

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 17, 2024

NEW MONEY ISSUE

S&P GLOBAL RATINGS (See “Ratings” herein): AA+

In the opinion of Bond Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the Town with certain representations and covenants relating to the applicable requirements of the Internal Revenue Code of 1986 (the “Code”), under existing law, 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 the federal alternative minimum tax under the Code; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations. In the opinion of Bond Counsel, 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. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. (See “Tax Matters” herein.)

**TOWN OF KILLINGLY, CONNECTICUT
\$10,000,000* GENERAL OBLIGATION BONDS, ISSUE OF 2024**

Dated: Date of Delivery

Due: May 1, as shown below

MATURITY SCHEDULE									
Maturity	Amount*	Coupon	Yield	CUSIP ¹	Maturity	Amount*	Coupon	Yield	CUSIP ¹
2025	\$500,000			494242---	2035	\$500,000			494242---
2026	500,000			494242---	2036	500,000			494242---
2027	500,000			494242---	2037	500,000			494242---
2028	500,000			494242---	2038	500,000			494242---
2029	500,000			494242---	2039	500,000			494242---
2030	500,000			494242---	2040	500,000			494242---
2031	500,000			494242---	2041	500,000			494242---
2032	500,000			494242---	2042	500,000			494242---
2033	500,000			494242---	2043	500,000			494242---
2034	500,000			494242---	2044	500,000			494242---

The Bonds are being offered for sale in accordance with an official Notice of Sale dated April 17, 2024. Electronic bids via PARITY® for the Bonds will be received until 11:30 A.M. (Eastern Time) on Thursday, April 25, 2024 at Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443 as described in the Notice of Sale (See Appendix D to this Official Statement).

Interest on the Bonds will be payable November 1, 2024 and semiannually thereafter on May 1 and November 1 in each year until maturity. The \$10,000,000* General Obligation Bonds, Issue of 2024 (the “Bonds”) will be general obligations of the Town of Killingly, 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.

The Bonds are subject to optional redemption as described more fully herein. See “Redemption Provisions” herein.

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

The Registrar, Transfer Agent, Certifying Agent and Paying Agent for the Bonds will be U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut.

The Bonds are offered for delivery when, as and if issued, subject to the final approving opinion of Pullman & Comley, LLC, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry-only form will be made to DTC in New York, New York on or about May 9, 2024.

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

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

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell, or a solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which said offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

No dealer, broker, salesperson or other person has been authorized by the Town of Killingly, Connecticut (the “Town”) or the Municipal Advisor to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Town or the Municipal Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness.

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

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 of this Official Statement.

Other than as to matters expressly set forth in Appendix A – “Basic Financial Statements” to this Official Statement, 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.

Other than matters expressly set forth in Appendix B to this Official Statement, 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.

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 provide, (i) annual financial information and operating data; (ii) notice of the occurrence of certain events not in excess of 10 business days after the occurrence of such events, 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 to be executed in substantially the form of Appendix C to 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).

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, any such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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.

This Official Statement may include “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words “may,” “believe,” “could,” “might,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate,” “contemplate,” “continue,” “target,” “goal” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Official Statement are based on information available to the Town up to the date as of which such statements are to be made, or otherwise up to, and including, the date of this document, and the Town assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to (i) the effect of and from, future municipal, state and federal budgetary matters, including state and federal grants and other forms of financial aid to the Town; (ii) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iii) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the Town; (iv) financial services industry developments; (v) litigation or arbitration; (vi) climate and weather related developments, natural disasters and other acts of God; (vii) factors used in estimating future obligations of the Town; (viii) the effects of epidemics and pandemics, including economic effects; (ix) foreign hostilities or wars; (x) foreign or domestic terrorism or domestic violent extremism; and (xi) other factors contained in this Official Statement.

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BOND ISSUE SUMMARY

The information in this Bond Issue Summary, the front cover, and the 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:	<u>Thursday, April 25, 2024, 11:30 A.M. (Eastern Time).</u>
Location of Sale:	Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443.
Issuer:	Town of Killingly, Connecticut (the “Town”).
Issue:	\$10,000,000* General Obligation Bonds, Issue of 2024 (the “Bonds”).
Dated Date:	Date of delivery.
Interest Due:	Semiannually on May 1 and November 1 in each year until maturity, commencing November 1, 2024.
Principal Due:	Serially, May 1, 2025 through May 1, 2044 as detailed in this Official Statement.
Purpose and Authority:	The proceeds of the Bonds will be used to fund various capital projects as authorized by the voters of the Town. See “Authorization and Use of Proceeds” herein
Redemption:	The Bonds are subject to redemption prior to maturity as more fully described herein. See “Redemption Provisions”, herein.
Security:	The Bonds will be general obligations of the Town and the Town will pledge its full faith and credit to the payment of principal of and interest on the Bonds when due.
Credit Rating:	The Town received a credit rating of “AA+” with a stable outlook from S&P Global Ratings (“S&P”) on the Bonds. See “Ratings” herein.
Bond Insurance:	The Town does not expect to direct purchase a credit enhancement facility.
Basis of Award:	Lowest True Interest Cost (TIC), as of dated date.
Tax Exemption:	See “Tax Matters” herein.
Bank Qualification:	The Bonds will not be designated by the Town as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, 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 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) notice of certain events not in excess of ten (10) business days of the occurrence of such events and (iii) timely notice of a failure to provide the required financial information by the date specified pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the form attached as Appendix C to this Official Statement.
Registrar, Transfer Agent, Certifying Agent Paying Agent:	U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27 th Floor, Hartford, Connecticut 06013.
Legal Opinion:	Pullman & Comley, LLC of Bridgeport and 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 May 9, 2024 against payment in Federal Funds .
Issuer Official:	Questions concerning the Official Statement should be directed to Jennifer M. Hawkins, Director of Finance, Town of Killingly, 172 Main Street, Killingly, Connecticut 06239. Telephone: 860-779-5337.
Municipal Advisor:	Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, Connecticut 06443, attention: Susan Caron, Vice President, Telephone: 860-372-1887.

The Preliminary Official Statement is available in electronic form only at www.i-dealpropectus.com and munistat.com. For additional information please contact the Municipal Advisor at susan.caron@munistat.com or mark.chapman@munistat.com

*Preliminary, subject to change.

I. SECURITIES OFFERED

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain information relating to the Town of Killingly, Connecticut (the “Town”) in connection with the issuance of \$10,000,000* General Obligation Bonds, Issue of 2024 (the “Bonds”) of the Town, and may not be reproduced or used in whole or in part for any other purpose.

The Bonds are being offered for sale at public bidding. A Notice of Sale dated April 17, 2024 has been furnished to prospective bidders. Reference is made to the Notice of Sale (See Appendix D to this Official Statement) for the terms and conditions of the bidding on the Bonds.

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

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

Munistat Services, Inc. (“Munistat”) is engaged as the “Municipal Advisor” to the Town in connection with the issuance of the Bonds. The Municipal Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. 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, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

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

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

DESCRIPTION OF THE BONDS

The Bonds will be dated the date of delivery and will mature in annual installments on May 1 in each of the years and in principal amounts set forth on the cover page of this Official Statement. The Bonds will be issued in denominations of \$5,000 or any integral multiples thereof. Interest on the Bonds will be payable semiannually on May 1 and November 1 in each year until maturity, commencing on November 1, 2024 and will be payable to the registered owners of the Bonds as of the close of business on the fifteenth day of April and October in each year or the preceding business day if the fifteenth is not a business day. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

*Preliminary, subject to change.

A book-entry-only transfer system will be employed evidencing ownership of the Bonds with transfers of ownership on the records of The Depository Trust Company, New York, New York (“DTC”), and its participants pursuant to rules and procedures established by DTC and its participants. See “Book-Entry-Only Transfer System” herein.

The Certifying Agent, Paying Agent, Registrar and Transfer agent for the Bonds will be U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut. The legal opinion on the Bonds will be rendered by Pullman & Comley, LLC, in substantially the form set forth in Appendix B to this Official Statement.

The Bonds are subject to redemption prior to maturity as more fully described herein. See “Redemption Provisions” herein.

REDEMPTION PROVISIONS

The Bonds maturing on or before May 1, 2032 are not subject to redemption prior to maturity. The Bonds maturing on May 1, 2033 and thereafter are subject to redemption prior to maturity, at the option of the Town, on and after May 1, 2032, 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>Redemption Dates</u>	<u>Redemption Price</u>
May 1, 2032 and thereafter	100.00%

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.

ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE OF THE BONDS

The Town reserves the right to change the maturity schedule after the determination of the winning bidder. In such event, the final aggregate principal amount of the Bonds will be increased or decreased by the net amount of such change or changes in principal amount of one or more maturities. The winning bidder will be required to provide the coupon, yield and reoffering price information to be included in the issue price certificate, if requested, for purposes of determining the adjustment. The dollar amount bid by the bidder will be adjusted to reflect any adjustments in the final maturity schedule and the aggregate principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but every effort will be made not to change the per bond underwriter's discount as calculated from the bid and the initial reoffering prices required to be delivered to the Town as stated herein. **The winning bidder may not withdraw its bid or change the interest rates bid or initial reoffering prices provided as a result of any changes made to the principal amounts within these limits.**

BOOK-ENTRY-ONLY TRANSFER SYSTEM

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

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered 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.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 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 obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

REPLACEMENT BONDS

The determination of the Town officials authorizing the issuance of the Bonds provides for issuance of fully-registered bond and note certificates directly to Beneficial Owners of the Bonds or their nominees in the event that: (a) DTC

determines not to continue to act as securities depository for the Bonds, and the Town fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the Town determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Town is authorized to issue fully registered Bonds directly to the Beneficial Owner. A Beneficial Owner of the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

DTC PRACTICES

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

SECURITY AND REMEDIES

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

Unless paid from other sources, the Bonds are payable from general property tax revenues. The Town has the power under Connecticut General Statutes to levy ad valorem taxes on all taxable property in the Town without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. The Town may place a lien on the property for the amount of tax relief granted, plus interest, with respect to dwelling houses of qualified elderly persons of low income or qualified disabled persons. Under existing statutes, the State of Connecticut is obligated to pay the Town the amount of tax revenue that the Town would have received except for the limitation upon its power to tax such dwelling houses.

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

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

The Town is subject to suit on its general obligation bonds and notes (the "obligations") 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 obligations from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising their discretion as to whether to enter such an order, the courts may take into account all relevant factors including the current operating needs of the Town and the availability and adequacy of other remedies.

Enforcement of a claim for payment of principal of or interest on the Bonds would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted by the Congress or the Connecticut General Assembly 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 thereof, or by State law or 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 under Chapter 9 of Title 11 of the United States Code 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 notes or other obligations.

TAX MATTERS

Federal Taxes. In the opinion of Bond Counsel, under existing law, (i) interest on the Bonds is excluded from gross income for federal income tax purposes, and (ii) such interest is not an item of tax preference for purposes of the

federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations.

Bond Counsel's opinion with respect to the Bonds will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the Town with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986 (the "Code"). The Code and regulations promulgated thereunder establish certain requirements which must be satisfied at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds irrespective of the date on which such noncompliance occurs. In the Tax Regulatory Agreement, which will be delivered concurrently with the issuance of the Bonds, the Town will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code including, but not limited to, investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of the Bond proceeds and certain other matters. The opinion of Bond Counsel delivered on the date of issuance of the Bonds is conditioned upon compliance by the Town with such requirements.

No other opinion is expressed by Bond Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Bonds.

Original Issue Discount. The initial public offering prices of certain maturities of the Bonds may be less than the stated principal amount (the "OID Bonds"). Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Bonds will constitute original issue discount. The offering prices relating to the yields set forth on the cover page of this Official Statement for such OID Bonds are expected to be the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the OID Bonds are sold. Under existing law, original issue discount on the OID Bonds accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if interest on the OID Bonds is excludable from gross income for federal income tax purposes.

Under the Code, for purposes of determining an owner's adjusted basis in an OID Bond purchased at an original issue discount, original issue discount is treated as having accrued while the owner holds such OID Bond and will be added to the owner's basis. The owner's adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of such an OID Bond.

Prospective purchasers of OID Bonds should consult their own tax advisors as to the calculation of accrued original issue discount, the accrual of original issue discount in the case of owners of OID Bonds purchasing such OID Bonds after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Bonds.

Original Issue Premium. The initial public offering prices of certain maturities of the Bonds may be more than their stated principal amounts payable at maturity (the "OIP Bonds"). In general, an owner who purchases an OIP Bond must amortize the original issue premium as provided in the applicable Treasury Regulations, and amortized premium reduces the owner's basis in the OIP Bond for federal income tax purposes. Prospective purchasers of OIP Bonds at a premium to its principal amount should consult their tax advisors regarding the amortization of premium and its effect upon basis.

Other Federal Tax Matters. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, certain insurance companies, recipients of Social Security or Railroad Retirement benefits, certain S corporations, foreign corporations subject to the branch profits tax, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxes. In the opinion of Bond Counsel, 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 for individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on an OID Bond is also 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 for individuals, trusts and estates required to pay the federal alternative minimum tax.

Owners of the Bonds should consult their own tax advisors with respect to the determination for state and local income tax purposes of original issue discount or original issue premium accrued upon sale or redemption thereof, and with respect to the state and local tax consequences of owning or disposing of such Bonds.

Changes in Federal and State Tax Law. Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

Investors in the Bonds should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Bonds may be adversely affected and the ability of holders to sell their Bonds in the secondary market may be reduced. The Bonds are not subject to special mandatory redemption, and the interest rates on the Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Bonds.

General. The opinion of Bond Counsel is rendered as of its date, and Bond Counsel assumes no obligation to update or supplement its opinion to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the date of its opinion. Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date of issuance. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The discussion above does not purport to deal with all aspects of federal or state or local taxation that may be relevant to a particular owner of the Bonds. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal, state and local tax consequences of owning and disposing of the Bonds.

GLOBAL EMERGENCY HEALTH RISKS

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 \$3.9 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, 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 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 the 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, including comprehensive procedures relating to the security of the Town's government networks. Additionally, the Town purchases cybersecurity insurance, so that a claim can be made to the insurance provider in the event of a cyber-attack. To date no breaches have occurred. 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.

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. The Town faces other threats due to climate change, including damaging wind that could become more severe and frequent. The Town has a very active program of tree inspections and removals. While the Town cannot predict the timing, extent or severity of climate change and its impact on the Town's operations and finances, the Town believes it holds sufficient reserves and annually budgets for contingencies to address unforeseen expenses resulting from the increasing frequency of severe weather. The Town is prepared to quickly respond and recover from any such events that would exceed its annual operating budget. In an effort to address climate change, the Town has enrolled in the Sustainable CT program and received a "Bronze" designation from the program. The Town's goal is to obtain "Gold" designation within the next 2 to 3 years.

QUALIFICATIONS FOR FINANCIAL INSTITUTIONS

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

AVAILABILITY OF CONTINUING DISCLOSURE

The Town prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State Office of Policy and Management within six months of the end of its fiscal year. The Town provides,

and will continue to provide, to the rating agency ongoing disclosure in the form of annual audited financial statements, adopted budgets and other materials relating to its management and financial condition as may be necessary or requested.

The Town will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the “Continuing Disclosure Agreement”), to provide or cause to be provided, in accordance with the requirements of SEC Rule 15c2-12, (i) annual financial information and operating data with respect to the Bonds, (ii) timely notice of the occurrence of certain events not in excess of ten (10) business days of the occurrence of such events for the Bonds; and (iii) timely notice of a failure by the Town to provide the required annual information with respect to the Bonds as specified in the Continuing Disclosure Agreement.

The Town has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of certain of its general obligation bonds or notes to provide annual financial information and event notices pursuant to Rule 15c2-12(b)(5). In the past five years, the Town has not failed to comply in any material respect with its previous undertakings under such agreements, except for: 1) the failure to make timely filings on EMMA of annual financial information and operating data for its fiscal year ending June 30, 2020. The audited financial statements for fiscal year ending June 30, 2020 were completed and the Town submitted all required information on April 16, 2021. Field work from the auditor and the close-out of the Town’s financial records were delayed as a result of the COVID-19 pandemic. 2) the failure to make timely filings on EMMA of annual financial information and operating data for its fiscal year ending June 30, 2022. The audited financial statements for fiscal year ending June 30, 2022 were completed and the Town submitted all required information on June 8, 2023. Staffing issues on the part of the auditor and Board of Education led to a delay in closing out the fiscal year. 3) the failure to make timely filings on EMMA of annual financial information and operating data for its fiscal year ending June 30, 2023. The audited financial statements for fiscal year ending June 30, 2023 were completed and the Town submitted all required information on April 17, 2023.

AUTHORIZATION AND USE OF PROCEEDS

The Bonds are issued pursuant to Section 7-369 and Section 10-289 of the General Statutes of Connecticut and borrowing resolutions approved by the voters of the Town on February 21, 2017 for the Renovations to Town Hall/Community Center and November 16, 2021 for the Westfield Avenue School/Community Center Project

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

<u>Project</u>	<u>Amount</u> <u>Authorization</u>	<u>Previously</u> <u>Bonded</u>	<u>Grants/</u>	<u>Bonds This</u> <u>Issue*</u>	<u>Authorized</u> <u>Unissued</u>
			<u>Encumbrance/</u> <u>Premium Applied</u>		
Westfield Ave/Community Center Project.....	\$ 27,800,000	\$2,000,000	\$ 107,000	\$ 8,400,000	\$17,293,000
Renovations to Town Hall/Community Center..	3,200,000	1,555,000	-	1,600,000	45,000
Total All Projects.....	\$ 31,000,000	\$3,555,000	\$ 107,000	\$10,000,000	\$17,338,000

Note: The Issuer may reallocate proceeds among its authorized projects to meet its capital cash flow needs.

RATINGS

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

Generally, a rating agency bases ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. The rating reflects only the view of the rating agency and an explanation of the significance of such rating may be obtained from S&P Global Ratings, 55 Water Street, 45th Floor, New York, New York 10041. There is no assurance that the rating will continue for any given period of time or that it will not be lowered or withdrawn entirely by such rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability or market price of the Town’s bonds or notes, including the Bonds.

Certain outstanding bonds of the Town are rated “Aa3” by Moody’s Investors Services, Inc. (“Moody’s”).

*Preliminary, subject to change.

II. THE ISSUER



DESCRIPTION OF THE TOWN

The Town of Killingly is located in the northeastern corner of the state. Covering an area of 48.5 square miles, Killingly is bordered by the Towns of Pomfret and Brooklyn to the west, the State of Rhode Island to the east, the Town of Putnam to the north, and the Towns of Plainfield and Sterling to the South. The Town is comprised of the villages of Attawaugan, Ballouville, Dayville, East Killingly, Rogers, South Killingly and the Borough of Danielson.

The Town is located approximately 50 miles from Hartford, the State Capital; 70 miles from Boston; 25 miles from Providence, Rhode Island and 30 miles from Worcester, Massachusetts.

Killingly's first known settler arrived from Rehoboth, Massachusetts in 1693. In the early 1700s, other settlers followed, mostly from the Boston area. In 1708 the Town was incorporated.

Killingly is served by an extensive network of highways that provide easy access to local and regional markets. Interstate 395 runs north and south connecting the Connecticut coast with Worcester, Massachusetts. Route 6 runs east and west connecting Hartford to Providence, Rhode Island. State Routes 12, 101 and 21 also intersect the Town. The Providence and Worcester Railroad provides rail freight service to area industries. Bradley International Airport in Windsor Locks, Connecticut, Worcester Airport, and TF Green International Airport in Warwick, Rhode Island are all within an hour's drive from Killingly. State-owned Danielson Airport provides small aircraft service to the area.

The Town has actively sought to expand and diversify its economic base while preserving its natural resources. It has welcomed industries such as Frito-Lay, Staples, Walgreens, and Winchester Interconnect as well as growing micro manufacturing companies from within, due to workforce readiness.

ECONOMIC DEVELOPMENT

The Town is home to the Killingly Industrial Park, at Exit 43 off Interstate 395. More than 3,200 employees work for companies located there, occupying a total of 2,100,000 square feet. In 2014 Frito-Lay, Inc., the largest employer and major taxpayer to the Town, completed an \$8 million expansion of its facility. Spirol International Corporation completed a 36,000 square foot expansion of its corporate headquarters here. In addition, Putnam Plastics most recent manufacturing expansion added 57,000 square feet to their single source integration technology in medical catheter development. The Quinebaug Valley Community College prepares students and employees for technical jobs at the Advanced Technology Manufacturing Center.

