000 | | | | |

with principal payable at the principal office of U.S. Bank Trust Company, National Association, in Hartford, Connecticut, and with interest payable to the registered owner as of the close of business on the last business day of January and July in each year, by check mailed to such registered owner at the address as shown on the registration books of the Town kept for such purpose. The Bonds are subject to redemption prior to maturity as therein provided.

The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to effect a book-entry system for the ownership and transfer of the Bonds. So long as DTC or its nominee is the registered owner, principal and interest payments on the Bonds will be made to DTC.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Bonds under authority of the Constitution and General Statutes of Connecticut and that the Bonds are a valid general obligation of the Town the principal of and interest on which is payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for federal income tax purposes. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax, however, such interest is taken into account in determining the adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the Town with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Bonds.

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Bonds, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Bonds will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Bonds or adversely affect the market price of the Bonds.

These opinions are rendered as of the date hereof and are based on existing law, which is subject to change. We assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may come to our attention, or to reflect any changes in law that may hereafter occur or become effective.

The rights of owners of the Bonds and the enforceability of the Bonds and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

Respectfully,

APPENDIX C - FORM OF OPINION OF BOND COUNSEL – THE NOTES



280 Trumbull Street
Hartford, CT 06103-3597
Main (860) 275-8200
Fax (860) 275-8299

[FORM OF OPINION OF BOND COUNSEL]

August __, 2023

Town of Coventry,
Coventry, Connecticut

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Town of Coventry, Connecticut (the “Town”), a Tax Regulatory Agreement of the Town, dated August __, 2023 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$2,070,000 Town of Coventry, Connecticut General Obligation Bond Anticipation Notes, dated August __, 2023 and maturing August __, 2024, consisting of Note R-1 in the aggregate principal amount of \$2,070,000, bearing interest at the rate of __% per annum, with principal and interest payable at maturity (the “Notes”). The Notes are not subject to redemption prior to maturity.

The Notes are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), to effect a book-entry system for the ownership and transfer of the Notes. So long as DTC or its nominee is the registered owner, principal and interest payments on the Notes will be made to DTC.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Notes, and we express no opinion relating thereto, excepting only the matters set forth as our opinion in the Official Statement.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Notes under authority of the Constitution and General Statutes of Connecticut and that the Notes are a valid general obligation of the Town the principal of and interest on which is payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property, such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts. We are further of the opinion that the Tax Regulatory Agreement is a valid and binding agreement of the Town.

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes. The Town has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Notes shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax, however, such interest is taken into account in determining the adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Notes.

In rendering the foregoing opinions regarding the federal tax treatment of interest on the Notes, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and expectations, and certifications of fact contained in the Tax Regulatory Agreement, and (ii) the compliance by the Town with the covenants and procedures set forth in the Tax Regulatory Agreement as to such tax matters.

We are further of the opinion that, under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding any other State or local tax consequences caused by the ownership or disposition of the Notes.

Legislation affecting the exclusion from gross income of interest on State or local bonds, such as the Notes, is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the Notes will not reduce or eliminate the benefit of the exclusion from gross income of interest on the Notes or adversely affect the market price of the Notes.

These opinions are rendered as of the date hereof and are based on existing law, which is subject to change. We assume no obligation to update or supplement these opinions to reflect any facts or circumstances that may come to our attention, or to reflect any changes in law that may hereafter occur or become effective.

The rights of owners of the Notes and the enforceability of the Notes and the Tax Regulatory Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity.

Respectfully,

APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT – THE BONDS

CONTINUING DISCLOSURE AGREEMENT

Town of Coventry, Connecticut
\$4,865,000 General Obligation Bonds, Issue of 2023
dated August __, 2023

August __, 2023

WHEREAS, the Town of Coventry, Connecticut (the “Town”) has heretofore authorized the issuance of \$4,865,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2023, dated August __, 2023 (the “Bonds”), maturing on the dates and in the amounts set forth in the Town’s Official Statement dated August __, 2023 describing the Bonds (the “Official Statement”); and

WHEREAS, the Bonds have been sold by a competitive bid pursuant to a Notice of Sale, dated July 25, 2023 (the “Notice of Sale”); and

WHEREAS, in the Notice of Sale, the Town has heretofore acknowledged that an underwriter may not purchase or sell the Bonds unless it has reasonably determined that the Town has undertaken in a written agreement for the benefit of the beneficial owners of the Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5), as amended from time to time (the “Rule”), and the Town desires to assist the underwriter of the Bonds in complying with the Rule; and

WHEREAS, the Town is authorized pursuant to Section 3-20e of the General Statutes of Connecticut to make such representations and agreements for the benefit of the beneficial owners of the Bonds to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Bonds in complying with the Rule, this Continuing Disclosure Agreement (this “Agreement”) is to be made, executed and delivered by the Town in connection with the issuance of the Bonds and to be described in the Official Statement, all for the benefit of the beneficial owners of the Bonds, as they may be from time to time;

NOW, THEREFORE, the Town hereby represents, covenants and agrees as follows:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

“Annual Report” shall mean any Annual Report provided by the Town pursuant to, and as described in, Sections 2 and 3 of this Agreement.

“Financial Obligation” shall mean any (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). Municipal securities as to which a final official statement has been filed with the Repository, consistent with the Rule, shall not be considered a Financial Obligation.

“Fiscal Year End” shall mean the last day of the Town’s fiscal year, currently June 30.