Located off Exit 41 of Interstate 395, Killingly Commons is a shopping center with 525,000 square feet of retail space and parking for 2,500 vehicles. Anchor tenants are Lowe’s Home Improvement, Stop & Shop and Target. Additional retail is located at Killingly Plaza and the Four Corners Plaza. In the downtown area, 19 buildings have upgraded facades, funded through a \$1 million Special Act Grant from the CT Department of Community & Economic Development.

Killingly is an Eastern Connecticut Enterprise Corridor community, offering incentives and benefits to manufacturers who locate here. Business opportunities abound, whether it is available buildings, vacant land or sites with rail access. Historic mill properties offer the potential for a combination of commercial, industrial and residential uses to spur redevelopment in Mill Mixed Use Development Districts. Killingly is located in the Last Green Valley, a National Heritage Corridor of 35 towns in northeastern Connecticut and southern Massachusetts.

The Killingly Business Association is an active merchants’ group of over 100 businesses located throughout the Town and includes the National Historic Main Street District.

FORM OF GOVERNMENT

The Town adopted a Home Rule Council/Town Manager form of government by referendum in 1969. The Town Council is the legislative and policy making body that adopts the annual general government and education budgets for submission to the Annual Town Meeting, enacts local ordinances, and appoints a Town Manager. There are nine members of the Town Council: five are elected on a partisan basis from five districts with four members elected at large for two-year concurrent terms. The Councilors elect a Chairman to serve a two-year term and make appointments to boards and commissions per the Town Charter. The Town Manager serves as the Chief Executive Officer of the municipality.

The Board of Education is comprised of nine members. Members are elected to four-year staggered terms to allow for continuity. The Board of Education appoints the Superintendent of Schools, who administers the Killingly school system that is comprised of one high school, one middle school, two elementary schools and a preschool.

PRINCIPAL TOWN OFFICIALS

<u>Office</u>	<u>Name</u>	<u>Manner of Selection</u>	<u>Term</u>	<u>Years of Service</u>
Town Manager.....	Mary Calorio.....	Appointed	Indefinite	4 Years ¹
Town Council Chairman.....	Jason Anderson.....	Elected/4 Years	12/2021-12/2025	7 Years
Director of Finance/Treasurer.....	Jennifer Hawkins.....	Appointed	Indefinite	5 Years
Superintendent of Schools.....	Susan Nash-Ditzel.....	Appointed	Indefinite	3 Years ²
Revenue Collector.....	April Lamothe.....	Appointed	Indefinite	1 Year
Assessor.....	Kathleen Thornton.....	Appointed	Indefinite	3 Years
Planning & Development.....	Ann-Marie L. Aubrey.....	Appointed	Indefinite	7 Years
Economic Development Director.....	Jill St. Clair.....	Appointed	Indefinite	3 Years

¹ Served as Finance Director for the Town of Killingly from December 2009 to February 2017 and served as Town Manager for the Town of Putnam from February 2017 to March 2019.

² Served as Assistant Superintendent from July 2021 to June 2023 and served as Superintendent since July 2023.

Source: Town Officials.

SUMMARY OF MUNICIPAL SERVICES

Police Protection: Killingly is served by a hybrid Resident State Trooper program and local Constable program. Currently, the Town contracts for one resident trooper and employs eight full time certified officers as Constables, one School Resource Officer (“SRO”) and five Armed School Security Officers. Troop “D” of the Connecticut State Police is located in Killingly and provides additional law enforcement support to this program and the community.

Fire Protection: Fire protection is provided by seven volunteer fire companies organized in separate taxing districts throughout the Town that operate on a mutual aid basis: Attawaugan Fire Company, Danielson Fire Department, Dayville Fire Company, East Brooklyn Fire Department, East Killingly Fire Company, South Killingly Fire Department and Williamsville Fire Department. All districts are connected to the 911 Emergency Dispatch system.

Building Inspection: The Building Safety and Inspection Office enforces regulations that concern all matters of construction, alterations, additions, repair, removal, demolition and occupancy of all buildings and structures to ensure public safety, health and welfare and adherence to the Connecticut Basic Building Code and Connecticut Fire Safety Code. The Building Official issues required permits and inspects any project that will affect the strength or integrity of a structure or involves replacing all or part of plumbing, electrical or heating systems. The Fire Marshal inspects convalescent homes, restaurants, day care centers, schools and other places of public assembly, investigates causes of fires, and issues blasting and burning permits. This Office also enforces the Town of Killingly Rental Housing Code by inspecting vacant rental units to improve the safety and adequacy of such units. This Office also enforces the Killingly Solid Waste Ordinance and responds to related complaints of violations.

Water: Connecticut Water Company, a privately operated water utility, serves the industrial, commercial and high density residential sections of the Town with the remainder of the Town served by individual wells.

Sewer: The Killingly Water Pollution Control Authority, which consists of a five-member board appointed by the Town Council for five-year terms, is responsible for the operation and maintenance of an eight million GPD secondary sewer treatment plant and nearly thirty miles of sewer mains that afford the Town sewer service and growth potential. The Authority recommends an annual budget and capital project budget to the Town Council and sets the required user rates and special assessment levels for the system. The Town contracts with a privately owned company, Suez, Inc., for the day-to-day operations of the sewer treatment plant and sewer main system. In August 2014, the Town approved a \$25,800,000 upgrade to its sewer treatment facility. The project was completed in January 2022.

Solid Waste: The Town contracts with Willimantic Waste Paper Company, Inc. for the operation of its waste transfer and recycling center. Bagged solid waste is accepted at the facility from residential permit holders only. The Town is currently in negotiations with Willimantic Waste Paper Company to extend the disposal contract for solid waste generated by the waste transfer and recycling center. The current disposal fee is \$87.00 per ton. Although the Town does not provide refuse collection, a number of private contractors operate within Town.

The Town’s landfill for solid waste disposal is closed; however, state and federal regulations require landfill closures to meet certain ongoing standards. Costs for monitoring the landfill are estimated to be \$20,000 per year for the next 10 years as of June 30, 2023. These estimates are subject to change due to factors including inflation, technology or applicable laws and regulations.

Town Roads: The Town’s Highway Division in the Public Works Department maintains a network of approximately 140 miles of roads and is responsible for year-round maintenance and repairs to minor/major roads, streets and sidewalks; street sweeping; snow plowing and winter sanding operations and routine cleaning of the storm drain systems.

Electricity: Electric power is provided by Eversource (formerly The Connecticut Light and Power Company), a subsidiary of Northeast Utilities.

Parks and Recreation: The Killingly Parks and Recreation Department and the Board of Recreation sponsor a wide variety of year-round recreational programs that afford residents of all ages the opportunity to enjoy their leisure time. There are many low-cost programs for children, adults and seniors, including summer concerts, festivals, day trips, road races, clinics, theater camps, fitness and dance classes. The Town’s Community Center, a former high school, offers meeting rooms, a gym, exercise equipment, including free weights, elliptical machines, treadmills and stationary bikes. The Town has an extensive parks system for outdoor activities, including the following areas:

Danielson Lions Park – A neighborhood park offering a playscape for children and benches for relaxing.

Davis Park – The Town green, Davis Park has many monuments dedicated to veterans, and also is the focal point for several festivals offered during the year, a summer concert series and various other community celebrations.

Owen Bell Park – This park offers a track and trails for running and walking, boundless playground equipment for children of all abilities, a skate park, splash pad, basketball and tennis courts, ball fields and picnic areas.

Cat Hollow Park – This park is located on the site of the once thriving Sayles & Sabin Mill and Worsted Mill. It provides a wooded area for trail walking, fishing and viewing the beautiful Whetstone Brook and falls.

Phaiah Dog Park – This is the newest addition to Killingly’s parks system. The park is located along the Quinebaug River Trail and offers two fenced in areas for dog owners to play with their dogs.

Health District: The Town is a member of The Northeast District Department of Health (“NDDH”) which was established on July 1, 1973. The affairs of the NDDH are managed by a board consisting of members appointed by each of its member municipalities: Brooklyn, Canterbury, Borough of Danielson, Eastford, Hampton, Killingly, Plainfield, Pomfret, Putnam, Sterling, Thompson, Union and Woodstock.

NDDH services an area of approximately 500 square miles, and a population of approximately 86,000 residents. NDDH receives funding from the State, as well as town assessments on a per capita basis, permit and fee revenue, and federal, state and private grants.

TOWN EMPLOYEES

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

Fiscal Year	2024	2023	2022	2021	2020
General Government.....	102	96	89	84	80
Board of Education.....	559	592	580	597	597
Total.....	661	688	669	681	677

Source: Town Officials.

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MUNICIPAL EMPLOYEES BARGAINING UNITS

<u>Bargaining Group</u>	<u>Organization</u>	<u>Number of Employees</u>	<u>Current Contract Expiration</u>
<u>General Government</u>			
Public Works.....	AFSCME.....	22	June 30, 2025
Professional/Technical.....	UPSEU.....	11	June 30, 2025
Clerical/Maintenance/Custodial.....	AFSCME.....	17	June 30, 2024
	General Government sub-total.....	<u>50</u>	
<u>Board of Education</u>			
Teachers.....	Killingly Education Association.....	236	June 30, 2026
Supervisors.....	AFSCME - Local 818.....	3	June 30, 2026
Mechanic/Bus Operators.....	AFSCME - Local 1303-261.....	36	June 30, 2025
Administrators.....	Killingly Administration Association.....	18	June 30, 2025
Nurses.....	AFSCME - Local 1303-310.....	10	June 30, 2024
Custodians/Secretaries/Nurse Assistants.....	AFSCME - Local 1303-149.....	78	June 30, 2025
Instructional Assistants.....	AFSCME - Local 3689.....	120	June 30, 2024
	Board of Education sub-total.....	<u>501</u>	
	Total General Government and Board of Education.....	<u><u>551</u></u>	

Source: Town of Killingly.

Connecticut General Statutes Sections 7-473c, 7-474, and 10-153a to 10-153n provide a procedure for binding arbitration of collective bargaining agreements between municipal employers and organizations representing municipal employees, including certified teachers and certain other employees. The legislative body of a municipality may reject an arbitration panel's decision by a two-thirds majority vote. The State of Connecticut and the employee organization must be advised in writing of the reasons for rejection. The State then appoints a new panel of either one or three arbitrators to review the decisions on each of the rejected issues. The panel must accept the last best offer of either of the parties. 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 contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of (i) 5% or less with respect to teachers' contracts, and (ii) 15% or less with respect to municipal employees, 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.

SCHOOL FACILITIES

<u>School</u>	<u>Grades</u>	<u>Construction/Addition/ Renovation</u>	<u>Number of Classrooms</u>	<u>2023-2024 Enrollment</u>	<u>Rated Capacity</u>
Killingly High School.....	9-12	2010	71	762	1069
Killingly Intermediate School.....	5-8	1990	62	698	965
Killingly Memorial Elementary School.	2-4	1952, 1989, 2018	39	485	569
Killingly Central Elementary School.....	Pre-K-1	1958, 1989, 2018	28	326	455
Goodyear.....	Pre-K	1947, 1983, 2018	7	116	95
Total			<u>207</u>	<u>2,387</u>	<u>3,153</u>

Source: Town of Killingly, Board of Education.

SCHOOL ENROLLMENT

School Year	Grades K-4	Grades 5-8	Grades 9-12	Special Education	Pre- School	Total
<i>Historical</i>						
2019-20	887	649	449	71	160	2,216
2020-21	841	639	748	71	89	2,388
2021-22	845	639	755	59	125	2,423
2022-23	851	671	788	52	117	2,479
2023-24	811	698	762	62	116	2,449
<i>Projected</i>						
2024-25	829	697	775	62	116	2,479
2025-26	948	714	787	63	117	2,629
2026-27	1017	674	807	63	117	2,678
2027-28	1030	665	854	64	118	2,731
2028-29	1062	657	849	64	118	2,750

¹ Special Education includes only those students who attend non-Killingly facilities.
Source: Town of Killingly, Board of Education.

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III. ECONOMIC AND DEMOGRAPHIC INFORMATION

POPULATION TRENDS

<u>Year</u>	<u>Population</u> ¹	<u>% Increase</u>	<u>Density</u> ²
1980	14,519	0.0	290
1990	15,889	9.4	318
2000	16,472	3.7	329
2010	17,411	5.7	348
2020	17,267	(0.8)	345
2022	17,757	2.8	355

¹ 1980-2022 – U.S. Census Bureau.

² Per square mile: 50.0 square miles.

AGE DISTRIBUTION OF THE POPULATION

<u>Age</u>	<u>Town of Killingly</u>		<u>Northeastern CT Planning Region</u> ¹		<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.....	744	4.2	4,590	4.8	182,768	5.1
5 - 9.....	1,180	6.6	5,390	5.6	196,600	5.4
10 - 14.....	1,336	7.5	5,563	5.8	222,267	6.2
15 - 19.....	816	4.6	5,650	5.9	247,501	6.9
20 - 24.....	728	4.1	5,574	5.8	241,391	6.7
25 - 34.....	2,502	14.1	12,450	13.0	449,466	12.4
35 - 44.....	2,865	16.1	11,792	12.3	445,052	12.3
45 - 54.....	1,976	11.1	12,940	13.5	475,109	13.2
55 - 59.....	1,251	7.0	7,456	7.8	266,117	7.4
60 - 64.....	1,097	6.2	7,907	8.3	255,938	7.1
65 - 74.....	1,935	10.9	9,867	10.3	362,365	10.0
75 - 84.....	998	5.6	4,671	4.9	178,746	4.9
85 and over..	329	1.9	1,837	1.9	87,997	2.4
Total	17,757	100.0	95,687	100.0	3,611,317	100.0
 Median Age (years)	 38.9		 41.7		 40.9	

¹ Starting with the 2018-2022 American Community Survey data, the area was adjusted to reflect the Northeastern Connecticut Planning Region. Previous to the 2022 data, Windham County data was used.
Source: U.S. Census Bureau, 2018-2022 American Community Survey.

INCOME DISTRIBUTION

	Northeastern CT					
	Town of Killingly		Planning Region ¹		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000	213	4.6	685	2.6	21,866	2.4
\$ 10,000 to 14,999	77	1.7	349	1.3	13,844	1.5
\$ 15,000 to 24,999	63	1.4	570	2.2	32,363	3.5
\$ 25,000 to 34,999	288	6.3	1,292	5.0	38,177	4.2
\$ 35,000 to 49,999	170	3.7	1,662	6.4	65,393	7.2
\$ 50,000 to 74,999	902	19.6	4,321	16.6	112,628	12.4
\$ 75,000 to 99,999	955	20.7	4,686	18.0	109,739	12.0
\$100,000 to 149,999 ..	1,081	23.5	5,756	22.1	184,504	20.2
\$150,000 to 199,999 ..	433	9.4	3,223	12.4	125,406	13.8
\$200,000 or more	424	9.2	3,503	13.4	207,948	22.8
Total	4,606	100.0	26,047	100.0	911,868	100.0

¹ Starting with the 2018-2022 American Community Survey data, the area was adjusted to reflect the Northeastern Connecticut Planning Region. Previous to the 2022 data, Windham County data was used.
Source: U.S. Census Bureau, 2018-2022 American Community Survey.

INCOME LEVELS

	Town of Killingly	Northeastern CT Planning Region ¹	State of Connecticut
Per Capita Income, 2022.....	\$36,074	\$40,723	\$52,034
Per Capita Income, 2020.....	\$32,478	\$33,337	\$45,668
Per Capita Income, 2010.....	\$25,215	\$26,457	\$36,775
Per Capita Income, 2000.....	\$19,779	\$20,443	\$28,766
Median Family Income, 2022.....	\$88,951	\$96,935	\$115,539
Median Family Income, 2020.....	\$84,679	\$83,839	\$102,061
Median Family Income, 2010.....	\$65,496	\$69,642	\$84,170
Median Family Income, 2000.....	\$46,645	\$52,490	\$65,521
Percent Below Poverty Level 2022.....	8.8%	6.0%	6.8%

¹ Starting with the 2018-2022 American Community Survey data, the area was adjusted to reflect the Northeastern Connecticut Planning Region. Previous to the 2022 data, Windham County data is shown.
Source: U.S. Department of Commerce, Bureau of Census, 2020, 2010, 2000; U.S. Census Bureau, 2018-2022 American Community Survey.

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EDUCATIONAL ATTAINMENT
Years of School Completed Age 25 and Over

	Town of Killingly		Northeastern CT Planning Region ¹		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade.....	346	2.7	1,922	2.8	101,820	4.0
9th to 12th grade.....	1,047	8.1	4,085	5.9	118,256	4.7
High School graduate.....	5,039	38.9	24,018	34.8	650,788	25.8
Some college - no degree.....	2,313	17.9	14,498	21.0	414,533	16.4
Associates degree.....	1,236	9.5	7,145	10.4	192,167	7.6
Bachelor's degree.....	1,806	13.9	9,844	14.3	573,917	22.8
Graduate or professional degree.....	1,166	9.0	7,408	10.7	469,309	18.6
Total.....	12,953	100.0	68,920	100.0	2,520,790	100.0
Percent High School Graduate or Higher..		89.2%		91.3%		91.3%
Percent Bachelor's Degree or Higher.....		22.9%		25.0%		41.4%

¹ Starting with the 2018-2022 American Community Survey data, the area was adjusted to reflect the Northeastern Connecticut Planning Region. Previous to the 2022 data, Windham County data was used.
Source: U.S. Census Bureau, 2017-2021 American Community Survey.

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MAJOR EMPLOYERS

Employer	Nature of Business	Estimated Number of Employees as of March 2024
Frito-Lay Inc.....	Snack Foods.....	1,054
Town of Killingly.....	Municipality.....	661
Staples Distribution, N.E.....	Distribution - Office Supplies.....	400
Walgreens.....	Distribution - Drug Store Products.....	322
Putnam Plastics.....	Manufacturer - Plastic Components.....	410
Westview Health.....	Nursing Home.....	300
United Natural Foods (UNFI).....	Distribution - Foods & Products.....	250
Rogers Corp.....	Electric Components.....	250
Spirol International Corp.....	Fasteners, Shims.....	200
Winchester Interconnect.....	Manufacturer - Cables.....	170
Big Y World Class Markets.....	Supermarket.....	162
Automatic Rolls of N.E.....	Manufacturer - Bakery.....	140
Bolllore Inc.....	Manufacturer - Specialty Plastics.....	140
Colt's Plastic Company.....	Manufacturer - Plastic Products.....	114
Web Industries.....	Manufacturer - Paper Products.....	112
Lowe's Home Improvement Center.....	Retails Home Improvement.....	102
Miyoshi America.....	Manufacturer - Cosmetics.....	100
Target.....	Retail Department Store.....	90
Stop & Shop.....	Supermarket.....	85
Connecticut Rubber Molding.....	Manufacturer - Plastic Fabrication.....	80
Behavioral Health Network.....	Mental Health Services.....	100-249
Davis Place.....	Convalescent Home.....	100-249
Domestic Violence Crisis Line.....	Mental Health Services.....	100-249
Haven Health Center.....	Health Services.....	100-249
M & M Transport.....	Trucking.....	100-249
Masonicare Home Health-Hospice.....	Retirement Communities & Homes....	100-249
Quinebaug Valley Community College....	Community College.....	100-249
United Services.....	Physicians & Surgeons.....	100-249
Arc Eastern Connecticut.....	Associations.....	50-99
Braman Termite-Pest Elmtn.....	Pest Control.....	50-99
Golden Greek Restaurant & Pub.....	Restaurant.....	50-99
Jani-Tech.....	Janitor Service.....	50-99
Northeast Learning Center.....	Education Centers.....	50-99
Kohl's.....	Department Store.....	50-99

¹ On March 14, 2024 Walgreens announced the closure of the distribution center as of May 17, 2024 with the loss of 322 employees. Source: Town Officials.

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EMPLOYMENT BY INDUSTRY

	Town of Killingly		Northeastern CT Planning Region ¹		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Agriculture, forestry, fisheries.....	12	0.1	950	2.0	7,460	0.4
Construction.....	424	5.2	3,385	7.0	112,421	6.1
Manufacturing.....	1,313	16.0	7,001	14.5	194,805	10.6
Wholesale trade.....	350	4.3	1,207	2.5	40,518	2.2
Retail trade.....	958	11.7	6,016	12.4	196,267	10.7
Transportation & warehousing & utilities...	423	5.2	3,210	6.6	82,215	4.5
Information.....	94	1.1	530	1.1	36,440	2.0
Finance, insurance, real estate.....	746	9.1	2,908	6.0	164,811	9.0
Professional, scientific & management.....	599	7.3	3,883	8.0	217,442	11.9
Educational, health & social services.....	1,907	23.3	11,749	24.3	485,013	26.5
Arts, entertainment & recreation.....	735	9.0	4,183	8.6	148,594	8.1
Other professional services.....	220	2.7	1,475	3.0	80,864	4.4
Public administration.....	407	5.0	1,880	3.9	65,675	3.6
Total.....	8,188	100.0	48,377	100.0	1,832,525	100.0

¹ Starting with the 2018-2022 American Community Survey data, the area was adjusted to reflect the Northeastern Connecticut Planning Region. Previous to the 2022 data, Windham County data was used.
Source: U.S. Census Bureau, 2018-2022 American Community Survey.

EMPLOYMENT DATA

Yearly Average	Percentage Unemployed			
	Town of Killingly %	Danielson Northeast Labor Market ¹ %	State of Connecticut %	United States %
2014	7.7	7.3	6.6	6.2
2015	6.9	6.2	5.6	5.3
2016	5.6	5.2	4.8	4.9
2017	4.8	4.6	4.4	4.4
2018	4.4	4.1	3.9	3.9
2019	3.9	3.8	3.6	3.7
2020	7.9	7.6	8.0	8.1
2021	6.4	6.0	6.4	5.4
2022	4.1	4.1	4.1	3.7
2023	4.0	3.8	3.8	3.6
2024 Monthly ²				
January	4.7	4.9	5.0	4.1
February	5.2	5.4	5.4	4.2

¹ Not seasonally adjusted.

² Estimated

Source: Department of Labor, State of Connecticut.

AGE DISTRIBUTION OF HOUSING

Year Built	Town of Killingly		Northeastern CT Planning Region ¹		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1939 or earlier.....	1,895	24.5	9,753	23.5	316,471	20.7
1940 - 1949.....	605	7.8	1,821	4.4	99,909	6.5
1950 - 1959.....	699	9.0	3,665	8.8	223,821	14.6
1960 - 1969.....	1,104	14.3	4,016	9.7	200,651	13.1
1970 - 1979.....	852	11.0	5,709	13.8	209,518	13.7
1980 - 1989.....	815	10.5	6,102	14.7	193,340	12.6
1990 - 1999.....	702	9.1	4,615	11.1	118,948	7.8
2000 - 2009.....	761	9.8	4,206	10.1	104,310	6.8
2010 - 2013.....	286	3.7	1,456	3.5	61,429	4.0
2014 or later.....	25	0.3	160	0.4	2,935	0.2
Total.....	<u>7,744</u>	<u>100.0</u>	<u>41,503</u>	<u>100.0</u>	<u>1,531,332</u>	<u>100.0</u>
Percent Owner Occupied.....		66.3%		74.4%		66.2%

¹ Starting with the 2018-2022 American Community Survey data, the area was adjusted to reflect the Northeastern Connecticut Planning Region. Previous to the 2022 data, Windham County data was used.
Source: U.S. Census Bureau, 2018-2022 American Community Survey.

HOUSING INVENTORY

Type	Town of Killingly		Northeastern CT Planning Region ¹		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
1-unit, detached.....	4,872	62.9	30,211	72.8	898,891	58.7
1-unit, attached.....	439	5.7	1,676	4.0	91,794	6.0
2 units.....	766	9.9	2,754	6.6	120,419	7.9
3 or 4 units.....	640	8.3	2,955	7.1	128,942	8.4
5 to 9 units.....	570	7.4	1,713	4.1	78,127	5.1
10 to 19 units.....	144	1.9	626	1.5	56,353	3.7
20 or more units.....	144	1.9	755	1.8	145,025	9.5
Mobile home, boat, other.....	169	2.2	813	2.0	11,781	0.8
Total	<u>7,744</u>	<u>100.0</u>	<u>41,503</u>	<u>100.0</u>	<u>1,531,332</u>	<u>100.0</u>

¹ Starting with the 2018-2022 American Community Survey data, the area was adjusted to reflect the Northeastern Connecticut Planning Region. Previous to the 2022 data, Windham County data was used.
Source: U.S. Census Bureau, 2018-2022 American Community Survey.

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OWNER-OCCUPIED HOUSING VALUES

Sales Price Category	Town of Killingly		Northeastern CT Planning Region ¹		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than \$50,000	43	0.9	530	1.8	20,646	2.2
\$ 50,000 to \$ 99,999 ...	95	2.0	523	1.8	19,506	2.1
\$ 100,000 to \$149,999 ...	236	5.0	1,505	5.2	46,916	5.0
\$ 150,000 to \$199,999 ...	775	16.4	4,225	14.7	96,168	10.3
\$ 200,000 to \$299,999 ...	2,151	45.4	11,322	39.5	238,687	25.6
\$ 300,000 to \$499,999 ...	1,273	26.9	8,493	29.6	307,876	33.0
\$ 500,000 to \$999,999 ...	137	2.9	1,816	6.3	149,216	16.0
\$1,000,000 and over	23	0.5	282	1.0	53,573	5.7
Total	4,733	100.0	28,696	100.0	932,588	100.0
Median Value ²	\$165,400		\$147,300		\$166,900	
Median Value ³	\$257,800		\$268,500		\$323,700	

¹ Starting with the 2018-2022 American Community Survey data, the area was adjusted to reflect the Northeastern Connecticut Planning Region. Previous to the 2022 data, Windham County data was used.

² U.S. Department of Commerce, Bureau of Census, 2000.

³ U.S. Census Bureau, 2018-2022 American Community Survey.

Source: U.S. Census Bureau, 2018-2022 American Community Survey.

BUILDING PERMITS

Fiscal Year Ending 6/30	Residential		Commercial and Industrial		Total	
	Number	Value	Number	Value	Number	Value
2024 ¹	685	\$15,506,023	128	\$ 4,994,972	813	\$20,500,995
2023 ²	861	21,297,321	188	70,230,195	1,049	91,527,516
2022 ³	630	12,854,297	192	4,821,156	822	17,675,453
2021 ⁴	635	10,254,105	72	14,856,149	707	25,110,254
2020 ⁵	592	9,568,692	61	2,289,804	653	11,858,496
2019 ⁶	647	11,378,071	77	2,663,463	724	14,041,534
2018 ⁷	625	13,707,968	111	24,986,961	736	38,694,929
2017 ⁸	563	10,732,993	99	15,940,297	662	26,673,290
2016 ⁹	438	5,901,399	46	1,342,101	484	7,243,500
2015 ¹⁰	569	11,186,249	67	4,770,712	636	15,956,961

¹ Permits through March 31 2024 twelve exempt permits totaling \$8,483,130 for Town owned properties were issued and are not included above.

² For fiscal year 2022-23 seventeen exempt permits totaling \$21,004,138 for Town owned properties were issued and are not included above.

³ For fiscal year 2021-22 ten exempt permits totaling \$5,335,490 for Town owned properties were issued and are not included above.

⁴ For fiscal year 2020-21 thirteen exempt permits totaling \$1,628,920 for Town owned properties were issued and are not included above.

⁵ For fiscal year 2019-20 fourteen exempt permits totaling \$1,813,312 for Town owned properties were issued and are not included above.

⁶ For fiscal year 2018-19 sixteen exempt permits totaling \$20,819,721 for Town owned properties were issued and are not included above.

⁷ For fiscal year 2017-18 seven exempt permits totaling \$1,491,537 for Town owned properties were issued and are not included above.

⁸ For fiscal year 2016-17 thirteen exempt permits totaling \$2,895,542 for Town owned properties were issued and are not included above.

⁹ For fiscal year 2015-16 eighteen exempt permits totaling \$1,177,251 for Town owned properties were issued and are not included above.

¹⁰ For fiscal year 2014-15 fourteen exempt permits totaling \$531,406 for Town owned properties were issued and are not included above.

Source: Building Department, Town of Killingly.

LAND USE SUMMARY

Classification	Total Area	
	Acreage	%
Residential.....	18,411	57.5%
Business.....	4,570	14.3%
Open Space/Conservation Land.	2,300	7.2%
Floodplain/Roadway.....	6,719	21.0%
Total Area.....	32,000	100.0%

Source: Town of Killingly

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IV. TAX BASE DATA

ASSESSMENTS

The Town of Killingly had a revaluation effective on the Grand List of October 1, 2023. The next revaluation is scheduled for October 1, 2028. Under Section 12-62 of the Connecticut General Statutes, as amended, the Town must do a revaluation every five years and the assessor must fully inspect each parcel, including measuring or verifying the exterior dimensions of a building and entering and examining the interior of the building once every ten years. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. Municipalities may choose to phase-in real property assessment increases resulting from a revaluation, but such phase-in must be implemented in less than five assessment years. The maintenance of an equitable tax base, and the location and appraisal of all real and personal property within the Town of Killingly for inclusion onto the Grand List are the responsibilities of the Town's Assessor's Office. The Grand List represents the total of assessed values for all taxable real and personal property and motor vehicles located within the Town on October 1. A Board of Assessment Appeals determines whether adjustments to the Assessor's list on assessments under appeal are warranted. Assessments for real property are computed at seventy percent (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 Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed at the time of the last revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

All personal property (furniture, fixtures, equipment, machinery and leased equipment) is revalued annually. An assessor's check and audit is completed periodically. Assessments for personal property are computed at seventy percent (70%) of the annual appraisal 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 as recommended by the State of Connecticut Office of Policy and Management and the Assessor of the Town of Killingly. Section 12-71b of the Connecticut General Statutes provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date but before the next 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 proration is based on the number of months of ownership between October 1 and the following July 1. Motor vehicles 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 seventy percent (70%) of the annual appraisal value.

PROPERTY TAX COLLECTION PROCEDURE

Property taxes are levied on all taxable assessed property on the Grand List of October 1 prior to the beginning of the fiscal year. Property taxes are billed in the following July and are due in two installments, January 1 and July 1. Real and personal property taxes are billed in the following July and taxes in excess of \$100 are due and payable in four installments on July 1, October 1, January 1 and April 1. Motor vehicle taxes and real and personal property taxes less than \$100 are due and payable in one installment on July 1. Motor vehicle supplemental bills are payable on January 1. A modest estimate for outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically lien-ed each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after three years at which time they cease to be carried as receivables. Real estate accounts are transferred to suspense 15 years after the due date in accordance with State Statutes.

Section 12-24a of the Connecticut General Statutes permits a municipality, upon approval by its legislative body, to abate property taxes on owner occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at 6% per annum, or at such a

rate approved by the legislative body, at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien. The Town has not approved the use of this abatement provision to date.

Section 12-170v of the Connecticut General Statutes permits a municipality, upon approval of its legislative body, to freeze the real property taxes due for certain low income elderly residents. Any municipality providing such property tax relief may place a lien upon such property in the amount of the total tax relief granted plus interest. The Town has enacted this provision.

MOTOR VEHICLE PROPERTY TAX RATE

Section 12-71e(a) of the Connecticut General Statutes (the “General Statutes”) has been amended whereby the mill rate for motor vehicles shall not exceed 32.46 mills for the assessment year commencing October 1, 2021, and each assessment year thereafter. Section 12-71e(b) of the General Statutes has been amended to state that no district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of the town, city, consolidated town and city or consolidated town and borough in which such district or borough is located would result in a combined motor vehicle mill rate above 32.46 mills for the assessment year commencing October 1, 2021, and each assessment year thereafter. Section 4-661 of the General Statutes 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 mill rate for motor vehicles for the assessment year commencing October 1, 2022 (the fiscal year ending June 30, 2024) is 26.88 mills.

COMPARATIVE ASSESSED VALUATIONS

Grand List Dated	Real Property (%)	Personal Property (%)	Motor Vehicle Property (%)	Gross Taxable Grand List	Less Exemptions ¹	Net Taxable Grand List	% Growth
2023 ²	79.5	13.0	7.5	\$2,256,694,767	\$86,810,128	\$2,169,884,639	17.9%
2022	74.4	16.2	9.4	1,930,338,594	89,626,082	1,840,712,512	29.4%
2021	65.2	25.9	8.9	1,876,409,349	453,696,277	1,422,713,072	3.7%
2020	64.4	28.4	7.2	1,884,013,145	512,607,841	1,371,405,304	0.3%
2019	63.0	30.2	6.7	1,921,336,384	554,181,750	1,367,154,634	1.5%
2018 ²	62.9	31.0	6.1	1,963,872,161	617,578,427	1,346,293,734	15.9%
2017	57.6	35.9	6.5	1,783,656,710	622,123,077	1,161,533,633	-0.2%
2016	58.2	35.3	6.5	1,757,400,561	593,884,743	1,163,515,818	2.3%
2015	54.7	39.1	6.2	1,859,439,124	722,170,145	1,137,268,979	2.7%
2014	66.3	26.7	7.0	1,528,178,594	420,887,802	1,107,290,792	2.1%
2013 ²	67.4	25.6	7.0	1,497,944,702	413,602,923	1,084,341,779	-18.9%

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

² Revaluation year.

Source: Assessor's Office, Town of Killingly.

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PROPERTY TAX LEVIES AND COLLECTIONS

Grand List	FY Ending	Net Taxable Grand List	Mill Rate	Tax Levy	Percent Collected End of Each Fiscal Year	Percent Uncollected End of Each Fiscal Year	Percent Annual Levy Uncollected 6/30/2023	Amount Uncollected as of 6/30/2023
2022	2024	\$1,840,712,512	26.88	\$37,293,019	Collections 7/1/23, 10/1/24, 1/1/24, and 4/1/24			N/A
2021	2023	1,422,713,072	25.14	38,810,894	98.1%	1.9%	1.9%	\$752,507
2020	2022	1,371,405,304	25.14	37,358,389	98.3%	1.7%	0.8%	299,268
2019	2021	1,367,154,634	24.64	36,468,468	98.4%	1.6%	0.4%	154,861
2018	2020	1,346,293,734	24.96	36,120,514	98.0%	2.0%	0.2%	54,930
2017	2019	1,161,533,633	27.76	35,236,276	98.1%	1.9%	0.1%	34,470
2016	2018	1,163,515,818	27.31	34,291,457	98.3%	1.7%	0.1%	27,359
2015	2017	1,137,268,979	27.31	33,761,002	97.8%	2.2%	0.0%	10,219
2014	2016	1,107,290,792	27.31	29,424,052	97.8%	2.2%	0.0%	10,375
2013	2015	1,084,341,779	26.51	31,596,382	99.9%	0.1%	0.0%	11,461

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

TEN LARGEST TAXPAYERS¹

Business-Name	Nature Of Business	Assessment Valuation as 10/1/2023	Rank	Percent of Total
Lake Road Generating Company LLC.....	Power Station.....	\$280,000,000	1	12.90%
Eversource.....	Utility.....	71,212,990	2	3.28%
Frito Lay.....	Snack Foods.....	41,087,900	3	1.89%
Dayville Property Development.....	Commercial Development.....	34,389,630	4	1.58%
RIM Properties 1 LLC.....	Real Estate/Retail Distribution.....	18,989,680	5	0.88%
Staples.....	Retail Distribution.....	15,544,280	6	0.72%
United Natural Foods.....	Food Products.....	13,130,750	7	0.61%
Connecticut Water Company.....	Utility.....	10,999,240	8	0.51%
Alexander Lake Conserv & Rentals LLC.....	Rental Properties.....	9,958,220	9	0.46%
Target Corporation.....	Retail Outlet.....	9,508,480	10	0.44%
Total		\$504,821,170		23.26%

¹ Based on a 10/1/23 Net Taxable Grand List of \$2,169,884,639.
Source: Assessors Office, Town of Killingly.

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EQUALIZED NET GRAND LIST

Grand List of 10/1	Equalized Net Grand List	% Growth
2021	\$2,709,478,602	16.39%
2020	2,327,850,321	15.83%
2019	2,009,698,025	3.82%
2018	1,935,827,301	-1.65%
2017	1,968,237,327	-2.77%
2016	2,024,241,275	14.22%
2015	1,772,252,233	6.89%
2014	1,657,995,334	6.38%
2013	1,558,606,470	-2.44%
2012	1,597,543,143	7.09%

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

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V. FINANCIAL INFORMATION

FISCAL YEAR

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

ACCOUNTING POLICIES

The financial statements of the Town of Killingly, Connecticut 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. Please refer to Appendix A "Basic Financial Statements" herein for compliance and implementation details.

The reporting model includes the following segments:

Management's Discussion and Analysis – provides introductory information on basic financial statements and an analytical overview of the Town's financial activities.

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

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

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

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

BUDGETARY PROCEDURES

The Town adheres to the following procedures in establishing the budget.

- Each department, office, board or commission of the Town (including the Board of Education) shall submit to the Town Manager a detailed estimate of expenditures and anticipated revenues for the ensuing fiscal year by March 15.
- On or before April 1, the Town Manager submits a balanced budget and budget message to the Town Council based upon requests submitted by the various Town departments.
- By April 15, the Town Council submits the proposed operating budget to one or more public hearings, at which taxpayer comments are obtained. The budget includes proposed expenditures and the means of financing them. The Town Council recommends the budget, as revised, for adoption at the annual Town meeting on the second Monday in May.

The Town's budget process must also anticipate the impact of the State's budget which proceeds simultaneously with the Town's.

MUNICIPAL BUDGET EXPENDITURE CAP

Connecticut General Statutes Section 4-66l, as amended, creates a cap on adopted general budget expenditures for municipalities in Connecticut in order for municipalities to be eligible to receive the full amount of the State's

municipal revenue sharing grant. Beginning in fiscal year ending June 30, 2018, and in each fiscal year thereafter, the Office of Policy and Management (“OPM”) must reduce the municipal revenue sharing grant amount for those municipalities whose adopted general budget expenditures (with certain exceptions including but not limited to debt service, special education, implementation of court orders or arbitration awards, budgeting for an audited deficit, nonrecurring grants, capital expenditures of \$100,000 or more, or payments on unfunded pension liabilities, and certain major disaster or emergency expenditures) exceeds the spending limits specified in the statute. For each applicable fiscal year, OPM must determine the municipality’s percentage growth in general budget expenditures over the prior fiscal year and reduce the grant if the growth rate is equal to or greater than 2.5% or the inflation rate, whichever is greater, each of those amounts adjusted by an amount proportionate to any increase in the municipality’s population from the previous fiscal year. The reduction is generally equal to 50 cents for every dollar the municipality spends over this cap. Each municipality must annually certify to the Secretary of the OPM whether such municipality has exceeded the cap set forth in the statute and if so the amount by which the cap was exceeded. For fiscal year ending June 30, 2024 the Town received municipal revenue sharing grants totaling \$450,000. The Town does not expect to receive any municipal revenue sharing grants for fiscal year ending June 30, 2025.

ANNUAL AUDIT

Pursuant to Connecticut law, the Town is required to undergo an annual examination by an independent certified public accountant. The audit must be conducted under the guidelines issued by the State of Connecticut, Office of Policy and Management and a copy of the report must be filed with such Office within six months of the end of the fiscal year. For the fiscal year ended June 30, 2023, the examination was conducted by the firm of Mahoney Sabol & Company, LLP certified public accountants, of Glastonbury, Connecticut.

PENSION PLANS

Defined Benefit Plan

The Town of Killingly administers a single employer defined benefit pension plan (the “Plan”). The Plan covers all full-time employees who meet the eligibility requirements of the Plan. Specifically, the Plan provisions state that this includes any employee who is employed on a regular work schedule, excluding teachers, councilmen, selectmen, or elected or appointed officials.

All Town employees (except certified members of the Board of Education) participate in the Public Employer Retirement Systems (PERS), a single employer defined benefit pension plan established and administered by the Town Council to provide pension, disability and death benefits to Plan members and their beneficiaries. The Town Charter provides the authority to establish and amend benefit provisions, subject to collective bargaining agreements. The Plan does not issue stand-alone financial statements and is part of the Town’s financial reporting entity. As such, the Plan is accounted for in the fiduciary fund financial statements as a Pension Trust Fund.

The Town has obtained an actuarial valuation as of July 1, 2022:

<u>Year Ended</u>	<u>Actuarial Determined Contribution (ADC)</u>	<u>Annual Contribution</u>	<u>% of ADC Contributed</u>
<i>Town Plan</i>			
2019	163,531	163,531	100.00%
2020	183,318	183,318	100.00%
2021	199,506	199,506	100.00%
2022	213,344	213,344	100.00%
2023	249,640	249,640	100.00%
2024	¹ 242,303	242,303	100.00%

¹ Budgeted.