“Listed Events” shall mean any of the events listed in Section 4 of this Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Repository” shall mean the Electronic Municipal Market Access (EMMA) system as described in 1934 Act Release No. 57577 for purposes of the Rule, the MSRB or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for purposes of the Rule.

“SEC” shall mean the Securities and Exchange Commission of the United States or any successor thereto.

Section 2. Annual Reports.

(a) The Town shall provide or cause to be provided to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, the following annual financial information and operating data regarding the Town:

(i) Audited financial statements as of and for the year ending on its Fiscal Year End prepared in accordance with accounting principles generally accepted in the United States, as promulgated by the Governmental Accounting Standards Board from time to time or mandated state statutory principles as in effect from time to time; and

(ii) Financial information and operating data as of and for the year ending on its Fiscal Year End of the following type to the extent not included in the audited financial statements described in (i) above:

- (A) the amounts of the gross and net taxable grand list;
- (B) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon;
- (C) the percentage and amount of the annual property tax levy collected and uncollected;
- (D) a schedule of the annual debt service on outstanding long-term bonded indebtedness;
- (E) a calculation of the net direct debt, total direct debt, and total overall net debt (reflecting overlapping and underlying debt);
- (F) the total direct debt, total net direct debt and total overall net debt of the Town per capita;
- (G) the ratios of total direct debt and total overall net debt of the Town to the Town's net taxable grand list;
- (H) a statement of statutory debt limitations and debt margins; and
- (I) the funding status of the Town's pension benefit obligations.

(b) The above-referenced information is expected to be provided by the filing of and cross reference to the Town's audited financial statements. The information may be provided in whole or in part by cross-reference to other documents previously provided to the Repository, including official statements of the Town which will be available from the MSRB.

(c) Subject to the requirements of Section 8 hereof, the Town reserves the right to modify from time to time the type of financial information and operating data provided or the format of the presentation of such financial information and operating data, to the extent necessary or appropriate; provided that the Town agrees that any such modification will be done in a manner consistent with the Rule. The Town also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Town shall provide the financial information and operating data referenced in Section 2(a) not later than eight months after each Fiscal Year End subsequent to the date of issuance of the Bonds, provided, however, that if such financial information and operating data for the Fiscal Year End preceding the date of issuance of the Bonds is not contained in the Official Statement for the Bonds or has not otherwise been previously provided, the Town shall provide such financial information and operating data no later than eight months after the close of such preceding Fiscal Year End. The Town agrees that if audited financial statements are not available eight months after the close of any Fiscal Year End, it shall submit unaudited financial statements by such time and will submit audited financial statements information when and if available.

Section 4. Event Notices. The Town agrees to provide, or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, of the occurrence of any of the following events:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership, or similar event of any obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving any obligated person or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake any such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if any, if material;
- (xv) incurrence of a Financial Obligation by any obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of any obligated person, any of which affect Bondholders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of any obligated person, any of which reflect financial difficulties.

Section 5. Notice of Failure. The Town agrees to provide, or cause to be provided, in a timely manner to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, notice of any failure by the Town to provide the annual financial information described in Section 2(a) of this Agreement on or before the date described in Section 3 of this Agreement.

Section 6. Termination of Reporting Obligation. The Town's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Agent. The Town may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Town may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Town, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds and (ii) this Agreement, as so amended, would have complied with the requirements of the Rule as of the date of this Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the Repository in electronic format. The Annual Report provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information or operating data provided.

Section 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or providing notice of the occurrence of any other event, in addition to that which is required by this Agreement. If the Town chooses to include any other information in any Annual Report or provide notice of the occurrence of any other event in addition to that which is specifically required by this Agreement, the Town shall have no obligation under this Agreement to update such information or include or provide such information or notice of the occurrence of such event in the future.

Section 10. Indemnification. The Town agrees, pursuant to applicable law, to indemnify and save its officials, officers and employees harmless against any loss, expense or liability which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability hereunder, but excluding any loss, expense or liability due to any such person's malicious, wanton, or willful act. The obligations of the Town under this Section shall survive termination of this Agreement.

Section 11. Enforceability. The Town agrees that its undertaking pursuant to the Rule set forth in this Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Bonds. In the event the Town shall fail to perform its duties hereunder, the Town shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Bonds of such failure. In the event the Town does not cure such failure, the right of any beneficial owner of the Bonds to enforce the provisions of this undertaking shall be limited to a right to obtain specific performance of the Town's obligations hereunder. No monetary damages shall arise or be payable hereunder, nor shall any failure to comply with this Agreement constitute a default of the Town with respect to the Bonds.

IN WITNESS WHEREOF, the Town has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

TOWN OF COVENTRY, CONNECTICUT

By: _____
Name: John Elsesser
Title: Interim Town Manager

By: _____
Name: Julia Chapman
Title: Town Treasurer

APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT – THE NOTES

CONTINUING DISCLOSURE AGREEMENT
Town of Coventry, Connecticut
\$2,070,000 General Obligation Bond Anticipation Notes
dated August __, 2023

August __, 2023

WHEREAS, the Town of Coventry, Connecticut (the “Town”) has heretofore authorized the issuance of \$2,070,000 in aggregate principal amount of its General Obligation Bond Anticipation Notes, dated August __, 2023 (the “Notes”), maturing on the dates and in the amounts set forth in the Town’s Official Statement dated August __, 2023 describing the Notes (the “Official Statement”); and

WHEREAS, the Notes have been sold by a competitive bid pursuant to a Notice of Sale, dated July 25, 2023 (the “Notice of Sale”); and