The Town implemented GASB Statement No. 67 effective in Fiscal Year 2014. In accordance with GASB Statement No. 67, the components of the net position liability of the Town's pension plan as of June 30 were as follows:

	Town Plan				
	2023	2022	2021	2020	2019
Total pension liability	\$7,514,715	\$7,313,768	\$6,702,317	\$6,607,848	\$6,236,270
Plan fiduciary net position	7,797,267	7,206,680	8,379,031	6,701,943	6,582,499
Net pension liability	<u>(282,552)</u>	<u>107,088</u>	<u>(1,676,714)</u>	<u>(94,095)</u>	<u>(346,229)</u>
Plan fiduciary net position as a % of total pension liability	103.8%	98.5%	125.0%	101.4%	105.6%

The following presents the net pension liability, calculated using the discount rate of 6.375% for the Town Pension Plan, determined by an actuarial valuation as of July 1, 2022, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	Fiscal year ending June 30, 2023		
	Current		
	1% Decrease	Discount Rate	1% Increase
	5.375%	6.375%	7.375%
Town Plan:			
Net Pension Liability	\$ 541,232	\$ (282,552)	\$ (985,932)

Connecticut State Teachers' Retirement System: The faculty and professional personnel of the Board of Education participate in a contributory defined benefit plan, established under Chapter 167a of the Connecticut General Statutes, which is administered by the Connecticut State Teachers' Retirement Board. Certain part-time and all full-time certified teachers are eligible to participate in the plan and are required to contribute 7.25% of their annual earnings to the plan. The Town does not and is not legally responsible to contribute to the plan.

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

OTHER POST EMPLOYMENT BENEFITS ("OPEB")

The Town of Killingly administers an Other Post-Employment Benefits Plan (the "OPEB Plan"), which is a single-employer defined benefit healthcare plan. The Town's Board of Education provides health insurance benefits for eligible retirees and their spouses through the Town's group insurance plan, which covers both active and retired members. The Town also provides healthcare insurance benefits for eligible retirees and their spouses through a Blue Cross Blue Shield Medicare supplemental policy.

The Town also provides a life insurance policy for eligible retirees through the Town's group life insurance policy, which covers both active and retired members. Benefit provisions are established through negotiations between the Board of Education and the union representing Board of Education employees and are renegotiated each three-year bargaining period. The Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

The Town obtained an actuarial valuation as of July 1, 2021:

<u>Year Ended</u>	<u>Actuarial Determined Contribution (ADC)</u>	<u>Annual Contribution</u>	<u>% of ADC Contributed</u>
<u>Town & Board of Education Plan</u>			
2019	501,200	233,001	46.49%
2020	505,100	21,841	4.32%
2021	429,100	95,423	22.24%
2022	423,500	139,823	33.02%
2023	436,106	243,400	55.81%
2024	¹ 442,290	243,370	55.02%

The Town implemented GASB Statement No. 74 effective in Fiscal Year 2017. In accordance with GASB Statement No. 74, the components of the OPEB liability of the Town's pension plan as of June 30 were as follows:

	<u>Town & Board of Education Plan</u>				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total pension liability	\$6,800,592	\$6,636,931	\$7,694,863	\$7,876,164	\$8,251,082
Plan fiduciary net position	989,664	889,603	1,020,598	797,162	757,671
Net pension liability	<u>5,810,928</u>	<u>5,747,328</u>	<u>6,674,265</u>	<u>7,079,002</u>	<u>7,493,411</u>
Plan fiduciary net position as a % of total pension liability	14.6%	13.4%	13.3%	10.1%	9.2%

The following presents the OPEB liability, determined by an actuarial valuation as of July 1, 2021, calculated using the discount rate of 5.03% for the OPEB liability, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>4.15%</u>	<u>5.15%</u>	<u>6.15%</u>
Net OPEB liability as of June 30, 2023.....	\$ 6,728,557	\$ 5,810,928	\$ 5,044,657

For further information on the plans, please refer to Appendix A under the Town of Killingly's "Notes to Financial Statements, Note 10", herein.

INVESTMENT POLICIES AND PRACTICES

The Town Charter and Sections 7-400 and 7-402 of the Connecticut General Statutes govern the investments the Town is permitted to acquire. Generally, the Town may invest in the State's Short Term Investment Fund, certificates of deposit, municipal notes and 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, and money market mutual funds.

The Town manages the investment of its funds in compliance with the Connecticut General Statutes.

COMPARATIVE GENERAL FUND OPERATING STATEMENT

Budget and Actual
(Budgetary Basis)

	Fiscal Year 2022-23			Fiscal Year	Fiscal Year
	Final	Actual	Variance	2023-24	2024-25
	Budget	Operations	Favorable (Unfavorable)	Adopted Budget	Proposed Budget
REVENUES					
Property Taxes	\$ 38,580,197	\$ 38,741,159	\$ 160,962	\$ 45,520,799	\$ 48,213,676
Intergovernmental	17,774,981	18,032,167	257,186	17,868,870	17,962,008
Licenses, Permits and Fees.....	280,500	674,619	394,119	287,850	291,150
Charges for Services	3,279,323	3,288,909	9,586	2,795,809	2,752,403
Use of Money and Property.....	201,000	619,084	418,084	180,655	221,090
Miscellaneous.....	382,750	588,174	205,424	809,212	2,852,637
TOTAL REVENUES	60,498,751	61,944,112	1,445,361	67,463,195	72,292,964
EXPENDITURES					
General Government	2,296,130	2,194,174	101,956	2,265,477	2,304,297
Public Works.....	2,576,029	2,513,064	62,965	2,705,327	2,803,030
Recreation and Leisure.....	1,502,100	1,500,009	2,091	1,498,784	1,633,417
Public Safety.....	1,494,100	1,492,488	1,612	1,858,092	1,994,080
Community Development and Human Services.....	773,391	753,255	20,136	856,480	1,035,384
Education.....	45,029,799	42,904,045	2,125,754	46,805,118	48,212,561
Miscellaneous.....	2,535,803	2,515,075	20,728	2,939,637	2,967,850
Debt Service					
Principal Payments.....	3,685,473	3,685,191	282	3,810,012	4,274,836
Interest and Fiscal Charges.....	797,289	797,289	-	1,055,487	1,393,250
Debt Issuance Costs.....	70,000	70,000	-	85,000	85,000
TOTAL EXPENDITURES	60,760,114	58,424,590	2,335,524	63,879,414	66,703,705
Excess (deficiency) of revenues over expenditures	(261,363)	3,519,522	3,780,885	3,583,781	5,589,259
Other financing sources (uses):					
Appropriations from Assigned Fund Balance.....	44,976	-	44,976	2,750,000	2,000,000
Appropriations from Unassigned Fund Balance....	2,045,000	-	2,045,000	-	-
Cancellation of Prior Year Encumbrances.....	-	5,935	(5,935)	-	-
Premium on Bonds Issued.....	-	71,095			
Transfers In.....	2,295,113	2,288,325	6,788	2,035,501	-
Transfers Out.....	(4,123,726)	(4,123,726)	-	(8,369,282)	(7,589,259)
Total other financing sources (uses).....	261,363	(1,758,371)	2,019,734	(3,583,781)	(5,589,259)
Excess (deficiency) of revenue and other financing sources over (under) expenditures and other financing uses.....	-	1,761,151	(1,761,151)	-	-

Source: Audit Report 2023; Adopted Budget 2024; Proposed Budget 2025.

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

FISCAL YEAR ENDED:	2023	2022	2021	2020	2019
ASSETS					
Cash and Cash Equivalents	\$41,227,952	\$33,199,345	\$31,948,181	\$22,669,936	\$18,651,747
Investments.....	3,034,189	3,443,959	3,466,203	3,540,870	3,388,464
Receivables:					
Property Taxes, Net.....	1,750,679	1,805,246	1,807,662	1,817,759	1,494,266
Grants and Contracts.....	22,955	23,040	22,460	11,297	26,123
Other.....	212,759	557,152	134,268	462,258	436,412
Due from Other Funds.....	3,098,326	2,120,502	1,705,610	2,504,241	2,899,499
Other Assets.....	512,104	59,120	64,762	89,236	44,185
TOTAL ASSETS.....	\$49,858,964	\$41,208,364	\$39,149,146	\$31,095,597	\$26,940,696
LIABILITIES					
Accounts Payable.....	\$ 975,958	\$ 712,962	\$ 823,080	\$ 1,218,538	\$ 1,008,223
Account Liabilities.....	191,923	185,988	164,965	125,469	99,168
Due to Other Funds.....	21,168,001	12,227,103	13,015,238	11,084,424	9,402,350
Deposits Payable.....	119,041	261,083	284,842	-	-
Unearned Revenue	-	1,976,323	1,976,323	5,575	-
TOTAL LIABILITIES.....	22,454,923	15,363,459	16,264,448	12,434,006	10,509,741
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	1,597,853	1,683,174	1,697,857	1,629,636	1,369,920
TOTAL DEFERRED INFLOWS.....	1,597,853	1,683,174	1,697,857	1,629,636	1,369,920
FUND BALANCE					
Nonspendable	72,104	59,120	64,762	89,236	44,185
Committed	746,186	876,782	876,568	685,404	624,354
Assigned	8,699,091	7,690,035	7,188,719	5,666,024	4,026,916
Unassigned	16,288,807	15,535,794	13,056,792	10,591,291	10,365,580
TOTAL FUND BALANCE.....	25,806,188	24,161,731	21,186,841	17,031,955	15,061,035
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES.....	\$49,858,964	\$41,208,364	\$39,149,146	\$31,095,597	\$26,940,696

Source: Audit Reports 2019-2023.

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

FISCAL YEAR ENDED:	2023	2022	2021	2020	2019
REVENUES					
Property Taxes.....	\$38,891,754	\$37,657,634	\$36,752,330	\$36,237,356	\$35,215,244
Intergovernmental	24,394,806	23,718,881	23,314,073	23,398,302	23,058,302
Licenses, Permits and Fees.....	674,619	285,214	441,517	203,989	373,255
Charges for Services	3,288,909	3,550,772	3,298,266	3,295,966	3,216,274
Investment Earnings.....	619,548	82,246	174,024	449,830	496,713
Miscellaneous.....	753,206	1,863,958	440,337	606,987	457,677
Transfers In.....	2,299,077	2,962,554 ¹	7,339,639 ²	1,119,967	1,259,640
Total Revenues & Transfers In	\$70,921,919	\$70,121,259	\$71,760,186	\$65,312,397	\$64,077,105
EXPENDITURES					
General Government	2,461,378	2,248,620	2,003,497	2,149,159	2,061,540
Public Works	2,540,951	2,793,436	2,522,010	2,476,369	2,600,429
Recreation and Leisure.....	1,500,093	1,370,182	1,249,684	1,319,728	1,313,522
Public Safety.....	1,666,234	1,359,236	1,364,195	1,330,781	1,077,219
Community Development & Human Service.	837,890	739,907	691,488	636,571	574,525
Education.....	48,292,455	46,699,971	45,850,564	47,971,454	48,398,331
Miscellaneous.....	2,531,592	2,409,600	2,324,176	2,191,326	2,179,226
Debt Services					
Principal Payments.....	4,030,507	4,303,217	3,221,803	2,821,777	2,914,777
Interest & Fiscal Charges.....	1,280,618	1,591,972	1,067,851	1,009,424	1,021,960
Capital Lease Payments.....	-	-	-	62,398	-
Debt Issuance Costs.....	-	-	-	-	-
Capital Outlays.....	276,948	1,629,806	558,665	86,768	29,098
Transfers Out.....	3,858,796	2,000,422	6,751,367	1,285,722	1,322,378
Total Expenditures & Transfers Out	69,277,462	67,146,369	67,605,300	63,341,477	63,493,005
Results from Operations.....	1,644,457	2,974,890	4,154,886	1,970,920	584,100
Fund Balance - July 1	24,161,731	21,186,841	17,031,955	15,061,035	14,476,935
Fund Balance - June 30	\$ 25,806,188	\$ 24,161,731	\$ 21,186,841	\$ 17,031,955	\$ 15,061,035

¹ Includes capital lease financing of \$1,407,136.

² Includes capital lease financing of \$406,438, refunding bonds issued of \$4,845,000, premium on refunding bonds of \$680,329 and sale of general capital assets of \$189,000.

Source: Audit Reports 2019-2023.

**ANALYSIS OF GENERAL FUND EQUITY
(GAAP BASIS)**

FISCAL YEAR ENDED:	2023	2022	2021	2020	2019
Nonspendable.....	\$ 72,104	\$ 59,120	\$ 64,762	\$ 89,236	\$ 44,185
Restricted.....	-	-	-	-	-
Committed.....	746,186	876,782	876,568	685,404	624,354
Assigned.....	8,699,091	7,690,035	7,188,719	5,666,024	4,026,916
Unassigned.....	16,288,807	15,535,794	13,056,792	10,591,291	10,365,580
Total Fund Balance.....	<u>25,806,188</u>	<u>24,161,731</u>	<u>21,186,841</u>	<u>17,031,955</u>	<u>15,061,035</u>
 Unassigned Fund Balance As % of					
Total Expenditures.....	23.51%	23.14%	19.31%	16.72%	16.33%

Source: Audit Reports 2019-2023.

PROPERTY TAX REVENUES

Fiscal Year	General Fund Revenues & Transfers in	Property Tax Revenues	Property Tax Revenues as a Percentage of General Fund Revenues
2025 ¹	\$74,292,964	\$48,213,676	64.9 %
2024 ²	70,213,195	45,520,799	64.8
2023	70,921,919	38,891,754	54.8
2022	70,121,259	37,657,634	53.7
2021	71,760,186	36,752,330	51.2
2020	65,312,397	36,237,356	55.5
2019	64,077,105	35,215,244	55.0

¹ Proposed budget.

² Adopted budget.

INTERGOVERNMENTAL REVENUES

Fiscal Year	General Fund Revenues & Transfers in	Intergovernmental Revenue	Aid as a Percentage of General Fund Revenues
2025 ¹	\$74,292,964	\$17,962,008	24.2 %
2024 ²	70,213,195	17,868,870	25.4
2023	70,921,919	24,394,806	34.4
2022	70,121,259	23,718,881	33.8
2021	71,760,186	23,314,073	32.5
2020	65,312,397	23,398,302	35.8
2019	64,077,105	23,058,302	36.0

¹ Proposed budget.

² Adopted budget.

EXPENDITURES

Fiscal Year	Education	Public Safety	General Government	Public Works	Debt Service
2025 ¹	64.9%	2.7%	3.1%	3.8%	7.7%
2024 ²	64.8%	2.6%	3.1%	3.7%	6.9%
2023	69.7%	2.4%	3.6%	3.7%	7.7%
2022	69.5%	2.0%	3.3%	4.2%	8.8%
2021	67.8%	2.0%	3.0%	3.7%	6.3%
2020	75.7%	2.1%	3.4%	3.9%	6.1%
2019	76.2%	1.7%	3.2%	4.1%	6.2%

¹ Proposed budget.

² Adopted budget.

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VI. DEBT SUMMARY

PRINCIPAL AMOUNT OF INDEBTEDNESS

As of May 9, 2024
(Pro Forma)

Long-Term Debt

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Debt</u>		<u>Fiscal Year Maturity</u>
			<u>Original Issue</u>	<u>Outstanding As of 5/9/2024</u>	
<i>General Purpose</i>					
6/15/2007	Bridge & General Purpose Bonds, Lot A.....	4.25-5.00%	\$3,000,000	\$600,000	2027
5/1/2012	Bridge & General Purpose Bonds.....	2.00-2.25%	2,400,000	960,000	2032
5/1/2013	Bridge & General Purpose Bonds.....	2.00-3.00%	600,000	270,000	2033
4/15/2016	General Purpose Refunding Bonds, Series A.....	2.00-4.00%	255,000	150,000	2031
4/15/2020	Bridge & General Purpose Bonds.....	3.00-5.00%	3,355,000	2,675,000	2040
6/29/2023	General Purpose Bonds.....	4.00-5.00%	1,000,000	1,000,000	2043
5/9/2024	General Purpose Bonds.....	<i>This Issue</i>	5,800,000 *	5,800,000 *	2044
	Sub-Total.....		\$16,410,000 *	\$11,455,000 *	
<i>Schools</i>					
6/15/2007	High School & Vo-Ag Bonds, Lot A.....	4.25-5.00%	\$2,415,000	\$480,000	2027
5/1/2013	High School Bonds.....	2.00-3.00%	1,500,000	675,000	2033
4/29/2015	School Refunding Bonds.....	2.00-4.00%	3,280,000	1,255,000	2028
4/15/2016	School Refunding Bonds, Series A.....	2.00-4.00%	6,380,000	3,800,000	2031
4/15/2016	School Bonds, Series A & B.....	1.00-4.00%	4,325,000	2,580,000	2036
4/15/2020	School Bonds.....	3.00-5.00%	1,410,000	1,130,000	2040
6/29/2023	School Bonds.....	4.00-5.00%	6,000,000	6,000,000	2043
5/9/2024	School Bonds.....	<i>This Issue</i>	4,200,000 *	4,200,000 *	2044
			\$29,510,000 *	\$20,120,000 *	
<i>Sewer</i>					
06/15/07	Sewer Refunding Bonds, Lot B.....	4.25-5.00%	3,835,000	10,000	2024
12/03/14	Sewer Bonds - USDA.....	2.75%	2,063,000	1,586,918	2054
10/31/18	Clean Water Fund Loan 524-D.....	2.00%	2,662,156	1,796,954	2038
07/31/20	Clean Water Fund Loan 688-D.....	2.00%	1,625,501	1,312,905	2040
01/20/21	Sewer Refunding Bonds, Lot B.....	3.00-4.00%	4,845,000	4,040,000	2050
01/31/22	Clean Water Fund Loan 688-C.....	2.00%	16,266,659	13,670,249	2042
			\$31,297,316	\$22,417,026	
	Total Long-Term Debt.....		\$77,217,316 *	\$53,992,026 *	

*Preliminary, subject to change.

Other Long-Term Commitments:

In December 2009 the Town entered into a loan agreement with Connecticut Innovations, formerly Connecticut Development Authority, in the amount of \$1,500,000 on-behalf of a Developer to assist in the remediation of a parcel of land. The Town is contractually obligated for repayment of the loan. The Loan is payable semi-annual principal and interest payments at a rate of 2.875% through fiscal year 2024. As of May 9, 2024, \$71,148 in principal was outstanding.

Financed Purchases:

The Town's financed purchase obligations for the acquisition of various capital assets as of June 30, 2023 is as follows:

Financed Purchases as of June 30, 2023 (principal only):

2024	\$499,535
2025	393,111
2026	323,689
2027	<u>136,934</u>
	\$1,353,269

SCHOOL BUILDING GRANT REIMBURSEMENTS

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

CLEAN WATER FUND PROGRAM

The Town of Killingly is a participant in the State of Connecticut’s Clean Water Fund Program (Connecticut General Statutes Section 22a-475 et seq., as amended) which provides financial assistance through a combination of grants and loans bearing interest at the rate of 2% per annum. All participating municipalities receive funding for eligible expenses of 20% grant and 80% loan, except for combined sewer overflow projects (50% grant and 50% loan) and denitrofication projects (30% grant and 70% loan). Loans to each municipality are made pursuant to a Project Loan and Grant Agreement. During construction the municipality enters into a short-term borrowing agreement with the State called an Interim Funding Obligation (“IFO”) from which it pays project costs as needed. Each municipality is obligated to repay only that amount which it draws down for the payment of project costs. Upon project completion a 20-year debt obligation called a Project Loan Obligation (“PLO”) is issued to the State. The municipal obligations issued to the State are 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 scheduled completion date specified in the Loan Agreement or the actual project completion date. The final maturity of each loan is twenty years from the scheduled completion date. Principal and interest payments are made (1) in monthly installments commencing one month after the scheduled completion date, or (2) in single annual installments representing 1/20 of total principal not later than one year from the scheduled completion date specified in the Loan Agreement repayable thereafter in monthly installments. Monthly installments may be in level debt service or amortized with level principal. Loans made under loan agreements entered into prior to July 1, 1989 are repayable in annual installments. Borrowers may elect to make level debt service payments or level principal payments. Borrowers may prepay their loans at any time prior to maturity without penalty

USDA LOANS

The United States Department of Agriculture (“USDA”) has funded and committed to funding several sewer and water projects in the Town of Killingly. The term of USDA loans are 40 years, prepayable at any time without penalty, and bear interest as determined at the time of closing but not in excess of the rate set forth in the commitment letter.

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ANNUAL BONDED DEBT MATURITY SCHEDULE

As of May 9, 2024

(Pro Forma)

Fiscal Year Ending 30-Jun	General Obligation Bonds ^{1, 2}						Percent Retired
			The Bonds (<i>This Issue</i>)		Total		
	Principal	Interest	Principal*	Interest			
2024	875,000	194,900	-	-	1,069,900	2.77%	
2025	2,220,000	736,665	500,000 *	-	3,456,665	11.39%	
2026	2,225,000	647,883	500,000 *	-	3,372,883	20.02%	
2027	2,220,000	558,338	500,000 *	-	3,278,338	28.63%	
2028	1,920,000	483,128	500,000 *	-	2,903,128	36.29%	
2029	1,665,000	418,893	500,000 *	-	2,583,893	43.15%	
2030	1,520,000	365,008	500,000 *	-	2,385,008	49.55%	
2031	1,200,000	318,098	500,000 *	-	2,018,098	54.93%	
2032	1,030,000	278,513	500,000 *	-	1,808,513	59.78%	
2033	910,000	242,950	500,000 *	-	1,652,950	64.24%	
2034	800,000	211,288	500,000 *	-	1,511,288	68.36%	
2035	800,000	182,925	500,000 *	-	1,482,925	72.48%	
2036	800,000	154,563	500,000 *	-	1,454,563	76.60%	
2037	585,000	126,200	500,000 *	-	1,211,200	80.03%	
2038	585,000	105,150	500,000 *	-	1,190,150	83.47%	
2039	585,000	84,100	500,000 *	-	1,169,100	86.90%	
2040	585,000	63,050	500,000 *	-	1,148,050	90.34%	
2041	350,000	42,000	500,000 *	-	892,000	93.03%	
2042	350,000	28,000	500,000 *	-	878,000	95.72%	
2043	350,000	14,000	500,000 *	-	864,000	98.42%	
2044	-	-	500,000 *	-	500,000	100.00%	
Total	\$21,575,000	\$5,255,648	\$10,000,000 *	\$ -	\$36,830,648		

¹ Excludes capital lease obligations and other long-term commitments.

² Excludes \$1,350,000 in principal and \$588,464.61 in interest payments made in fiscal year ending June 30, 2024.

*Preliminary, subject to change.

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Fiscal Year Ending 30-Jun	Self-Supporting Debt ^{1,2}			Percent Retired
	Principal	Interest	Total	
2024	178,158	56,024	234,181	0.79%
2025	1,231,843	499,881	1,731,724	6.29%
2026	1,236,843	471,447	1,708,290	11.81%
2027	1,236,843	442,813	1,679,656	17.32%
2028	1,236,843	414,180	1,651,023	22.84%
2029	1,231,843	385,546	1,617,389	28.34%
2030	1,231,843	357,113	1,588,956	33.83%
2031	1,231,843	328,679	1,560,522	39.33%
2032	1,231,843	300,245	1,532,088	44.82%
2033	1,231,843	273,512	1,505,355	50.32%
2034	1,231,843	246,778	1,478,621	55.81%
2035	1,231,843	220,045	1,451,888	61.31%
2036	1,231,843	193,311	1,425,154	66.80%
2037	1,231,843	166,577	1,398,420	72.30%
2038	1,138,105	140,362	1,278,466	77.38%
2039	1,088,735	116,255	1,204,990	82.23%
2040	1,054,002	92,600	1,146,601	86.93%
2041	1,005,376	70,171	1,075,547	91.42%
2042	253,938	54,121	308,058	92.55%
2043	187,898	48,506	236,404	93.39%
2044	182,898	43,001	225,899	94.21%
2045	182,898	37,646	220,544	95.02%
2046	182,898	32,292	215,190	95.84%
2047	182,898	26,937	209,835	96.65%
2048	182,898	21,582	204,480	97.47%
2049	177,898	16,228	194,126	98.26%
2050	177,898	11,023	188,921	99.06%
2051	52,898	5,818	58,716	99.29%
2052	52,898	4,363	57,261	99.53%
2053	52,898	2,909	55,807	99.76%
2054	52,876	1,454	54,330	100.00%
Total	\$22,417,026	\$5,081,418	\$27,498,444	

¹ Excludes capital lease obligations and other long-term commitments.

² Excludes \$1,063,685.50 in principal and \$472,750.63 in interest payments made in fiscal year ending June 30, 2024.

OVERLAPPING/UNDERLYING DEBT

The Town of Killingly does not have any overlapping debt.

There are eight political subdivisions and special tax districts located within the Town that have the authority to issue tax-exempt debt which constitutes underlying debt of the Town. As of May 9, 2024, four of these entities have the following debt outstanding:

<u>Fire Districts</u>	<u>Outstanding Debt as of May 9, 2024</u>
Attawaugan.....	\$ 207,037
Borough of Danielson.....	650,402
East Killingly.....	34,722
South Killingly.....	1,281,847
Williamsville.....	-
Dayville.....	76,894
	<u>\$ 2,250,902</u>

The Town of Killingly does not assume responsibility for the verification of the above information.

DEBT STATEMENT

As of May 9, 2024
(Pro Forma)

Long-Term Indebtedness

General Purpose <i>(includes this issue)</i>	\$ 11,455,000 *
Schools <i>(includes this issue)</i>	20,120,000 *
Sewers - Self-Supporting.....	22,417,026
Total Long-Term Indebtedness.....	<u>53,992,026 *</u>

Short-Term Indebtedness

Notes Payable.....	-
Total Short-Term Indebtednes.....	<u>-</u>

Total Direct Indebtedness..... 53,992,026

Exclusions:

(Self-Supporting sewer debt).....	22,417,026
Net Direct Indebtedness.....	31,575,000
Overlapping/Underlying Indebtedness.....	2,250,902
Total Overall Net Direct Indebtedness.....	<u>\$ 33,825,902</u>

NOTE: Does not include capital lease obligations, other long-term commitment, and authorized but unissued debt.

*Preliminary, subject to change.

CURRENT DEBT RATIOS

May 9, 2024
(Pro Forma)

Population ¹	17,757
Net Taxable Grand List (10/1/23).....	\$2,169,884,639
Estimated Full Value.....	\$3,099,835,199
Equalized Net Taxable Grand List (10/1/21) ² ...	\$2,709,478,602
Per Capita Income (2022) ³	\$36,074

	Total Direct debt	Total Net Direct Debt	Total Overall Net Debt
	<u>\$53,992,026</u> *	<u>\$31,575,000</u> *	<u>\$33,825,902</u> *
Per Capita.....	\$3,040.61	\$1,778.17	\$1,904.93
Ratio to Net Taxable Grand List.....	2.49%	1.46%	1.56%
Ratio to Estimated Full Value.....	1.74%	1.02%	1.09%
Ratio to Equalized Net Taxable Grand List.....	1.99%	1.17%	1.25%
Debt per Capita to Money Income per Capita.....	8.43%	4.93%	5.28%

¹ U.S. Census Bureau, 2018-2022 American Community Survey.

² Office of Policy and Management, State of Connecticut.

³ U.S. Census Bureau, 2018-2022 American Community Survey.

*Preliminary, subject to change.

BOND AUTHORIZATION

The Town of Killingly has the power to incur indebtedness by issuing its bonds or notes as authorized by the General Statutes of the State of Connecticut subject to statutory debt limitations and the authorization by the Town’s voters at an election or referendum upon the approval of the Town Council.

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 all subsequent years during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th (1/30th for sewer 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, or, for sewer projects, by the amount of time temporary financing has been outstanding.

Temporary notes must be permanently funded no later than ten years from the initial borrowing date, except for sewer notes issued in anticipation of State and/or Federal grants. If a 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 fifteen years for certain capital projects associated with the operation of a waterworks system (CGS Sec. 7-244a) or a sewage system (CGS Sec. 7-264a). In the first year following the completion of the project(s), or in the sixth year following the original issue date (whichever is sooner), and in each year thereafter, the notes must be reduced by at least 1/15 of the total amount of the notes issued by funds derived from certain sources of payment.

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

LIMITATION OF INDEBTEDNESS

Municipalities shall not incur indebtedness through the issuance of bonds 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.

Section 7-374 of the Connecticut General Statutes also provides 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 May 9, 2024
(Pro Forma)

Total Receipts for fiscal year ended June 30, 2023 (including interest and lien fees)¹ \$ 38,795,617

State Reimbursement for Revenue Loss on:

Tax Relief for Elderly -

Base for Establishing Debt Limit \$ 38,795,617

	General Purpose	Schools	Sewers	Urban Renewal	Past Pension	Total Debt
(2.25 times base).....	\$87,290,138					
(4.50 times base).....		\$174,580,277				
(3.75 times base).....			\$145,483,564			
(3.25 times base).....				\$126,085,755		
(3.00 times base).....					\$116,386,851	
(7.00 times base).....						\$271,569,319
Indebtedness						
Bonds Payable (includes this issue).....	\$11,455,000 *	\$ 20,120,000 *	\$ 22,417,026	\$ -	\$ -	\$ 53,992,026
Note Payable.....	-	-	-	-	-	-
Underlying Tax District Debt.....	2,250,902					
Authorized but Unissued Debt.....	8,691,500	35,715,716	-	-	-	44,407,216
Total Bonded Indebtedness.....	22,397,402	55,835,716	22,417,026	-	-	98,399,242
Self-Supporting sewer loans.....	-	-	(22,417,026)	-	-	(22,417,026)
Net Bonded Indebtedness.....	22,397,402	55,835,716	-	-	-	75,982,216
Excess of Limit Over Outstanding and Authorized Debt.....						
	\$64,892,736	\$118,744,561	\$145,483,564	\$126,085,755	\$116,386,851	\$195,587,103

¹ Excludes capital lease obligations and other long-term commitments.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$271,569,319.

*Preliminary, subject to change.

AUTHORIZED BUT UNISSUED DEBT

As of May 9, 2024
(Pro Forma)

Project	Amount of Total Authorization	Previously Bonded	Paydowns/ Grants	Premium	The Bonds	Authorized But Unissued Debt
School Upgrades (Roof, Window & Tank).....	\$ 6,525,000	\$ 1,410,000	\$1,200,764	\$ -	\$ -	\$ 3,914,236 ¹
Renovations to Town Hall/Community Center....	3,200,000	1,555,000	-	-	1,600,000 *	45,000 ²
Killingly Memorial School Project.....	34,000,000	5,000,000	5,577,020	268,000	-	23,154,980 ³
Westfield Ave School/Community Center.....	27,800,000	2,000,000	-	107,000	8,400,000 *	17,293,000
Total All Projects	<u>\$ 71,525,000</u>	<u>\$ 9,965,000</u>	<u>\$6,777,784</u>	<u>\$375,000</u>	<u>\$10,000,000 *</u>	<u>\$ 44,407,216</u>

¹ Actual amount of issuance will be less than authorized amount as the scope of the original project has been reduced.

² Actual amount of issuance will be less than authorized amount as the scope of the original project has been reduced.

³ This project qualifies for State of Connecticut School Construction Grants of approximately 72% or \$24.58 million.

Source: Town of Killingly, Finance Office.

*Preliminary, subject to change.

PRINCIPAL AMOUNT OF OUTSTANDING DEBT
Fiscal Years Ending June 30

Long-Term Debt	2023	2022	2021	2020	2019
Bonds.....	\$46,405,711	\$42,727,554	\$30,413,795	\$31,589,323	\$29,078,494
Short-Term Debt					
CWF Interim Loans.....	0	0	17,082,887	18,710,797	2,683,365
Totals.....	\$46,405,711	\$42,727,554	\$47,496,682	\$50,300,120	\$31,761,859

Source: Annual Audited Financial Statements 2019-2023.

RATIO OF DIRECT OVERALL DEBT TO VALUATION, POPULATION AND INCOME

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Direct Debt ¹	Ratio of Direct Debt to Net Assessed Value (%)	Ratio of Direct Debt to Estimated Full Value (%)	Population ²	Direct Debt per Capita	Ratio of Direct Debt per Capita to Per Capita Income (%) ³
2023	\$1,422,713,072	\$2,032,447,246	\$46,405,711	3.26%	2.28%	17,757	\$2,613.38	7.24%
2022	1,371,405,304	1,959,150,434	42,727,554	3.12%	2.18%	17,757	2,406.24	6.67%
2021	1,367,154,634	1,953,078,049	47,496,682	3.47%	2.43%	17,681	2,686.31	7.45%
2020	1,346,293,734	1,923,276,763	50,300,120	3.74%	2.62%	17,267	2,913.08	8.08%
2019	1,161,533,633	1,659,333,761	31,761,859	2.73%	1.91%	17,231	1,843.30	5.11%

¹ Does not include underlying debt, capital lease obligations and other long-term commitments.

² U.S. Census Bureau, 2018-2022 American Community Survey.

³ Income per Capita: \$36,074 – U.S. Census Bureau, 2018-2022 American Community Survey.

THE TOWN OF KILLINGLY 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 of Killingly, its officers, employees, boards and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. It is the Town Attorney's opinion that such pending litigation will not be finally determined, individually or in the aggregate, so as to result in final judgments against the Town which would have a material adverse effect on the Town's financial position.

MUNICIPAL ADVISOR

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

TRANSCRIPT AND CLOSING DOCUMENTS

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

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy or collection of taxes to pay the principal of and interest on the Bonds.
2. A Certificate on behalf of the Town signed by the Town Manager and Treasurer which will be dated the date of delivery of the Bonds and which will certify, to the best of said officials' knowledge and belief, that at the time the bids were accepted, the descriptions and statements in the Official Statement relating to the Town and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the Town from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. Approving opinion of Pullman & Comley LLC, Bond Counsel, of Hartford, Connecticut substantially in the form of Appendix B attached hereto.
5. An executed Continuing Disclosure Agreement for the Bonds substantially in the form of Appendix C attached hereto.
6. The Town of Killingly has prepared a Preliminary Official Statement for this Bond issue which is dated April 17, 2024. The Town deems such Preliminary Official Statement final as of its date for purposes of SEC Rule 15c2-12 (b)(5), but it is subject to revision or amendment. The Town will make available to the winning bidder of the Bonds a reasonable number of copies of the Official Statement at the Town's expense within seven business days of the signing of the bid opening.

A transcript of the proceedings taken by the Town in authorizing the Bonds will be kept on file at the offices of U.S. Bank Trust Company, National Association, CityPlace I, 185 Asylum Street, 27th Floor, Hartford, Connecticut and will be available for examination upon reasonable request.

CONCLUDING STATEMENT

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

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

Information herein has been derived by the Town from various officials, departments and other sources and is believed by the Town to be reliable, but such information, other than that obtained from official records of the Town, has not been independently confirmed or verified by the Town and its accuracy is not guaranteed.

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.

This Official Statement has been duly prepared and delivered by the Town, and executed for and on behalf of the Town by the following officials:

TOWN OF KILLINGLY, CONNECTICUT

By: _____
Mary T. Calorio, *Town Manager*

By: _____
Jennifer M. Hawkins, *Treasurer*

Dated as of April ___, 2024

APPENDIX A – BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Appendix A - Basic Financial Statements - is taken from the Annual Report of the Town of Killingly for the Fiscal Year ended June 30, 2023 as presented by the Auditors and does not include all of the schedules or management letter made in such report. A copy of the complete report is available upon request to the Director of Finance, Town of Killingly, Connecticut.

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Killingly, 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 Killingly, Connecticut, (the Town) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town'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 Town of Killingly, Connecticut, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town 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'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.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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'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'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 on pages 4 through 14 and the information on pages 68 through 80 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining and individual fund financial statements and schedules 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 auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the introductory section on pages i through ii and other information on pages 112 through 120, 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 April 12, 2024, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Certified Public Accountants
Glastonbury, Connecticut
April 12, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

The management of the Town of Killingly, Connecticut, (the Town) offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$138,724,472 (net position). Of this amount, \$34,424,520 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$4,446,196 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$41,961,436, an increase of \$5,480,489 in comparison with the prior year.
- As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance totaled \$16,288,807 and represents 25.1% of the final fiscal year 2023 budgeted expenditures for the General Fund. Expressed another way, unassigned fund balance for the budgeted General Fund was sufficient to cover approximately 3.0 months of General Fund budgetary expenditures. The fund balance of the Town's General Fund increased by \$1,644,457 during the current fiscal year.
- The Town's capital assets increased by \$3,011,880 or 2.1% during the current year.
- The Town's total long-term debt increased by \$3,206,529 or 6.9% during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

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

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

The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows and inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

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

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Fund Financial Statements *(Continued)*

Governmental Funds (Continued)

The Town maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Improvements Fund, the Sewer Operating Fund, the Capital Nonrecurring Fund, and the American Rescue Plan Fund, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 17 through 20 of this report.

Proprietary Funds

The Town maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for certain of its risk management activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

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

Fiduciary Funds

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

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

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 67 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information, combining and individual fund statements and schedules and other information that can be found on pages 68 through 120 of this report.

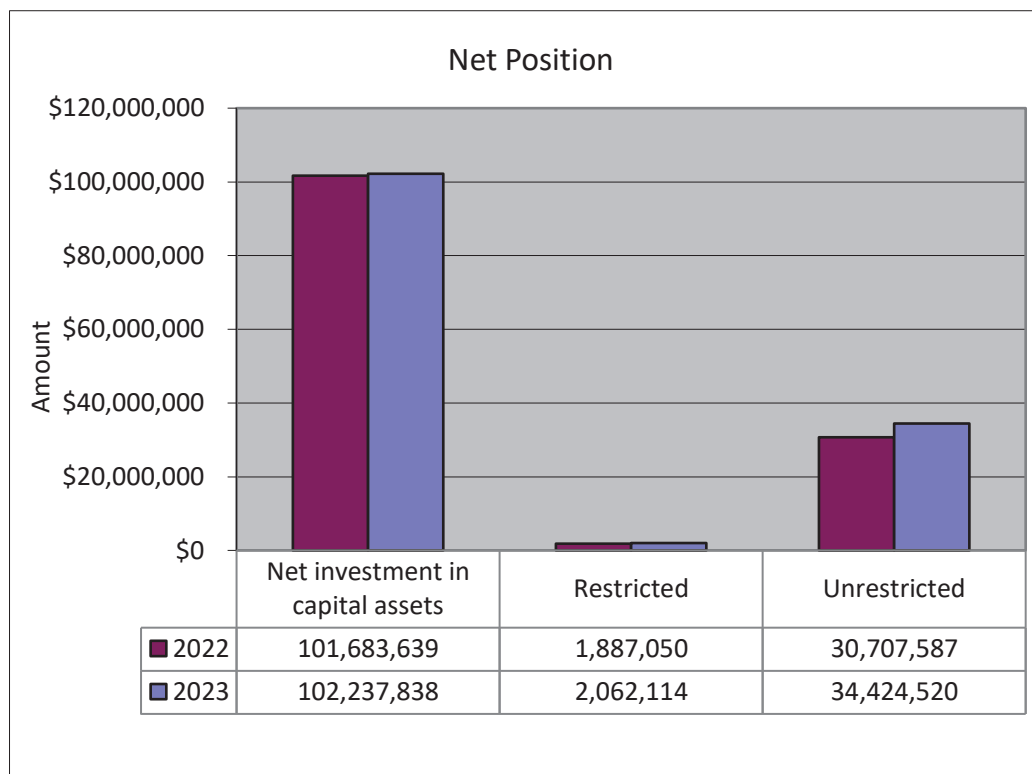
TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

Over time, net position may serve as one measure of a government's financial position. Net position of the Town totaled \$138,724,472 as of June 30, 2023 and \$134,278,276 as of June 30, 2022, respectively, and are summarized as follows:

	<u>2023</u>	<u>2022</u>	<u>\$ Variance</u>	<u>% Variance</u>
Current and other assets	\$ 56,602,724	\$ 48,912,455	\$ 7,690,269	15.7%
Capital assets	149,506,453	146,494,573	3,011,880	2.1%
Total assets	<u>206,109,177</u>	<u>195,407,028</u>	<u>10,702,149</u>	5.5%
Deferred outflows of resources	<u>2,581,645</u>	<u>3,325,158</u>	<u>(743,513)</u>	-22.4%
Other liabilities	9,309,380	6,884,694	2,424,686	35.2%
Long-term liabilities	<u>56,609,127</u>	<u>53,417,508</u>	<u>3,191,619</u>	6.0%
Total liabilities	<u>65,918,507</u>	<u>60,302,202</u>	<u>5,616,305</u>	9.3%
Deferred inflows of resources	<u>4,047,843</u>	<u>4,151,708</u>	<u>(103,865)</u>	-2.5%
Net position:				
Net investment in capital assets	102,237,838	101,683,639	554,199	0.5%
Restricted	2,062,114	1,887,050	175,064	9.3%
Unrestricted	<u>34,424,520</u>	<u>30,707,587</u>	<u>3,716,933</u>	12.1%
Total net position	<u>\$ 138,724,472</u>	<u>\$ 134,278,276</u>	<u>\$ 4,446,196</u>	3.3%



TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Net Position *(Continued)*

73.7% of the Town's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

1.5% of the Town's net position reflects resources that are subject to external restrictions on how they may be used.

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

Overall, net position increased by \$4,446,196 in comparison to the prior year.