WHEREAS, in the Notice of Sale, the Town has heretofore acknowledged that an underwriter may not purchase or sell the Notes unless it has reasonably determined that the Town has undertaken in a written agreement for the benefit of the beneficial owners of the Notes to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5), as amended from time to time (the “Rule”), and the Town desires to assist the underwriter of the Notes in complying with the Rule; and

WHEREAS, the Town is authorized pursuant to Section 3-20e of the General Statutes of Connecticut to make such representations and agreements for the benefit of the beneficial owners of the Notes to meet the requirements of the Rule; and

WHEREAS, in order to assist the underwriter of the Notes in complying with the Rule, this Continuing Disclosure Agreement (this “Agreement”) is to be made, executed and delivered by the Town in connection with the issuance of the Notes and to be described in the Official Statement, all for the benefit of the beneficial owners of the Notes, as they may be from time to time;

NOW, THEREFORE, the Town hereby represents, covenants and agrees as follows:

Section 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto:

“Financial Obligation” shall mean any (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). Municipal securities as to which a final official statement has been filed with the Repository, consistent with the Rule, shall not be considered a Financial Obligation.

“Listed Events” shall mean any of the events listed in Section 2 of this Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, or any successor thereto.

“Repository” shall mean the Electronic Municipal Market Access (EMMA) system as described in 1934 Act Release No. 57577 for purposes of the Rule, the MSRB or any other nationally recognized municipal securities information repository or organization recognized by the SEC from time to time for purposes of the Rule.

“SEC” shall mean the Securities and Exchange Commission of the United States or any successor thereto.

Section 2. Event Notices. The Town agrees to provide, or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice to the Repository in electronic format, accompanied by identifying information, as prescribed by the MSRB, of the occurrence of any of the following events:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;

- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- (ix) modifications to rights of Noteholders, if material;
- (x) Note calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Notes, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership, or similar event of any obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving any obligated person or the sale of all or substantially all of the assets of any obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake any such an action or the termination of a definitive agreement relating to such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if any, if material;
- (xv) incurrence of a Financial Obligation by any obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of any obligated person, any of which affect Noteholders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of any obligated person, any of which reflect financial difficulties.

Section 3. Termination of Reporting Obligation. The Town's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes.

Section 4. Agent. The Town may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor agent.

Section 5. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Town may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Town, and is supported by an opinion of counsel expert in federal securities laws, to the effect that (i) such amendment or waiver would not materially adversely affect the beneficial owners of the Notes and (ii) this Agreement, as so amended, would have complied with the requirements of the Rule as of the date of this Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the Repository in electronic format. The Annual Report provided on the first date following adoption of any such amendment will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information or operating data provided.

Section 6. Additional Information. Nothing in this Agreement shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or providing notice of the occurrence of any other event, in addition to that which is required by this Agreement. If the Town chooses to disseminate any other information or provide notice of the occurrence of any other event in addition to that which is specifically required by this Agreement, the Town shall have no obligation under this Agreement to update such information or provide such information or notice of the occurrence of such event in the future.

Section 7. Indemnification. The Town agrees, pursuant to applicable law, to indemnify and save its officials, officers and employees harmless against any loss, expense or liability which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability hereunder, but excluding any loss, expense or liability due to any such person's malicious, wanton, or willful act. The obligations of the Town under this Section shall survive termination of this Agreement.

Section 8. Enforceability. The Town agrees that its undertaking pursuant to the Rule set forth in this Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Notes. In the event the Town shall fail to perform its duties hereunder, the Town shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Notes of such failure. In the event the Town does not cure such failure, the right of any beneficial owner of the Notes to enforce the provisions of this undertaking shall be limited to a right to obtain specific performance of the Town's obligations hereunder. No monetary damages shall arise or be payable hereunder, nor shall any failure to comply with this Agreement constitute a default of the Town with respect to the Notes.

IN WITNESS WHEREOF, the Town has caused this Continuing Disclosure Agreement to be executed in its name by its undersigned officers, duly authorized, all as of the date first above written.

TOWN OF COVENTRY, CONNECTICUT

By: _____
Name: John Elsesser
Title: Interim Town Manager

By: _____
Name: Julia Chapman
Title: Town Treasurer

APPENDIX F – NOTICE OF SALE- THE BONDS

NOTICE OF SALE

\$4,865,000

**TOWN OF COVENTRY, CONNECTICUT
GENERAL OBLIGATION BONDS, ISSUE OF 2023**

Electronic bids (as described herein) will be received by the **TOWN OF COVENTRY, CONNECTICUT** (the “Town”), until 11:30 A.M. (E.T.) Wednesday,

AUGUST 2, 2023

(the “Sale Date”) for the purchase of all, but not less than all, of the \$4,865,000 Town of Coventry, Connecticut General Obligation Bonds, Issue of 2023 (the “Bonds”). Electronic bids must be submitted via **PARITY®**. (See “Electronic Bidding Procedures”).

The Town reserves the right to make changes to the provisions of this Notice of Sale, including the date and time of the sale, prior to the date and time of sale set forth above. Any such changes will be posted through **PARITY®**. Prospective bidders are advised to check for such **PARITY®** postings prior to the above stated sale time.

The Bonds

The Bonds will be dated August 16, 2023, mature in the principal amounts of \$260,000 on August 15 in each of the years 2025 to 2028, both inclusive, and \$255,000 on August 15 in each of the years 2029 to 2043, both inclusive, bear interest payable on February 15, 2024 and semiannually thereafter on August 15 and February 15 in each year until maturity or earlier redemption, as further described in the Preliminary Official Statement for the Bonds dated July 25, 2023 (the “Preliminary Official Statement”).