Changes in Net Position

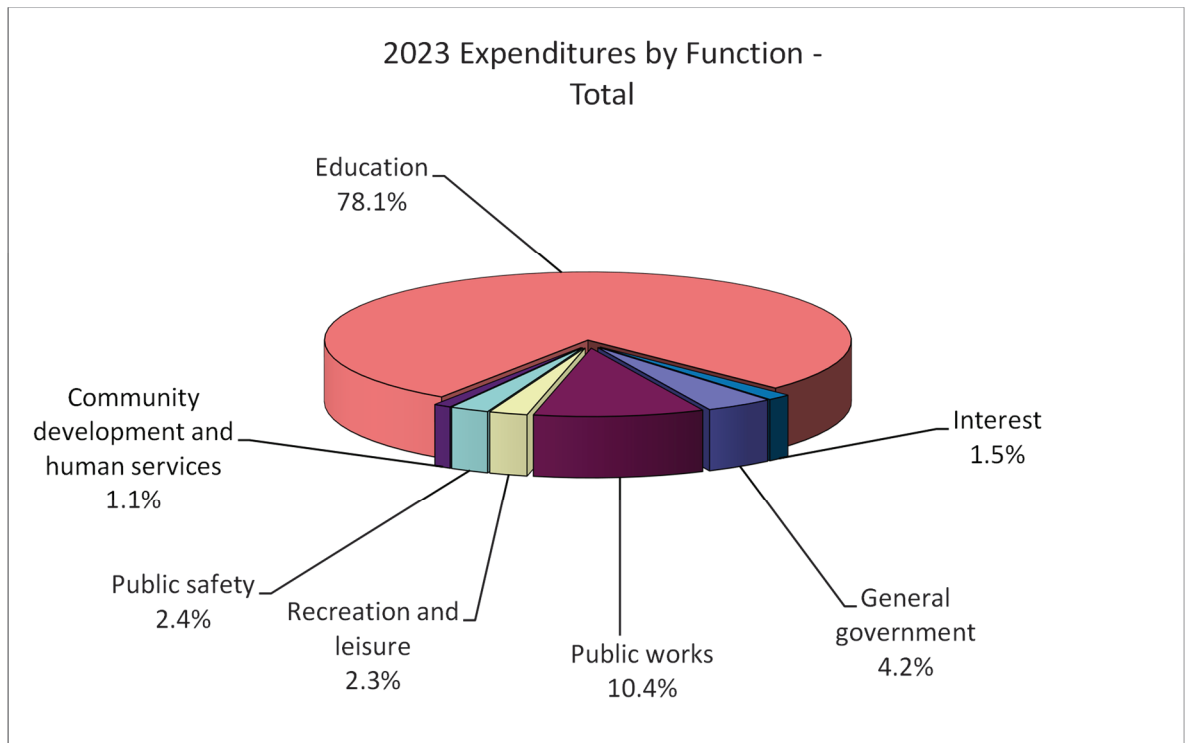
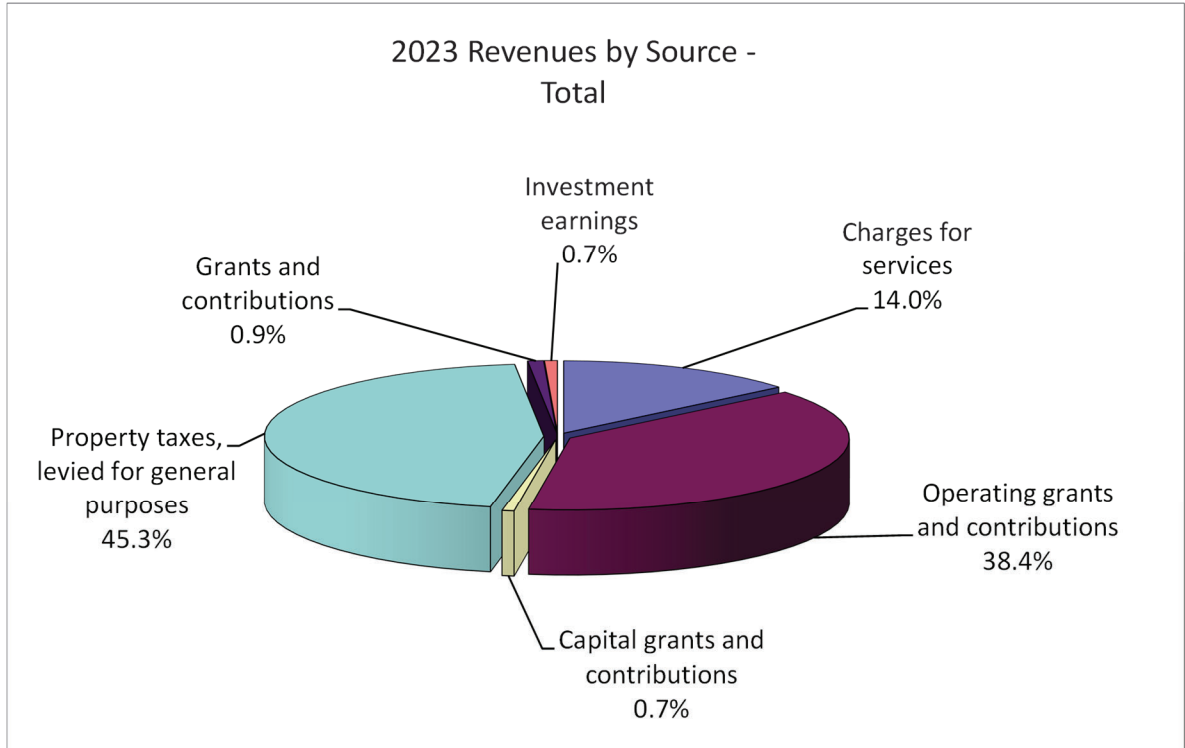
Changes in net position for the years ended June 30, 2023 and 2022 are as follows.

	<u>2023</u>	<u>2022</u>	<u>\$ Variance</u>	<u>% Variance</u>
Revenues				
Program revenues:				
Charges for services	\$ 11,996,200	\$ 11,059,637	\$ 936,563	8.5%
Operating grants and contributions	32,872,871	28,556,135	4,316,736	15.1%
Capital grants and contributions	594,634	1,090,841	(496,207)	-45.5%
General revenues:				
Property taxes, levied for general purposes	38,806,433	37,642,951	1,163,482	3.1%
Grants and contributions	788,402	388,210	400,192	103.1%
Investment earnings	639,000	47,231	591,769	1252.9%
Total revenues	<u>85,697,540</u>	<u>78,785,005</u>	<u>6,912,535</u>	8.8%
Expenses				
General government	3,387,436	3,264,200	123,236	3.8%
Public works	8,499,645	8,175,384	324,261	4.0%
Recreation and leisure	1,908,553	1,818,625	89,928	4.9%
Public safety	1,952,657	1,443,800	508,857	35.2%
Community development and human services	881,146	851,282	29,864	3.5%
Education	63,419,203	58,972,740	4,446,463	7.5%
Interest	1,202,704	1,442,735	(240,031)	-16.6%
Total expenses	<u>81,251,344</u>	<u>75,968,766</u>	<u>5,282,578</u>	7.0%
Change in net position	<u>\$ 4,446,196</u>	<u>\$ 2,816,239</u>	<u>\$ 1,629,957</u>	57.9%

TOWN OF KILLINGLY, CONNECTICUT
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (Continued)
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)



TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position *(Continued)*

Governmental activities increased the Town's net position by \$4,446,196.

Revenues increased by 8.8% or \$6,912,535 and expenses increased by \$5,282,578 or 7.0% over the amounts reported in the prior year. Increases in operating grants and education expenses were impacted by an increase of approximately \$3.2 million in the amount of pension and OPEB expense recognized by the Town in connection with its participation in the Connecticut Teachers' Retirement System (CTRS). Although the Town is not liable for contributions made to CTRS, the Town recognizes its proportionate share of the pension and OPEB expense attributed to the Town's employees as both revenues and expenses.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term outflows, inflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$41,961,436, an increase of \$5,480,489 in comparison with the prior year.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$16,288,807. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 25.1% of the final fiscal year 2023 budgeted expenditures for the General Fund. Expressed another way, unassigned fund balance for the budgeted General Fund was sufficient to cover approximately 3.0 months of General Fund budgetary expenditures.

The fund balance of the Town's General Fund increased by \$1,644,457 during the current fiscal year.

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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

Governmental Funds *(Continued)*

Capital Improvements Fund

The fund balance of the Capital Improvements Fund increased by \$1,367,413 during the current fiscal year. This change was primarily due the issuance of general obligation bonds and transfers in from the General Fund to fund capital projects. Significant capital outlays consisted of approximately \$8.2 million in connection with the Killingly Middle School construction.

Sewer Operating Fund

The fund balance of the Sewer Operating Fund increased by \$1,337,933 during the current fiscal year. The increase is primarily due to the recognition of delinquent fiscal year receivable balances collected within the current year.

Capital Nonrecurring Fund

The fund balance of the Capital Nonrecurring Fund increased by \$901,884 during the current fiscal year. This increase was due to transfers in from the General Fund to fund capital purchases.

American Rescue Plan Fund

During the year end June 30, 2023, the Town recognized \$250,679 in grant funds received under the American Rescue Plan Act to fund authorized expenditures. As of June 30, 2023, the Town has \$3,697,266 in grant funds received and unexpended.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's final budget planned for the utilization of fund balance in the amount of \$2,089,976. The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$1,761,151, resulting in an overall favorable budgetary variance of \$3,851,127. Revenues and other financing sources were \$1,515,603 more than budgeted. Expenditures and transfers out were \$2,335,524 less than budgeted. Budgetary surpluses were recognized across all departments due to the careful control of spending.

SEWER OPERATING FUND BUDGETARY HIGHLIGHTS

The Town adopts an annual budget for its Sewer Operating Fund. During the year ended June 30, 2023 there were no additional appropriations made to the budget. The actual net change in fund balance of the Sewer Operating Fund on a budgetary basis was an increase of \$1,349,933. This variance is primarily due to a surplus in revenues relating to current year collections on delinquent receivables and cost reductions relating to the Town taking over the operations of its wastewater treatment plant from a third party contractor.

TOWN OF KILLINGLY, CONNECTICUT
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

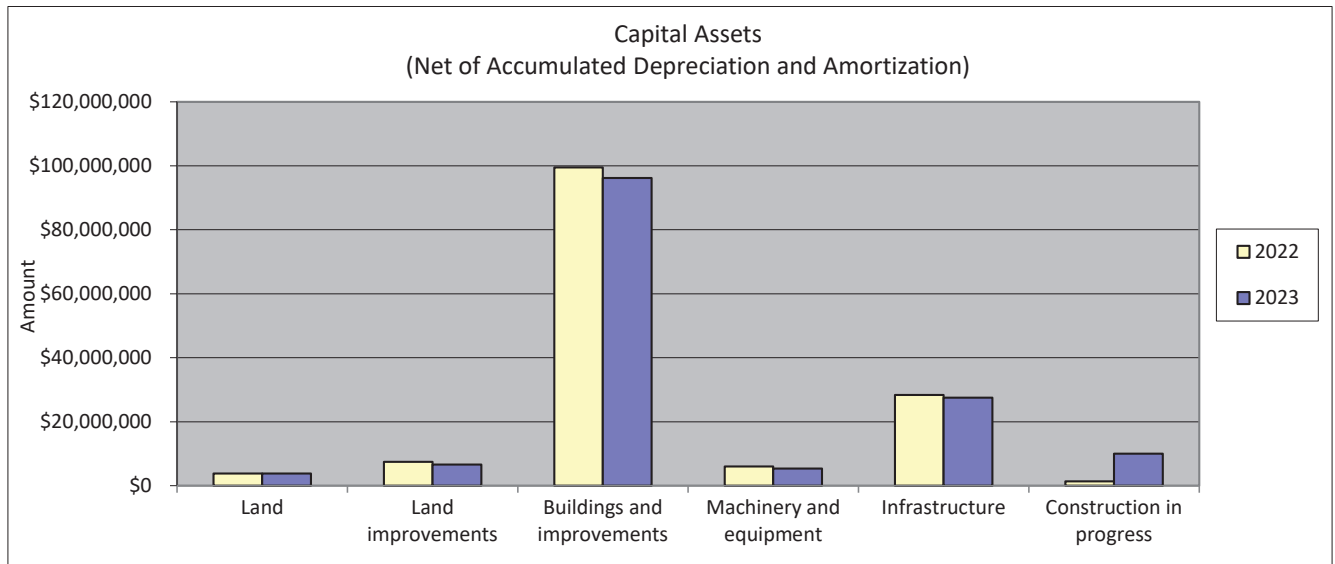
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2023 and 2022 totaled \$149,506,453 and \$146,494,573, respectively (net of accumulated depreciation and amortization). This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress. The total increase in the Town's investment in capital assets for the current fiscal year was \$3,011,880 or 2.1%. This increase consisted of net capital asset additions of approximately \$9.8 million offset by current year depreciation and amortization expense of approximately \$6.8 million.

The following table is a two year comparison of the Town's investment in capital assets:

	<u>2023</u>	<u>2022</u>	<u>\$ Variance</u>	<u>% Variance</u>
Land	\$ 3,821,224	\$ 3,821,224	\$ -	0.0%
Land improvements	6,602,821	7,481,496	(878,675)	-11.7%
Buildings and improvements	96,233,230	99,519,502	(3,286,272)	-3.3%
Machinery and equipment	5,325,672	5,954,204	(628,532)	-10.6%
Infrastructure	27,559,409	28,378,204	(818,795)	-2.9%
Construction in progress	9,964,097	1,339,943	8,624,154	643.6%
Totals	<u>\$ 149,506,453</u>	<u>\$ 146,494,573</u>	<u>\$ 3,011,880</u>	2.1%



Additional information on the Town's capital assets can be found in Note 4 of this report.

TOWN OF KILLINGLY, CONNECTICUT
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Debt

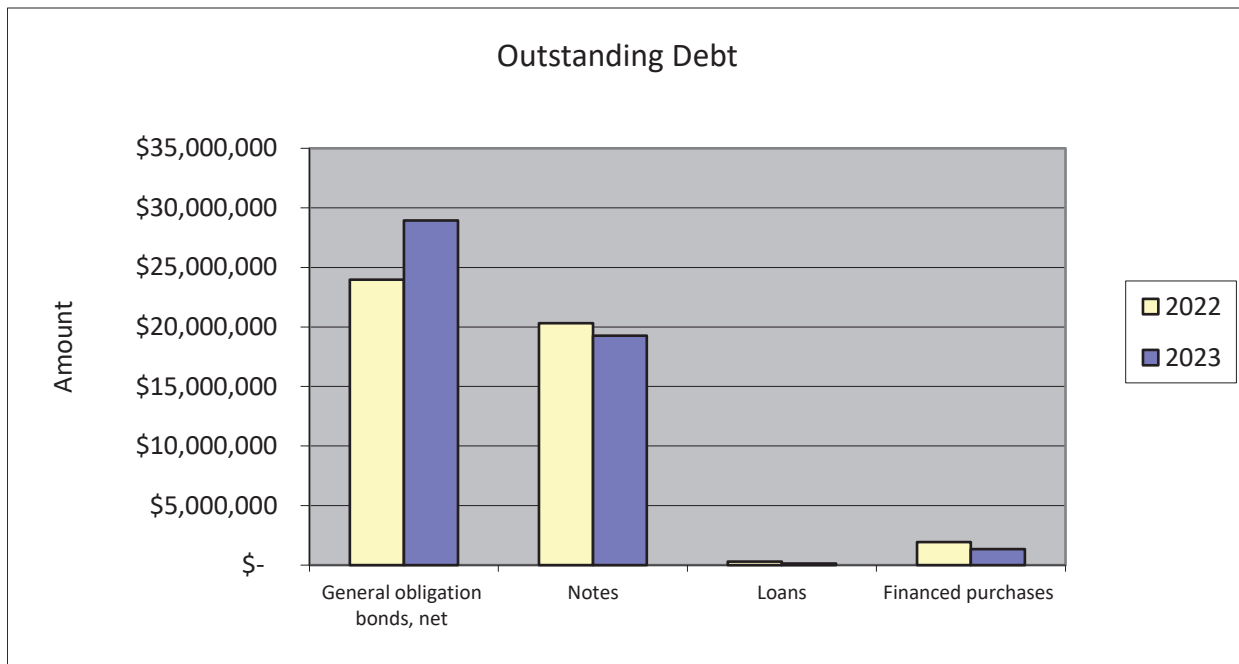
At the end of the current fiscal year, the Town had total debt outstanding in the amount of \$49,701,889. The Town's total debt increased by \$3,206,529 or 6.9% during the current fiscal year.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is significantly in excess of the Town's outstanding general obligation debt.

The following table is a two year comparison of debt:

	<u>2023</u>	<u>2022</u>	<u>\$ Variance</u>	<u>% Variance</u>
General obligation bonds, net	\$ 28,943,565	\$ 23,966,529	\$ 4,977,036	20.8%
Notes	19,260,714	20,322,557	(1,061,843)	-5.2%
Loans	144,341	280,727	(136,386)	-48.6%
Financed purchases	1,353,269	1,925,547	(572,278)	-29.7%
Totals	<u>\$ 49,701,889</u>	<u>\$ 46,495,360</u>	<u>\$ 3,206,529</u>	6.9%

Additional information on the Town's long-term debt can be found in Notes 7 of this report.



TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Inflationary trends in the region are comparable to national indices.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
 - For purposes of calculating property tax revenues for fiscal year 2024, the Assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
 - Intergovernmental grants were based on estimates from the State.
 - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Planning and Development Department, the Town Clerk and the amount of conveyance taxes and interest income.
 - The Town has designated \$2,750,000 of fund balance for use in the 2024 budget.

All of these factors were considered in preparing the Town's budget for fiscal year 2024.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, Town of Killingly, 172 Main Street, Killingly, Connecticut 06239.