The Bonds maturing on or before August 15, 2031 are not subject to redemption prior to maturity. The Bonds maturing on August 15, 2032 and thereafter are subject to redemption prior to maturity, at the election of the Town, on and after August 15, 2031, at any time, in whole or in part and by lot within a maturity, in such amounts and in such order of maturity as the Town may determine, at the respective prices (expressed as a percentage of the principal amounts of Bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid to the redemption date]:

| <u>Redemption Date</u> | <u>Redemption Price</u> |
|--------------------------------|-------------------------|
| August 15, 2031 and thereafter | 100% |

Nature of Obligation

The full faith and credit of the Town will be pledged for the prompt payment of the principal of and interest on the Bonds when due. The Bonds will be general obligations of the Town payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

Bank Qualification

The Bonds shall be designated by the Town as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended (the “Code”), for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.

Registration

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (“DTC”), registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 and integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, or its custodian, registered in the name of Cede & Co. Principal of and

interest on the Bonds will be payable by the Town or its agent in Federal funds to DTC or its nominee as registered owner of the Bonds. Principal and interest payments to participants of DTC will be the responsibility of DTC. Principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Electronic Bidding Procedures

Any prospective bidder intending to submit an electronic bid must submit its electronic bid through the facilities of **PARITY®**. Subscription to i-Deal LLC's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid and the Town will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of **PARITY®** shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Town. The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, **PARITY®**, the use of such facilities being the sole risk of the prospective bidder.

All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale. If any provisions of this Notice of Sale shall conflict with information provided by **PARITY®** as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021 - email notice: parity@i-deal.com).

Bid Specifications/Basis of Award

Each bid must be for the entire \$4,865,000 of Bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum. Bids shall not state more than one interest rate for any Bonds having the same maturity date. The highest interest rate bid for a maturity and the lowest rate bid for any other maturity may not differ by more than three (3%) percentage points. Interest shall be computed on the basis of twelve 30 day months and a 360 day year. No bid for less than all of the Bonds or for less than par and accrued interest, if any, will be considered.

For purposes of the electronic bidding process, the time as maintained by **PARITY®** shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Town, computed and rounded to six decimal places.

For the purpose of determining the successful bidder, the true interest cost to the Town will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to August 16, 2023, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued, if any, to August 16, 2023, the delivery date of the Bonds. It is requested that each bid be accompanied by a statement of the percentage of true interest cost computed and rounded to six decimal places. Such statement shall not be considered as a part of the bid. The Bonds will be awarded or all bids will be rejected promptly after the bid opening, but not later than 4:00 P.M. (E.T.) on the Sale Date. The purchase price must be paid in Federal funds.

The Town reserves the right to reject any and all bids and to waive any irregularity or informality with respect to any bid. The Town further reserves the right to postpone the sale to another time and date in its sole and absolute discretion for any reason, including, without limitation, internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Unless all bids are rejected or the bid is postponed, the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

Closing Documents and Legal Opinion

The Bonds will be certified by U.S. Bank Trust Company, National Association, Hartford, Connecticut. The legality of the Bonds will be passed upon by Robinson & Cole LLP, Hartford, Connecticut ("Bond Counsel"), and the winning bidder will be furnished with their opinion without charge. The winning bidder will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to Bond Counsel, a signed copy of the final Official Statement prepared for the Bonds, a certificate signed by the appropriate officials of the Town relating to the accuracy and completeness of information contained in the final Official Statement, and an executed Continuing Disclosure Agreement.

The legal opinion will further state that (i) under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, (ii) such interest is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax, however, such interest is taken into account in determining the adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022, (iii) under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay federal alternative minimum tax. In rendering its legal opinion, Bond Counsel will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Town for the benefit of the owners of the Bonds, and further, will assume compliance by the Town with the covenants and procedures set forth in such Tax Regulatory Agreement. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank Trust Company, National Association, Hartford, Connecticut, and will be available for examination upon request.

Obligation to Deliver Issue Price Certificate

Pursuant to the Code and applicable Treasury Regulations, the Town must establish the “issue price” of the Bonds. In order to assist the Town, the winning bidder is obligated to deliver to the Town a certificate (an “Issue Price Certificate”) and such additional information satisfactory to Bond Counsel described below, prior to the delivery of the Bonds. The Town will rely on the Issue Price Certificate and such additional information in determining the issue price of the Bonds. The form of Issue Price Certificate is available by contacting Bill Lindsay, Managing Director, Munistat Services, Inc., Email: bill.lindsay@munistat.com, Telephone: (203) 421-2880, municipal advisor to the Town (the “Municipal Advisor”).

By submitting a bid, each bidder is certifying that (i) it is an underwriter of municipal bonds which has an established industry reputation for underwriting new issuances of municipal bonds, (ii) its bid is a firm offer to purchase the Bonds, (iii) its bid is a good faith offer which the bidder believes reflects current market conditions, and (iv) its bid is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale rule relating to the establishment of the issue price of the Bonds pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the “Competitive Sale Rule”).

The Municipal Advisor will advise the winning bidder if the Competitive Sale Rule was met at the same time it notifies the winning bidder of the award of the Bonds. **Bids will not be subject to cancellation in the event that the Competitive Sale Rule is not satisfied.**

Competitive Sale Rule Met. If the Municipal Advisor advises the winning bidder that the Competitive Sale Rule has been met, the winning bidder shall, within one (1) hour after being notified of the award of the Bonds, advise the Municipal Advisor by electronic or facsimile transmission of the reasonably expected initial offering price to the public of each maturity of the Bonds as of the Sale Date.

Competitive Sale Rule Not Met. By submitting a bid, the winning bidder agrees (unless the winning bidder is purchasing the Bonds for its own account and not with a view to distribution or resale to the public) that if the Competitive Sale Rule is not met, it will satisfy either the **10% Sale Rule** or the **Hold the Offering Price Rule** described below with respect to each maturity of the Bonds prior to the delivery date of the Bonds. The rule selected with respect to each maturity of the Bonds shall be set forth on an Issue Price Rule Selection Certificate, the form of which is attached hereto, which shall be sent to the winning bidder promptly after the award of the Bonds. The winning bidder shall complete and execute the Issue Price Rule Selection Certificate and email it to Bond Counsel and the Municipal Advisor by 5:00 P.M. on the day after the Sale Date. **If the Issue Price Rule Selection Certificate is not returned by this deadline, or if no selection is made with respect to a maturity, the winning bidder agrees that the Hold the Offering Price Rule shall apply to such maturities.**

10% Sale Rule. To satisfy the 10% Sale Rule for any maturity of the Bonds, the winning bidder:

(i) will make a bona fide offering to the public of all of the Bonds at the initial offering prices and provide the Town with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel;

(ii) will report to the Town information regarding the actual prices at which at least 10 percent (10%) of the Bonds of each maturity have been sold to the public;

(iii) will provide the Town with reasonable supporting documentation or certifications of such sale prices, the form of which is acceptable to Bond Counsel. If the 10% Sale Rule is used with respect to a maturity of the Bonds, this reporting requirement will continue, beyond the closing date of the Bonds, if necessary, until such date that at least 10 percent (10%) of such maturity of the Bonds has been sold to the public; and

(iv) has or will include in any agreement among underwriters, selling group agreement or third party distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, language obligating each underwriter to comply with the reporting requirement described above.

Hold the Offering Price Rule. To satisfy the Hold the Offering Price Rule for any maturity of the Bonds, the winning bidder:

(i) will make a bona fide offering to the public of all of the Bonds at the initial offering prices and provide Bond Counsel with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel;

(ii) will neither offer nor sell to any person any Bonds of such maturity at a price that is higher than the initial offering price of such maturity until the earlier of (i) the date on which the winning bidder has sold to the public at least ten percent (10%) of the Bonds of such maturity at a price that is no higher than the initial offering price of such maturity or (ii) the close of business on the fifth (5th) business day after the Sale Date of the Bonds; and

(iii) has or will include within any agreement among underwriters, selling group agreement or third party distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, language obligating each underwriter to comply with the limitations on the sale of the Bonds as set forth above.

For purposes of the 10% Sale Rule or the Hold the Offering Price Rule, a “maturity” refers to Bonds that have the same interest rate, credit and payment terms.

If the winning bidder has purchased any maturity of the Bonds for its own account and not with a view to distribution or resale to the public, then, whether or not the Competitive Sale Rule was met, the Issue Price Certificate will recite such facts and identify the price or prices at which such maturity of the Bonds was purchased.

For purposes of this Notice of Sale, the “public” does not include the winning bidder or any person that agrees pursuant to a written contract with the winning bidder to participate in the initial sale of the Bonds to the public (such as a third party distribution agreement between a national lead underwriter and a regional firm under which the regional firm participates in the initial sale of the Bonds to the public). In making the representations described above, the winning bidder must reflect the effect on the offering prices of any “derivative products” (e.g., a tender option) used by the bidder in connection with the initial sale of any of the Bonds.

Settlement of the Bonds

The Bonds will be available for delivery on or about August 16, 2023. The deposit of the Bonds with DTC or its custodian under a book-entry system requires the assignment of CUSIP numbers prior to delivery. The Municipal Advisor shall obtain CUSIP numbers for the Bonds prior to delivery, and the Town will not be responsible for any delay occasioned by the failure of the winning bidder to obtain such numbers and to supply them to the Town in a timely manner. The Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the winning bidder.

The Preliminary Official Statement is in a form “deemed final” by the Town for purposes of SEC Rule 15c2-12(b)(1). The winning bidder will be furnished 25 copies of the final Official Statement prepared for the Bonds at the Town’s expense. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. The copies of the final Official Statement will be made available to the winning bidder no later than seven business days after the bid opening at the office of the Town’s Municipal Advisor. If the Municipal Advisor is provided with the necessary information from the winning bidder by 12:00 p.m. (noon) on the day after the bid opening, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

Continuing Disclosure

The Town will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) notice of the occurrence of certain events within 10 business days of the occurrence of such events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

Related Information

For more information regarding the Bonds and the Town, reference is made to the Preliminary Official Statement. Copies of the Preliminary Official Statement and the Issue Price Certificate may be obtained from the undersigned, or from Bill Lindsay, Managing Director, Munistat Services, Inc., Email: bill.lindsay@munistat.com, Telephone: (203) 421-2880, municipal advisor to the Town.