BASIC FINANCIAL STATEMENTS

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 47,240,468
Investments	4,261,845
Receivables:	
Property taxes, net	1,750,679
Assessments and user charges, net	585,890
Grants and contracts	998,969
Other	250,301
Other assets	554,564
Net pension asset	282,552
Restricted assets:	
Cash and cash equivalents	340,767
Investments	336,689
Capital assets:	
Non-depreciable	13,785,321
Depreciable, net	135,721,132
Total assets	206,109,177
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	511,391
Pension related	588,232
OPEB related	1,482,022
Total deferred outflows of resources	2,581,645
LIABILITIES	
Accounts payable	3,110,059
Accrued liabilities:	
Accrued interest	145,383
Other	192,190
Unearned revenue	5,354,707
Claims payable	388,000
Deposits payable	119,041
Noncurrent liabilities:	
Due within one year	4,313,719
Due in more than one year	52,295,408
Total liabilities	65,918,507
DEFERRED INFLOWS OF RESOURCES	
Pension related	272,891
OPEB related	3,774,952
Total deferred inflows of resources	4,047,843
NET POSITION	
Net investment in capital assets	102,237,838
Restricted for:	
Endowments:	
Expendable	628,031
Nonexpendable	71,303
Grant programs	708,654
Educational programs	371,574
Pension benefits	282,552
Unrestricted	34,424,520
Total net position	\$ 138,724,472

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

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental activities:					
General government	\$ 3,387,436	\$ 1,344,311	\$ 353,831	\$ -	\$ (1,689,294)
Public works	8,499,645	6,509,914	1,667,062	594,634	271,965
Recreation and leisure	1,908,553	202,444	32,184	-	(1,673,925)
Public safety	1,952,657	-	237,554	-	(1,715,103)
Community development and human services	881,146	45,860	94,769	-	(740,517)
Education	63,419,203	3,893,671	30,487,471	-	(29,038,061)
Interest	1,202,704	-	-	-	(1,202,704)
Total governmental activities	<u>\$ 81,251,344</u>	<u>\$ 11,996,200</u>	<u>\$ 32,872,871</u>	<u>\$ 594,634</u>	<u>(35,787,639)</u>
General revenues:					
Property taxes, levied for general purposes					38,806,433
Grants and contributions not restricted to specific programs					788,402
Investment earnings					639,000
Total general revenues					<u>40,233,835</u>
Change in net position					4,446,196
Net position - beginning					134,278,276
Net position - ending					<u>\$ 138,724,472</u>

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

TOWN OF KILLINGLY, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023

	General Fund	Capital Improvements Fund	Sewer Operating Fund	Capital Nonrecurring Fund	American Rescue Plan Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 41,227,952	-	\$ 446,167	\$ -	-	\$ 5,563,944	\$ 47,238,063
Investments	3,034,189	-	1,162,592	-	-	401,753	4,598,534
Receivables:							
Property taxes, net	1,750,679	-	-	-	-	-	1,750,679
Assessments and user charges, net	-	-	585,890	-	-	-	585,890
Grants and contracts	22,955	40,860	-	-	-	935,154	998,969
Other	212,759	-	1,907	-	-	35,635	250,301
Due from other funds	3,098,326	3,540,874	1,550,346	7,756,670	3,704,875	2,325,292	21,976,383
Inventories	-	-	-	-	-	42,460	42,460
Other assets	512,104	-	-	-	-	-	512,104
Total assets	<u>\$ 49,858,964</u>	<u>\$ 3,581,734</u>	<u>\$ 3,746,902</u>	<u>\$ 7,756,670</u>	<u>\$ 3,704,875</u>	<u>\$ 9,304,238</u>	<u>\$ 77,953,383</u>
LIABILITIES							
Accounts payable	\$ 975,958	\$ 1,722,516	\$ 104,122	\$ -	\$ 7,609	\$ 299,854	\$ 3,110,059
Accrued liabilities	191,923	-	267	-	-	-	192,190
Due to other funds	21,168,001	54,958	-	816,228	-	3,065,962	25,105,149
Deposits payable	119,041	-	-	-	-	-	119,041
Unearned revenue	-	1,460,655	-	-	3,697,266	196,786	5,354,707
Total liabilities	<u>22,454,923</u>	<u>3,238,129</u>	<u>104,389</u>	<u>816,228</u>	<u>3,704,875</u>	<u>3,562,602</u>	<u>33,881,146</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - property taxes	1,597,853	-	-	-	-	-	1,597,853
Unavailable revenue - sewer assessments	-	-	512,948	-	-	-	512,948
Total deferred inflows of resources	<u>1,597,853</u>	<u>-</u>	<u>512,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,110,801</u>
FUND BALANCES							
Nonspendable	72,104	-	-	-	-	113,763	185,867
Restricted	-	3,644,399	-	-	-	1,708,259	5,352,658
Committed	746,186	-	3,129,565	6,940,442	-	3,919,614	14,735,807
Assigned	8,699,091	4,523,436	-	-	-	-	13,222,527
Unassigned	16,288,807	(7,824,230)	-	-	-	-	8,464,577
Total fund balances	<u>25,806,188</u>	<u>343,605</u>	<u>3,129,565</u>	<u>6,940,442</u>	<u>-</u>	<u>5,741,636</u>	<u>41,961,436</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 49,858,964</u>	<u>\$ 3,581,734</u>	<u>\$ 3,746,902</u>	<u>\$ 7,756,670</u>	<u>\$ 3,704,875</u>	<u>\$ 9,304,238</u>	<u>\$ 77,953,383</u>

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

TOWN OF KILLINGLY, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

Total fund balances for governmental funds		\$ 41,961,436
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets consist of:		
Construction in progress	\$ 9,964,097	
Land	3,821,224	
Land improvements	17,292,972	
Buildings and improvements	150,857,896	
Machinery and equipment	26,137,677	
Infrastructure	81,843,589	
Less: accumulated depreciation and amortization	<u>(140,411,002)</u>	
Total capital assets, net		149,506,453
Some of the Town's revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		
Property taxes	1,597,853	
Sewer assessments	<u>512,948</u>	
		2,110,801
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Those liabilities consist of:		
Long-term debt:		
Deferred charge on refunding	511,391	
Bonds and notes payable	(46,405,714)	
Unamortized premium	(1,798,565)	
Financed purchases	(1,353,269)	
Loan payable	(144,341)	
Accrued interest payable	(145,383)	
Other long-term liabilities:		
Compensated absences	(916,310)	
Landfill post-closure care costs	(180,000)	
Net OPEB liability	<u>(5,810,928)</u>	
Total long-term liabilities		(56,243,119)
Deferred outflows and inflows of resources resulting from changes in the components of the net pension asset and net OPEB liability are amortized as a component of pension and OPEB expense in the statement of net position.		
		(1,977,589)
Net pension assets are not recognized in the governmental funds. The net pension asset results from the difference between a pension plan's fiduciary net position and the portion of the present value of projected benefit payments to be provided through the pension plan.		
		282,552
An internal service fund is used by the Town to charge the cost of risk management activities to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		
		<u>3,083,938</u>
Net position of governmental activities		<u><u>\$ 138,724,472</u></u>

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

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Capital Improvements Fund	Sewer Operating Fund	Capital Nonrecurring Fund	American Rescue Plan Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 38,891,754	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,891,754
Intergovernmental	24,394,806	594,634	-	-	250,679	6,229,521	31,469,640
Licenses, permits and fees	674,619	-	-	-	-	-	674,619
Charges for services	3,288,909	-	7,331,765	-	-	1,523,287	12,143,961
Investment income	619,548	-	5,671	-	-	13,781	639,000
Other	662,966	273,314	19,932	-	-	352,686	1,308,898
Total revenues	68,532,602	867,948	7,357,368	-	250,679	8,119,275	85,127,872
EXPENDITURES							
Current:							
General government	2,461,378	-	-	-	-	326,176	2,787,554
Public works	2,540,951	-	2,326,275	-	-	-	4,867,226
Recreation and leisure	1,500,093	-	-	-	-	138,033	1,638,126
Public safety	1,666,234	-	-	-	-	162	1,666,396
Community development and human services	837,890	-	-	-	-	8,374	846,264
Education	48,292,455	-	-	-	-	7,672,723	55,965,178
Other	2,531,592	-	-	-	-	-	2,531,592
Debt service:							
Principal payments	4,030,507	-	-	-	-	-	4,030,507
Interest and fiscal charges	1,280,618	-	-	-	-	-	1,280,618
Capital outlays	276,948	10,420,960	-	527,752	250,679	23,248	11,499,587
Total expenditures	65,418,666	10,420,960	2,326,275	527,752	250,679	8,168,716	87,113,048
Excess (deficiency) of revenues over expenditures	3,113,936	(9,553,012)	5,031,093	(527,752)	-	(49,441)	(1,985,176)
OTHER FINANCING SOURCES (USES)							
Bonds issued	-	7,000,000	-	-	-	-	7,000,000
Premium on bonds issued	90,240	375,425	-	-	-	-	465,665
Transfers in	2,299,077	3,545,000	-	1,429,636	-	285,563	7,559,276
Transfers out	(3,858,796)	-	(3,693,160)	-	-	(7,320)	(7,559,276)
Total other financing sources (uses)	(1,469,479)	10,920,425	(3,693,160)	1,429,636	-	278,243	7,465,665
Net changes in fund balances	1,644,457	1,367,413	1,337,933	901,884	-	228,802	5,480,489
Fund balances - beginning	24,161,731	(1,023,808)	1,791,632	6,038,558	-	5,512,834	36,480,947
Fund balances - ending	\$ 25,806,188	\$ 343,605	\$ 3,129,565	\$ 6,940,442	\$ -	\$ 5,741,636	\$ 41,961,436

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

TOWN OF KILLINGLY, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balances for governmental funds	\$	5,480,489
Total change in net position reported for governmental activities in the statement of activities is different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. The amount by which capital outlays exceeded depreciation and amortization in the current period is as follows:</p>		
Expenditures for capital assets	\$ 9,785,874	
Depreciation and amortization expense	<u>(6,773,994)</u>	
Net adjustment		3,011,880
<p>Deferred outflows and inflows of resources resulting from changes in the net pension asset and net OPEB liability are amortized as a component of pension and OPEB expense in the statement of activities.</p>		
		(505,390)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term obligations is as follows:</p>		
Debt issued or incurred:		
Bonds issued	(7,000,000)	
Premium on bonds issued	(465,665)	
Principal repayments:		
Bonds and notes payable	3,321,843	
Financed purchases	572,278	
Loan payable	<u>136,386</u>	
		(3,435,158)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect of such items is as follows:</p>		
Compensated absences	(48,578)	
Accrued interest	(16,457)	
Net OPEB liability	(63,600)	
Net pension (asset) liability	389,640	
Amortization of bond premiums	228,629	
Amortization of deferred amount on refunding	(134,258)	
Landfill post-closure care costs	<u>20,000</u>	
		375,376
<p>Interest on property taxes, sewer use and sewer assessments are not susceptible to accrual and therefore are only reported as revenue in the funds when the cash is received by the Town. The change in interest receivable during the year increased revenues recognized in the funds.</p>		
		(907,172)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal services fund is reported with governmental activities.</p>		
		<u>426,171</u>
Change in net position of governmental activities	\$	<u><u>4,446,196</u></u>

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

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF NET POSITION -
PROPRIETARY FUND
AS OF JUNE 30, 2023

	Governmental Activities
	Internal Service Fund- Health Insurance Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 343,172
Due from other funds	3,128,766
Total assets	3,471,938
LIABILITIES	
Current liabilities:	
Claims payable	388,000
Total liabilities	388,000
NET POSITION	
Unrestricted	3,083,938
Total net position	\$ 3,083,938

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

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities
	Internal Service Fund- Health Insurance Fund
OPERATING REVENUES	
Charges for services	\$ 7,387,266
Total operating revenues	7,387,266
OPERATING EXPENSES	
Claims incurred	5,810,033
Administrative and other	1,154,717
Total operating expenses	6,964,750
Operating income	422,516
NONOPERATING REVENUES	
Interest income	3,655
Total nonoperating revenue	3,655
Change in net position	426,171
Net position - beginning	2,657,767
Net position - ending	\$ 3,083,938

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

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities
	Internal Service Fund- Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from charges for services	\$ 7,584,351
Payments for claims incurred	(6,219,451)
Payments for administrative costs and other	(1,154,717)
Net cash provided by operating activities	210,183
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	3,655
Net cash provided by investing activities	3,655
Net change in cash and cash equivalents	213,838
Cash and cash equivalents - beginning	129,334
Cash and cash equivalents - ending	\$ 343,172
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 422,516
Adjustments to reconcile operating loss to net cash provided by operating activities:	
(Increase) decrease in assets:	
Accounts receivable	736,737
Due from other funds	(539,652)
Increase (decrease) in liabilities:	
Claims payable	(409,418)
Net cash provided by operating activities	\$ 210,183

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

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AS OF JUNE 30, 2023

	Pension & OPEB Trust Funds	Private Purpose Trust Funds <u>Laura Pike Rowe Scholarship Fund</u>
ASSETS		
Cash and cash equivalents	\$ 187,086	\$ 44,590
Investments:		
Corporate bonds	-	23,666
Equity securities	-	290,185
Mutual funds	8,583,805	354,755
Contributions receivable	16,040	-
Total assets	<u>8,786,931</u>	<u>713,196</u>
NET POSITION		
Restricted for pension benefits, OPEB and other purposes	<u>\$ 8,786,931</u>	<u>\$ 713,196</u>

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

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Pension & OPEB Trust Funds	Private Purpose Trust Funds Laura Pike Rowe Scholarship Fund
ADDITIONS		
Contributions:		
Employer	\$ 259,640	\$ -
Plan members	155,109	-
Other	-	-
Total contributions	<u>414,749</u>	<u>-</u>
Investment earnings:		
Interest and dividends	248,844	20,031
Net change in the fair value of investments, net	<u>599,163</u>	<u>26,849</u>
Total investment earnings	848,007	46,880
Less: investment expense	<u>(22,342)</u>	<u>(13,190)</u>
Net investment income	<u>825,665</u>	<u>33,690</u>
Total additions	<u>1,240,414</u>	<u>33,690</u>
DEDUCTIONS		
Benefit payments	491,811	-
Administrative expenses	47,370	-
Awards	<u>-</u>	<u>15,000</u>
Total deductions	<u>539,181</u>	<u>15,000</u>
Change in net position	701,233	18,690
Net position - beginning	<u>8,085,698</u>	<u>694,506</u>
Net position - ending	<u>\$ 8,786,931</u>	<u>\$ 713,196</u>

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

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR JUNE 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Town of Killingly, Connecticut, (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

Financial Reporting Entity

The Town of Killingly, Connecticut, was incorporated in 1708 and covers an area of 50 square miles. The Town operates under a Council - Manager form of government as prescribed by its charter. The Town provides the following services as authorized by its charter: general government, public works, recreation and leisure, public safety, community development, human services and education.

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

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A government is financially accountable for a legally separate organization if it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the government. These criteria have been considered and have resulted in the inclusion of the fiduciary component units as detailed below.

Fiduciary Component Units - The Town has established a single-employer defined benefit pension plan and an other post-employment benefit (OPEB) plan to provide retirement and health care benefits to employees and their beneficiaries. The Town performs the duties of a governing board for the pension and OPEB plans and makes contributions to the plans. The financial statements of the fiduciary component units are reported as Pension and OPEB Trust Funds in the fiduciary fund financial statements. Separate financial statements have not been prepared for the fiduciary component units.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities, however interfund services provided and used are not eliminated in the process of consolidation. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activities.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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

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

Government-wide Financial Statements *(Continued)*

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.

Fund Financial Statements

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

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

Capital Improvements Fund - This fund is used to account for the revenues and expenditures related to major capital asset construction and/or purchase.

Sewer Operating Fund - This fund is used to account for the revenues and expenditures related to the sanitary sewer and water improvements deemed to benefit property owners.

Capital Nonrecurring Fund - This fund is used to account for the financial revenues to be used for major capital asset construction and/or purchases funded substantially by grants and General Fund appropriations.

American Rescue Plan Fund - This fund is used to account for the receipt of Coronavirus State and Local Fiscal Recovery Funds established by the American Rescue Plan Act.

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

Internal Service Fund (Proprietary) - This fund type is used to account for activities that provide goods or services to other funds, departments, or agencies of the Town on a cost-reimbursement basis. The Town utilizes an internal service fund to account for risk management activities.

Pension Trust Fund (Fiduciary) - This fund type is used to account for resources held in trust for the members and beneficiaries of the Public Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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

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

Fund Financial Statements *(Continued)*

OPEB Trust Fund (Fiduciary) - This fund type is used to account for resources held in trust, which accumulates resources for benefit payments related to healthcare insurance benefits to qualified employees and their spouses.

Private Purpose Trust Funds (Fiduciary) - This fund type is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Town utilizes private purpose trust funds to account for activities of various scholarship endowments.

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the Town the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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

Measurement Focus and Basis of Accounting *(Continued)*

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund are employer, employee, and retiree insurance premiums. Operating expenses of the Internal Service Fund include costs of insurance claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows, the Town's proprietary funds consider their demand deposits and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are reported at cost or amortized cost. Investments in certain external investment pools that meet specific criteria for measuring its investments at amortized cost are reported at amortized cost. All other investments in external investment pools and investments with maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Donor-restricted Endowments

The Town allocates investment income on endowment investments in accordance with donor restrictions and Connecticut law. The State of Connecticut adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective October 1, 2007. UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the Town. The Town has received endowments for the improvement and betterment of Killingly Public Schools, park and recreation activities, and for the purpose of library books. The amounts are reflected as restricted for endowments and perpetual care. Investment income from the endowments is transferred annually to special revenue funds where disbursements are approved by the Town Council.

Inventories

Inventories are reported at cost using the first-in first-out (FIFO) method, except for USDA donated commodities, which are recorded at market value. Inventories are recorded as expenditures when consumed rather than when purchased.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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

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

Property Taxes, Assessments and Usage Charges

All receivables are shown net of an allowance for uncollectible accounts. Based on historical collection experience and other factors, the Town has established allowances in the amounts of \$80,000, \$19,000, and \$4,000 for property taxes, interest on property taxes, and sewer user receivables, respectively, as of June 30, 2023.

Property taxes are assessed as of October 1. Taxes are billed in the following July and are due in two installments, January 1 and July 1. Personal property if over \$100 is billed in July and due in four installments, July 1, October 1, January 1 and April 1. Motor vehicle taxes are billed in July and are due in one installment, July 1. A supplemental motor vehicle tax is billed in one installment on January 1. Taxes not paid within 30 days of the due date are subject to at a statutory rate of 1.5% per month. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of the market value.

Upon completion of projects, sewer assessments are levied and assessed to the users each June. Usage charges are billed semi-annually in July and January for flat rate fees and metered fees. Assessments and user charges are due and payable within thirty days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (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 \$100,000 for infrastructure and more than \$5,000 for equipment and improvements, and an estimated useful life in excess of one year.

As the Town constructs or acquires capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. Other tangible and intangible property and equipment are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-100
Land improvements	10-50
Infrastructure:	
Roads	50-100
Sidewalks	25-50
Sewer lines	50-100
Water lines	50-100
Machinery and equipment	3-25

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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

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

Leases (as Lessor)

The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental 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.

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.

Unearned Revenue

This liability represents resources that have been received but not yet earned.

Deferred Outflows and Inflows of Resources

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

Deferred outflows of resources consists of deferred charges on refundings and deferred charges on pension and OPEB expenses reported in the government-wide statement of net position. Deferred charges on refundings resulted from differences in the carrying value of previously refunded debt and the reacquisition price of the debt and are being amortized to interest expense using the effective-interest method over the life of the related bonds. Deferred charges on pension and OPEB expenses resulted from changes in the components of the Town's net pension liability and net OPEB liability and are being amortized as a component of pension and OPEB expense on a systematic and rational basis.

Deferred inflows of resources consist of revenues that are reported as being unavailable in the governmental funds balance sheet and deferred charges on pension and OPEB expenses reported in the government-wide statement of net position. Unavailable revenues are recognized as an inflow of resources in the period that the amounts become available. Deferred charges on pension and OPEB expenses are amortized as a component of pension and OPEB expense on a systematic and rational basis.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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

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

Long-term Obligations

Long-term Debt

The applicable accounting standards define debt as a liability that arises from a contractual obligation to pay cash, or other assets that may be used in lieu of cash, in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include accounts payable or leases, except for contracts reported as financed purchase of the underlying assets.

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Premiums and discounts on long-term debt are deferred and amortized over the life of the related debt using the effective interest rate method and the debt is reported net of any unamortized premium or discount. In the governmental fund financial statements, premiums and discounts are recognized in the current period.

In the governmental fund financial statements, debt premiums and discounts are recognized 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.

Compensated Absences

All compensated absences are accrued when incurred in the government-wide financial statements. 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.

All Town employees are granted vacation and/or sick time based upon contractual provisions. At year end, unused vacation and sick time may be carried forward to subsequent years. In the event of termination, employees are reimbursed for all accumulated vacation days and a percentage of accumulated sick days up to the maximum limits allowed by their applicable contract.

All full time Board of Education employees (except teachers who are granted sick time only) are granted vacation and sick time based upon contractual provisions and may be carried over to subsequent years. In the event of termination employees are reimbursed for accumulated vacation and sick time as allowed by the applicable contract.

Leases (as Lessee)

The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) for a noncancellable lease in the government-wide financial statements. The Town recognizes lease liabilities with an initial, individual value of \$100,000 or more.

Net Position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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

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

Net Position *(Continued)*

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets. Deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related are also included in this component of net position.

Restricted net position - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on the use of those assets either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called fund balance. The Town's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

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

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

Committed - Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town Council (the highest level of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action.

Assigned - Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. Amounts may be constrained to be used for a specific purpose by a governing board or body or official that has been delegated authority to assign amounts by Connecticut General Statutes and include the Fiscal Subcommittee and the Town Manager.

Unassigned - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

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

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

Fund Balance *(Continued)*

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. In accordance with the Town's policy, the Town uses restricted resources first, then unrestricted resources as needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Interfund Activity

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Use of Estimates

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

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

A reconciliation of the Town's cash deposits as of June 30, 2023 is as follows:

Government-wide statement of net position:	
Unrestricted cash and cash equivalents	\$ 47,240,468
Restricted cash and cash equivalents	340,767
Statement of fiduciary net position:	
Cash and cash equivalents	231,676
Add: Certificates of deposit considered cash deposits for disclosure purposes	22,439
Less: Cash equivalents considered investments for disclosure purposes	(8,716,943)
	<u>\$ 39,118,407</u>

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Cash Deposits *(Continued)*

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2023, the Town's bank balance of \$42,773,539 was fully insured by the Federal Deposit Insurance Corporation and the Depositors Insurance Fund.

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

Investments

A reconciliation of the Town's investments as of June 30, 2023 is as follows:

Government-wide statement of net position:	
Unrestricted investments	\$ 4,261,845
Restricted investments	336,689
Statement of fiduciary net position:	
Investments	9,252,411
Add: Cash equivalents considered investments for disclosure purposes	8,716,943
Less: Certificates of deposit considered cash deposits for disclosure purposes	(22,439)
	<u>\$ 22,545,449</u>

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

As of June 30, 2023, the Town's investments consisted of the following:

<u>Investment type</u>	<u>Valuation Basis</u>	<u>Credit Rating</u>	<u>Value</u>	<u>Investment Maturities (In Years)</u>	
				<u>Less Than 1</u>	<u>1 to 5</u>
Debt Securities:					
<i>Governmental activities:</i>					
Short-term Investment Fund	Amortized cost	AAA	\$ 8,485,267	\$ 8,485,267	\$ -
Negotiable certificates of deposit	Fair value	Unrated	3,095,890	1,079,270	2,016,620
U.S. Treasury securities	Fair value		538,890	-	538,890
U.S. Agency securities	Fair value	AA	941,315	425,962	515,353
<i>Fiduciary:</i>					
Money market funds	Amortized cost	Unrated	231,676	231,676	-
Corporate bonds	Fair value	A	23,666	-	23,666
			<u>13,316,704</u>	<u>\$ 10,222,175</u>	<u>\$ 3,094,529</u>
Other investments:					
<i>Fiduciary:</i>					
Equity securities	Fair value		290,185		
Mutual funds	Fair value		8,938,560		
			<u>\$ 22,545,449</u>		

Because investments in the Short-term Investment Fund and money market funds have weighted average maturities of less than 90 days, they have been presented as investments with maturities of less than one year.