JOHN A. ELSESSER
Interim Town Manager

JULIA CHAPMAN
Town Treasurer

July 25, 2023

ISSUE PRICE RULE SELECTION CERTIFICATE

Town of Coventry, Connecticut
\$4,865,000 General Obligation Bonds, Issue of 2023

The undersigned, on behalf of [NAME OF UNDER/REP], [on behalf of itself and [OTHER UNDER], hereby certifies that it will use the rule selected below for the respective maturity of the above-captioned bonds (the “Bonds”), as described in the Notice of Sale for the Bonds, dated July 25, 2023 (the “Notice of Sale”). For a description of the requirements of each rule, please refer to the section “Obligation to Deliver Issue Price Certificate” in the Notice of Sale. Capitalized terms used but not defined herein are defined in the Notice of Sale.

| <u>Date of Maturity</u> | <u>Principal Amount</u> | <u>Interest Rate</u> _____ % | 10% Sale Rule (Underwriter has or will comply with 10% Sale Price Rule for this Maturity) | | Hold the Offering Price Rule (Underwriter will comply with Hold the Offering Price Rule for this Maturity) | |
|-------------------------|-------------------------|---------------------------------|---|--------------------|--|-------------------------------|
| | | | <u>Check Box</u> | <u>Sales Price</u> | <u>Check Box</u> | <u>Initial Offering Price</u> |
| 08/15/2024 | \$260,000 | _____ % | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2026 | 260,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2027 | 260,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2028 | 260,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2029 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2030 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2031 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2032 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2033 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2034 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2035 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2036 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2037 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2038 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2039 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2040 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2041 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2042 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |
| 08/15/2043 | 255,000 | _____ | <input type="checkbox"/> | \$ _____ | <input type="checkbox"/> | \$ _____ |

(All Sales Prices or Initial Offering Prices must be completed prior to the delivery date of the Bonds.)

[NAME OF UNDER/REP]

By: _____

Name:

Title:

Email this completed and executed certificate to the following by 5:00 P.M. on August 3, 2023:

Bond Counsel: gsantoro@rc.com

Municipal Advisor: bill.lindsay@munistat.com

APPENDIX G – NOTICE OF SALE- THE NOTES

NOTICE OF SALE

\$2,070,000

TOWN OF COVENTRY, CONNECTICUT GENERAL OBLIGATION BOND ANTICIPATION NOTES

Electronic bids (as described herein) will be received by the **TOWN OF COVENTRY, CONNECTICUT** (the “Town”), until 11:00 A.M. (E.T.) Wednesday,

AUGUST 2, 2023

(the “Sale Date”) for the purchase of all or a portion of the \$2,070,000 Town of Coventry, Connecticut General Obligation Bond Anticipation Notes (the “Notes”). Electronic bids must be submitted via **PARITY®**. (See “Electronic Bidding Procedures”).

The Town reserves the right to make changes to the provisions of this Notice of Sale, including the date and time of the sale, prior to the date and time of sale set forth above. Any such changes will be posted through **PARITY®**. Prospective bidders are advised to check for such **PARITY®** postings prior to the above stated sale time.

The Notes

The Notes will be dated August 16, 2023, and will be payable to the registered owner on August 15, 2024, as further described in the Preliminary Official Statement for the Notes dated July 25, 2023 (the “Preliminary Official Statement”). The Notes will bear interest (which interest shall be computed on the basis of twelve 30-day months and a 360-day year) payable at maturity at the rate or rates per annum set forth in the bid or bids accepted for their purchase, which rates shall be multiples of 1/1000 of one percent (1%) per annum.

The Notes are not subject to redemption prior to maturity.

Nature of Obligation

The full faith and credit of the Town will be pledged for the prompt payment of the principal of and interest on the Notes when due. The Notes will be general obligations of the Town payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Town without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

Bank Qualification

The Notes shall be designated by the Town as qualified tax exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended (the “Code”), for purposes of the deduction by financial institutions for interest expense allocable to the Notes.

Registration

The Notes will be issued by means of a book-entry system with no physical distribution of note certificates made to the public. The Notes will be issued in registered form and one note certificate for each interest rate will be issued to The Depository Trust Company, New York, New York (“DTC”), registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Notes in principal amounts of \$5,000 and integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidders, as a condition to delivery of the Notes, will be required to deposit the note certificates with DTC, or its custodian, registered in the name of Cede & Co. Principal of and interest on the Notes will be payable by the Town or its agent in Federal funds to DTC or its nominee as registered owner of the Notes. Principal and interest payments to participants of DTC will be the responsibility of DTC. Principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Town will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Electronic Bidding Procedures

Any prospective bidder intending to submit an electronic bid must submit its electronic bid through the facilities of **PARITY®**. Subscription to i-Deal LLC's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid and the Town will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of **PARITY®** shall be deemed an irrevocable offer to purchase the Notes on the terms provided in this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Town. The Town shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, **PARITY®**, the use of such facilities being the sole risk of the prospective bidder.

All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale. If any provisions of this Notice of Sale shall conflict with information provided by **PARITY®** as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021 - email notice: parity@i-deal.com).

Bid Specifications/Basis of Award

Proposals for the purchase of the Notes must provide the information set forth in accordance with the requirements prescribed herein. A proposal may be for all or any part of the Notes but any proposal for a part must be for not less than \$100,000, or a whole multiple thereof, and a separate proposal will be required for each part of the Notes for which a separate interest rate is bid. As between proposals resulting in the same lowest net interest cost (rounded to six decimal places) to the Town, the award will be made on the basis of the highest principal amount of the Notes specified. No bid for less than par and accrued interest, if any, will be considered and the Town reserves the right to award to any bidder all or any part of the Notes bid for in its proposal. If a bidder is awarded only a part of the Notes bid for in its proposal, any premium offered in such proposal will be proportionately reduced so that the resulting net interest cost to the Town with respect to the Notes awarded is the same as that contained in the bidder's proposal with respect to the entire amount bid, rounded to six decimal places. The Notes will be awarded or all bids will be rejected promptly after the bid opening, but not later than 4:00 P.M. (E.T.) on August 2, 2023. The purchase price must be paid in Federal funds.

For purposes of the electronic bidding process, the time as maintained by **PARITY®** shall constitute the official time. For information purposes only, bidders are requested to state in their bids the net interest cost to the Town, computed and rounded to six decimal places.

The Town reserves the right to reject any and all bids and to waive any irregularity or informality with respect to any bid. The Town further reserves the right to postpone the sale to another time and date in its sole and absolute discretion for any reason, including, without limitation, internet difficulties. The Town will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Unless all bids are rejected or the bid is postponed, the Notes will be awarded to the bidder or bidders offering to purchase the Notes or a portion thereof at the lowest net interest cost computed as to each interest rate stated by adding the total interest which will be paid at such rate and deducting therefrom the premium offered, if any.

Closing Documents and Legal Opinion

The Notes will be certified by U.S. Bank Trust Company, National Association, Hartford, Connecticut. The legality of the Notes will be passed upon by Robinson & Cole LLP, Hartford, Connecticut ("Bond Counsel"), and the winning bidders will be furnished with their opinion without charge. Each winning bidder will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to Bond Counsel, a signed copy of the final Official Statement prepared for the Notes, a certificate signed by the appropriate officials of the Town relating to the accuracy and completeness of information contained in the final Official Statement, and an executed Continuing Disclosure Agreement.

The legal opinion will further state that (i) under existing statutes and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes, (ii) such interest is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax, however, such interest is taken into account in determining the adjusted financial statement income of certain corporations for the purpose of computing the federal alternative minimum tax imposed on such corporations for tax years beginning after December 31, 2022, (iii) under existing statutes, interest on the Notes is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and

(iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay federal alternative minimum tax. In rendering its legal opinion, Bond Counsel will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the Town for the benefit of the owners of the Notes, and further, will assume compliance by the Town with the covenants and procedures set forth in such Tax Regulatory Agreement. A signed opinion and transcript of proceedings will be filed with U.S. Bank Trust Company, National Association, Hartford, Connecticut, and will be available for examination upon request.

Obligation to Deliver Issue Price Certificate

Pursuant to the Code and applicable Treasury Regulations, the Town must establish the “issue price” of the Notes. In order to assist the Town, each winning bidder is obligated to deliver to the Town a certificate (an “Issue Price Certificate”) and such additional information satisfactory to Bond Counsel described below, prior to the delivery of the Notes. The Town will rely on the Issue Price Certificate and such additional information in determining the issue price of the Notes. The form of Issue Price Certificate is available by contacting Bill Lindsay, Managing Director, Munistat Services, Inc., Email: bill.lindsay@munistat.com, Telephone: (203) 421-2880, municipal advisor to the Town (the “Municipal Advisor”).

By submitting a bid, each bidder is certifying that (i) it is an underwriter of municipal notes which has an established industry reputation for underwriting new issuances of municipal notes, (ii) its bid is a firm offer to purchase the Notes, (iii) its bid is a good faith offer which the bidder believes reflects current market conditions, and (iv) its bid is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale rule relating to the establishment of the issue price of the Notes pursuant to Section 148 of the Code, including the requirement that bids be received on all of the Notes from at least three (3) underwriters of municipal notes who have established industry reputations for underwriting new issuances of municipal notes (the “Competitive Sale Rule”).

The Municipal Advisor will advise the winning bidders if the Competitive Sale Rule was met at the same time it notifies the winning bidders of the award of the Notes. **Bids will not be subject to cancellation in the event that the Competitive Sale Rule is not satisfied.**

Competitive Sale Rule Met. If the Municipal Advisor advises the winning bidders that the Competitive Sale Rule has been met, the winning bidders shall, within one (1) hour after being notified of the award of the Notes, advise the Municipal Advisor by electronic or facsimile transmission of the reasonably expected initial offering price to the public of the Notes as of the Sale Date.

Competitive Sale Rule Not Met. By submitting a bid, the winning bidders agree (unless the winning bidder is purchasing the Notes for its own account and not with a view to distribution or resale to the public) that if the Competitive Sale Rule is not met, it will satisfy either the **10% Sale Rule** or the **Hold the Offering Price Rule** described below with respect to each maturity of the Notes prior to the delivery date of the Notes. The rule selected with respect to each maturity of the Notes shall be set forth on an Issue Price Rule Selection Certificate, the form of which is attached hereto, which shall be sent to the winning bidders promptly after the award of the Notes. The winning bidders shall complete and execute the Issue Price Rule Selection Certificate and email it to Bond Counsel and the Municipal Advisor by 5:00 P.M. on the day after the Sale Date. **If the Issue Price Rule Selection Certificate is not returned by this deadline, or if no selection is made, the winning bidders agree that the Hold the Offering Price Rule shall apply to such Notes.**

10% Sale Rule. To satisfy the 10% Sale Rule for any maturity of the Notes, the winning bidders:

(i) will make a bona fide offering to the public of all of the Notes at the initial offering prices and provide the Town with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel;

(ii) will report to the Town information regarding the actual prices at which at least 10 percent (10%) of the Notes (or each maturity thereof, if applicable) have been sold to the public;

(iii) will provide the Town with reasonable supporting documentation or certifications of such sale prices, the form of which is acceptable to Bond Counsel. If the 10% Sale Rule is used with respect to a maturity of the Notes, this reporting requirement will continue, beyond the closing date of the Notes, if necessary, until such date that at least 10 percent (10%) of such maturity of the Notes has been sold to the public; and (iv) has or will include in any agreement among underwriters, selling group agreement or third party distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, language obligating each underwriter to comply with the reporting requirement described above.

Hold the Offering Price Rule. To satisfy the Hold the Offering Price Rule for any maturity of the Notes, the winning bidders:

(i) will make a bona fide offering to the public of all of the Notes at the initial offering price(s) and provide Bond Counsel with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel;

(ii) will neither offer nor sell to any person any Notes at a price that is higher than the initial offering price of such Notes until the earlier of (i) the date on which the winning bidder has sold to the public at least ten percent (10%) of such maturity of the Notes at a price that is no higher than the initial offering price of such maturity of the Notes or (ii) the close of business on the fifth (5th) business day after the Sale Date of the Notes; and

(iii) has or will include within any agreement among underwriters, selling group agreement or third party distribution agreement (to which each winning bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, language obligating each underwriter to comply with the limitations on the sale of the Notes as set forth above.

For purposes of the 10% Sale Rule or the Hold the Offering Price Rule, a “maturity” refers to Notes that have the same interest rate, credit and payment terms.

If a winning bidder has purchased any maturity of the Notes for its own account and not with a view to distribution or resale to the public, then, whether or not the Competitive Sale Rule was met, the Issue Price Certificate will recite such facts and identify the price or prices at which such maturity of the Notes was purchased.

For purposes of this Notice of Sale, the “public” does not include the winning bidders or any person that agrees pursuant to a written contract with the winning bidders to participate in the initial sale of the Notes to the public (such as a third party distribution agreement between a national lead underwriter and a regional firm under which the regional firm participates in the initial sale of the Notes to the public). In making the representations described above, the winning bidders must reflect the effect on the offering prices of any “derivative products” (e.g., a tender option) used by the winning bidder in connection with the initial sale of any of the Notes.

Settlement of the Notes

The Notes will be available for delivery on or about August 16, 2023. The deposit of the Notes with DTC or its custodian under a book-entry system requires the assignment of CUSIP numbers prior to delivery. The Municipal Advisor shall obtain CUSIP numbers for the Notes prior to delivery, and the Town will not be responsible for any delay occasioned by the failure of the winning bidders to obtain such numbers and to supply them to the Town in a timely manner. The Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the winning bidder(s).

The Preliminary Official Statement is in a form “deemed final” by the Town for purposes of SEC Rule 15c2-12(b)(1). The winning bidders will be furnished 25 copies of the final Official Statement prepared for the Notes at the Town’s expense. Additional copies may be obtained by the winning bidders at their own expense by arrangement with the printer. The copies of the final Official Statement will be made available to the winning bidders no later than seven business days after the bid opening at the office of the Town’s Municipal Advisor. If the Municipal Advisor is provided with the necessary information from the winning bidders by 12:00 p.m. (noon) on the day after the bid opening, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, ratings, yields or reoffering prices, and the names of the winning bidders of the Notes.

Continuing Disclosure

The Town will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide notice of the occurrence of certain events within 10 business days of the occurrence of such events with respect to the Notes. Each winning bidder’s obligation to purchase the Notes shall be conditioned upon its receiving, at or prior to the delivery of the Notes, an executed copy of the Continuing Disclosure Agreement for the Notes.

Related Information

For more information regarding the Notes and the Town, reference is made to the Preliminary Official Statement. Copies of the Preliminary Official Statement and the Issue Price Certificate may be obtained from the undersigned, or from Bill Lindsay, Managing Director, Munistat Services, Inc., Email: bill.lindsay@munistat.com, Telephone: (203) 421-2880, municipal advisor to the Town.

JOHN A. ELSESSER
Interim Town Manager

JULIA CHAPMAN
Town Treasurer

July 25, 2023

ISSUE PRICE RULE SELECTION CERTIFICATE

Town of Coventry, Connecticut
 \$2,070,000 General Obligation Bond Anticipation Notes

The undersigned, on behalf of [NAME OF UNDER/REP], [on behalf of itself and [OTHER UNDER], hereby certifies that it will use the rule selected below for the respective maturity of the above-captioned notes (the "Notes"), as described in the Notice of Sale for the Notes, dated July 25, 2023 (the "Notice of Sale"). For a description of the requirements of each rule, please refer to the section "Obligation to Deliver Issue Price Certificate" in the Notice of Sale. Capitalized terms used but not defined herein are defined in the Notice of Sale.

| | | | | | | |
|---|--|-----------------------------------|---|------------------------------------|--|---|
| Date of Maturity 08/15/2024 | Principal Amount 2,070,000 | Interest Rate _____ | 10% Sale Rule (Underwriter has or will comply with 10% Sale Price Rule for this Maturity) | | Hold the Offering Price Rule (Underwriter will comply with Hold the Offering Price Rule for this Maturity) | |
| | | | Check Box <input type="checkbox"/> | Sales Price \$ _____ | Check Box <input type="checkbox"/> | Initial Offering Price \$ _____ |

(All Sales Prices or Initial Offering Prices must be completed prior to the delivery date of the Notes.)

[NAME OF UNDER/REP]

By: _____

Name:

Title:

Email this completed and executed certificate to the following by 5:00 P.M. on August 3, 2023:

Bond Counsel: gsantoro@rc.com

Municipal Advisor: bill.lindsay@munistat.com