Interest Rate Risk

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

Credit Risk

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit the Town to invest in (1) obligations of the United States, including its instrumentalities and agencies; (2) in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; (3) in shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations; (4) or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The Pension Trust Funds may also invest in certain real estate mortgages, certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

Custodial Credit Risk

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

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit risk disclosures. As of June 30, 2023, none of the Town's investments, in any one issuer that is subject to concentration of credit risk disclosures, exceeded 5.0% or more of the total investments reported for the Town's governmental activities or fiduciary funds.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

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

Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2023, by level within the fair value hierarchy are presented in the table below:

Financial Assets Measured at Fair Value	Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Negotiable certificates of deposit	\$ -	\$ 3,095,890	\$ -	\$ 3,095,890
U.S. Treasury securities	538,890	-	-	538,890
U.S. Agency securities	941,315	-	-	941,315
Corporate bonds	-	23,666	-	23,666
Equity securities	290,185	-	-	290,185
Mutual funds	8,938,560	-	-	8,938,560
	<u>\$ 10,708,950</u>	<u>\$ 3,119,556</u>	<u>\$ -</u>	<u>13,828,506</u>
		Investments measured at amortized cost		<u>8,716,943</u>
				<u>\$ 22,545,449</u>

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 consisted of the following:

	Beginning Balance	Increases	Decreases and Transfers	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 1,339,943	\$ 8,941,679	\$ (317,525)	\$ 9,964,097
Land	3,821,224	-	-	3,821,224
Total capital assets, not being depreciated	5,161,167	8,941,679	(317,525)	13,785,321
Capital assets, being depreciated:				
Land improvements	17,292,972	-	-	17,292,972
Buildings and improvements	150,692,749	90,867	74,280	150,857,896
Machinery and equipment	25,384,349	753,328	-	26,137,677
Infrastructure	81,600,344	-	243,245	81,843,589
Total capital assets, being depreciated	274,970,414	844,195	317,525	276,132,134
Less accumulated depreciation:				
Land improvements	9,811,476	878,675	-	10,690,151
Buildings and improvements	51,173,247	3,451,419	-	54,624,666
Machinery and equipment	19,430,145	1,381,860	-	20,812,005
Infrastructure	53,222,140	1,062,040	-	54,284,180
Total accumulated depreciation	133,637,008	6,773,994	-	140,411,002
Total capital assets, being depreciated, net	141,333,406	(5,929,799)	317,525	135,721,132
Governmental activities capital assets, net	\$ 146,494,573	\$ 3,011,880	\$ -	\$ 149,506,453

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

Governmental Activities:	
General government	\$ 521,922
Public works	1,951,047
Recreation and leisure	240,008
Public safety	47,243
Education	4,013,774
Total depreciation and amortization expense - governmental activities	\$ 6,773,994

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

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

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES *(Continued)*

Interfund receivable and payable balances at June 30, 2023 are as follows:

Receivable Fund	Payable Fund	Amount
Governmental Funds		
General Fund	Capital Improvements Fund	\$ 54,958
	Nonmajor Governmental Funds	3,043,368
		3,098,326
Capital Improvements Fund	General Fund	2,724,646
	Capital Nonrecurring Fund	816,228
		3,540,874
Sewer Operating Fund	General Fund	1,550,346
Capital Nonrecurring Fund	General Fund	7,756,670
American Rescue Plan Fund	General Fund	3,704,875
Nonmajor Governmental Funds	General Fund	2,302,698
	Nonmajor Governmental Funds	22,594
		2,325,292
Total due from / to other funds - governmental funds		21,976,383
Proprietary Funds		
Health Insurance Fund	General Fund	3,128,766
Total due from / to other funds		\$ 25,105,149

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2023 consisted of the following:

Transfers In	Transfers Out	Amount
Governmental Funds		
General Fund	Sewer Operating Fund	\$ 2,298,160
	Nonmajor Governmental Funds	917
		2,299,077
Capital Improvements Fund	General Fund	2,550,000
	Sewer Operating Fund	995,000
		3,545,000
Capital and Nonrecurring Fund	General Fund	1,023,995
	Sewer Operating Fund	400,000
	Nonmajor Governmental Funds	5,641
		1,429,636
Nonmajor Governmental Funds	General Fund	284,801
	Nonmajor Governmental Funds	762
		285,563
Total transfers		\$ 7,559,276

TOWN OF KILLINGLY, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 6 - INTERFUND TRANSFERS *(Continued)*

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 7 - LONG-TERM LIABILITIES

Changes in Long-term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
<i>Long-term debt:</i>					
Bonds payable:					
General obligation bonds	\$ 22,405,000	\$ 7,000,000	\$ (2,260,000)	\$ 27,145,000	\$ 2,405,000
Unamortized premium	1,561,529	465,665	(228,629)	1,798,565	-
Bonds payable, net	23,966,529	7,465,665	(2,488,629)	28,943,565	2,405,000
Notes payable	20,322,557	-	(1,061,843)	19,260,714	1,061,843
Loans payable	280,727	-	(136,386)	144,341	144,341
Financed purchases	1,925,547	-	(572,278)	1,353,269	499,535
<i>Other long-term liabilities:</i>					
Landfill post-closure care costs	200,000	-	(20,000)	180,000	20,000
Compensated absences	867,732	48,578	-	916,310	183,000
Net pension liability <i>(see Note 9)</i>	107,088	-	(107,088)	-	-
Net OPEB liability <i>(see Note 10)</i>	5,747,328	63,600	-	5,810,928	-
	<u>\$ 53,417,508</u>	<u>\$ 7,577,843</u>	<u>\$ (4,386,224)</u>	<u>\$ 56,609,127</u>	<u>\$ 4,313,719</u>

Long-term liabilities have typically been liquidated in the General Fund.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town for which full faith and credit are pledged and payable from taxes levied on all taxable properties located within the Town. General obligation bonds currently outstanding are as follows:

Bond Issue	Fiscal Date of Issue	Original Amount	Final Maturity Dates	Interest Rates	Amount Outstanding
Governmental Activities					
Bonds Payable					
General obligation bonds	2007	\$ 2,415,000	2027	4.25-5.0%	\$ 1,080,000
General obligation refunding bonds	2007	3,835,000	2024	4.25-5.0%	10,000
General obligation bonds	2012	2,400,000	2032	2.0%-3.25%	1,080,000
General obligation bonds	2013	1,500,000	2033	2.0%-3.0%	1,050,000
General obligation bonds	2015	4,195,000	2028	2.0%-4.0%	1,255,000
General obligation refunding bonds	2016	6,380,000	2036	2.0%-4.0%	5,920,000
General obligation bonds	2016	2,000,000	2036	2.0%-4.0%	1,495,000
General obligation bonds	2020	4,765,000	2040	3.0%-5.0%	4,045,000
General obligation refunding bonds	2021	4,845,000	2050	3.0%-4.0%	4,210,000
General obligation bonds	2023	7,000,000	2043	4.0%-5.0%	7,000,000
					<u>\$ 27,145,000</u>

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 - LONG-TERM LIABILITIES *(Continued)*

Notes Payable

The Town has entered into note payable arrangements to provide funds for upgrades to the Town’s Water Pollution Control Facility under the State of Connecticut's Clean Water program. A summary of notes payable outstanding at June 30, 2023 are as follows:

<u>Notes Payable</u>	<u>Fiscal Date of Issue</u>	<u>Original Amount</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities					
Notes Payable					
Sewer USDA Loan	2014	\$ 2,063,000	2054	2.75%	\$ 1,639,816
Clean Water Fund Loan	2018	2,662,156	2038	2.00%	1,907,878
Clean Water Fund Loan	2021	1,625,501	2040	2.00%	1,382,371
Clean Water Fund Loan	2022	16,266,659	2041	2.00%	14,330,649
					<u>\$ 19,260,714</u>

Loan Payable

In December 2009, the Town entered into a loan agreement with Connecticut Innovations, formerly Connecticut Development Authority, a quasi-State agency in the amount of \$1,500,000 on-behalf of a Developer. The loan provided financing to the Developer to assist in the remediation of a parcel of land as part of a tax incentive financing agreement to encourage economic growth within the Town. The Town is contractually obligated for repayment of the loan. The loan is payable in semi-annual principal and interest payments at a rate of 2.875% through fiscal year 2024.

Financed Purchases

The Town has entered into financed purchase contracts for the acquisition of capital assets. The contracts include non-appropriation clauses and provide the obligors with security interests in the underlying assets in the event of default. Ownership of the underlying assets are transferred to the Town at the end of the contract. The Town makes equal annual payments of principal and interest at an interest rates ranging from 0.0% to 4.6% through various maturity dates.

Advance Refundings

The Town has refunded general obligation bonds in prior years. The difference between the reacquisition price (the amount placed in escrow) and the net carrying amount of the refunded bonds resulted in deferred charges on refundings. This amount, net of accumulated amortization, has been presented as a deferred outflow of resources in the government-wide financial statements and is being amortized to interest expense using the effective-interest method over the life of the new bonds. Amortization of deferred charges on refundings totaled \$134,258 for the year ended June 30, 2023. The general obligation bonds refunded are considered defeased and the liability for those bonds has been removed from the statement of net position. Proceeds from the issuance of the refunding bonds are being held by an escrow agent in an irrevocable trust fund to provide all future debt service payments on the refunded bonds.

Authorized, but Unissued Debt

Authorized, but unissued debt as of June 30, 2023 totaled \$1,645,000 for Town related upgrades, \$3,914,236 for school upgrades, \$28,732,000 for the Killingly Memorial School project, and \$25,693,000 for the renovation and relocation of the community center.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 - LONG-TERM LIABILITIES *(Continued)*

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the statute. Further, the statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The statute does exclude from the Town's aggregate debt calculation any debt issued (a) in anticipation of taxes; (b) for water, gas, or electricity supply, electric demand response, conservation and load management, distributed generation, renewable energy projects, cable, wire, and pipe subway construction, underground cable, wire, and pipe conduit construction, constructing and operating a municipal community antenna television system, or a combination of such projects; (c) in anticipation of public improvement benefit assessment revenue; (d) in anticipation of state or federal grant funding; (e) for water pollution control projects in order to meet the energy and environmental protection commissioner's abatement order requirements; and debt issued (f) for which funds have been placed in escrow (from the proceeds of refunding bonds, notes, or other obligations or other municipal funds) in an amount sufficient, together with investment earnings, to provide for the payment when due of the principal of and interest on such debt. The Town did not exceed this statutory debt limitation as of June 30, 2023.

Long-term Debt Service Requirements

The debt service requirements for the Town's long-term debt are as follows:

Year ending June 30:	Governmental Activities			
	General Obligation Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2024	\$ 2,405,000	\$ 925,544	\$ 1,061,843	\$ 389,718
2025	2,390,000	871,616	1,061,843	368,086
2026	2,400,000	776,033	1,061,843	346,632
2027	2,395,000	679,488	1,061,843	324,818
2028	2,095,000	597,278	1,061,843	303,184
2029-2033	7,175,000	2,091,210	5,309,215	1,191,419
2034-2038	4,415,000	1,103,375	5,220,473	650,921
2039-2043	2,970,000	431,400	2,839,955	188,676
2044-2048	650,000	96,000	264,490	72,732
2049-2053	250,000	11,250	264,490	36,364
2054	-	-	52,876	2,909
	<u>\$ 27,145,000</u>	<u>\$ 7,583,194</u>	<u>\$ 19,260,714</u>	<u>\$ 3,875,459</u>

Year ending June 30:	Governmental Activities			
	Loans Payable		Financed Purchases	
	Principal	Interest	Principal	Interest
2024	\$ 144,341	\$ 6,254	\$ 499,535	\$ 36,319
2025	-	-	393,111	25,563
2026	-	-	323,689	14,495
2027	-	-	136,934	3,108
	<u>\$ 144,341</u>	<u>\$ 6,254</u>	<u>\$ 1,353,269</u>	<u>\$ 79,485</u>

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 7 - LONG-TERM LIABILITIES *(Continued)*

Landfill Post-Closure Care Costs

State and Federal laws and regulations require landfill closures to meet certain standards. The Town landfill has been closed. Estimated monitoring costs of \$20,000 per year for the next 10 years totals \$200,000 at June 30, 2023. These amounts are based on estimates, which are subject to change due to inflation, technology or changes in applicable laws and regulations.

NOTE 8 - TAX ABATEMENTS

In 2002, the Town entered into a tax agreement with a local direct energy provider, which provided for an agreed upon payment in lieu of taxes (PILOT). This PILOT agreement was created to encourage business development and expand the local economic base within the Town.

The PILOT is a form of tax abatement agreement, which is a contractual agreement between the Town and the owner of a property that fixes taxes on an annual basis at a rate less than the full tax amount. Under the terms of the agreement, the Town had agreed to receive certain annual tax payments in lieu of taxes on a fixed schedule for 20 years that ended June 30, 2022. During the year ended June 30, 2023, the Town agreed to a payment in lieu of taxes of \$2,994,002. However, the Town is currently in the process of negotiating a new tax agreement with the local direct energy provided.

As of June 30, 2023, cumulative taxes abated under this agreement since the facility became operational are estimated to be approximately \$20.5 million. No other commitments have been made by the Town to the abatement recipient under this program.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

The Town accounts for activity relating to two defined benefit pension plans, (1) the Killingly Defined Benefit Pension Plan and (2) the Connecticut Teachers' Retirement System. As of and for the year ended June 30, 2023, the plans had the following balances reported in the Town's government-wide financial statements:

	Net Pension Asset	Deferred Outflows of Resources	Deferred Inflows of Resources	On Behalf Revenues	Pension Expense
Killingly Defined Benefit Pension Plan	\$ 282,552	\$ 588,232	\$ 272,891	\$ -	\$ 297,680
Connecticut Teachers' Retirement System	-	-	-	6,496,347	6,496,347
	<u>\$ 282,552</u>	<u>\$ 588,232</u>	<u>\$ 272,891</u>	<u>\$ 6,496,347</u>	<u>\$ 6,794,027</u>

Detailed disclosures for each plan follow.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLANS *(Continued)*

Killingly Defined Benefit Pension Plan

Plan Description

Plan Administration

The Town administers a single-employer defined benefit pension plan (the Plan). The Plan covers all full time employees who met the eligibility requirements of the Plan. Specifically, plan provisions state that this includes any employee who is employed on a regular work schedule, excluding teachers, councilmen, selectman, or elected or appointed officials.

All Town employees (except certified members of the Board of Education) participate in the Public Employer Retirement Systems (PERS), a single-employer defined benefit pension plan established and administered by the Town Council to provide pension, disability and death benefits to plan members and their beneficiaries. The Town Charter provides the authority to establish and amend benefit provisions, subject to collective bargaining agreements. The Plan does not issue stand-alone financial statements and is part of the Town's financial reporting entity. As such, the Plan is accounted for in the fiduciary fund financial statements as a Pension Trust Fund.

Summary of Significant Accounting Policies

The Plan is accounted for using the accrual basis of accounting. Revenues (contributions and investment income) are recognized when they are earned and expenses (benefits, administration and refunds) are recognized when due and payable in accordance with the terms of the Plan. Liabilities are recorded when due and payable in accordance with the terms of the Plan.

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

Investment Policy - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the practice of the Town to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes.

Concentrations - The Town places no limit on the amount of any investment in one issuer.

Rate of return - For the year ended June 30, 2023 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 9.75%. The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.

TOWN OF KILLINGLY, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLANS *(Continued)*

Killingly Defined Benefit Pension Plan *(Continued)*

Plan Membership

Membership of the Plan consisted of the following at July 1, 2022, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	78
Inactive plan members entitled to but not yet receiving benefits	32
Active plan members	102
Total	212

Benefit Provisions

The Plan provides for retirement benefits for all members. Pension benefits for normal retirement under the Plan fall under three categories: Public Works Superintendent, Public Works Assistant Superintendent and All Others. For the Superintendent, the benefits are based on 1% of final earnings multiplied by the number of years of credited service prior to 4/1/1987, plus 1.5% of final earnings times credited service after 4/1/1987 and prior to 7/1/2016, plus 2% of final earnings times credited service after 7/1/2016, up to a maximum of 30 years. For the Assistant Superintendent, the benefits are based on 1% of final earnings multiplied by the number of years of credited service prior to 7/1/1991, plus 1.5% of final earnings times credited service after 4/1/1991, up to a maximum of 30 years. In relation to all others, benefits are based on 1% of final earnings multiplied by the number of years of credited service, up to a maximum of 30 years, computed to the nearest 1/12 of a year.

Contributions

The Plan's funding policy provides that for Public Works Superintendent, plan participants are to contribute 4.50% of earnings, effective April 1, 1987 and effective 7/1/2016, 5.50% of earnings. For Public Works Assistant Superintendents, plan participants are to contribute 4.50% of earnings, effective January 1, 1994. All others are required to contribute 3.00% of earnings.

For the year ended June 30, 2023, employer contributions to the Plan totaled \$249,640 and 5.90% of covered payroll.

Net Pension (Asset) Liability

The components of the Town's net pension asset liability of the Plan at June 30, 2023, was as follows:

Total pension liability	\$ 7,514,715
Plan fiduciary net position	7,797,267
Town's net pension asset	\$ (282,552)
Plan fiduciary net position as a percentage of the total pension liability	103.76%

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLANS *(Continued)*

Killingly Defined Benefit Pension Plan *(Continued)*

Net Pension (Asset) Liability *(Continued)*

The components of the changes in the net pension (asset) liability for the Plan for the year ended June 30, 2023, was as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a) - (b)
Balance as of June 30, 2022	\$ 7,313,768	\$ 7,206,680	\$ 107,088
Changes for the year:			
Service cost	336,378	-	336,378
Interest	472,263	-	472,263
Actuarial (gains) losses	(115,883)	-	(115,883)
Changes in assumptions	-	-	-
Contributions - employer	-	249,640	(249,640)
Contributions - employee	-	144,524	(144,524)
Net investment income	-	735,604	(735,604)
Benefit payments, including refunds	(491,811)	(491,811)	-
Administrative expense	-	(47,370)	47,370
Net changes	200,947	590,587	(389,640)
Balance as of June 30, 2023	\$ 7,514,715	\$ 7,797,267	\$ (282,552)

Actuarial assumptions - The total pension liability for the Plan was determined by an actuarial valuation as of July 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases, including inflation	3.40%
Investment rate of return, including inflation net of investment and administrative expense	6.375%
Discount rate	6.375%

Mortality rates were based on the Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables, projected to the valuation date with Scale MP-2021.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLANS *(Continued)*

Killingly Defined Benefit Pension Plan *(Continued)*

Net Pension (Asset) Liability *(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 June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Weighting</u>
US Large Cap	34.00%	5.00%	1.70%
US Mid / Small Cap	11.00%	5.30%	0.58%
Developed International Equities	11.00%	6.40%	0.70%
Emerging Market Equities	4.00%	7.70%	0.31%
Intermediate Corporate	20.00%	2.30%	0.46%
Intermediate Government	14.00%	1.80%	0.25%
Money Market / Short Term Bonds	2.00%	0.05%	0.00%
Real Estate (Core)	4.00%	4.90%	0.20%
			<u>4.20%</u>
Long-term Inflation Expectation			<u>2.40%</u>
Long-term Nominal Return			<u><u>6.60%</u></u>

The discount rate used to measure the total pension liability was 6.375%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Town's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension (asset) liability to changes in the discount rate - The following presents the net pension (asset) liability of the Town, calculated using the discount rate of 6.375%, as well as what the Town's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.375%) or 1-percentage-point higher (7.375%) than the current rate:

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net pension (asset) liability	\$ 541,232	\$ (282,552)	\$ (985,932)

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLANS *(Continued)*

Killingly Defined Benefit Pension Plan *(Continued)*

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the Town recognized pension expense of \$297,680. At June 30, 2023, the Town reported deferred outflows and inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferrals
Net difference between projected and actual earnings on pension plan investments	\$ 314,675	\$ -	\$ 314,675
Differences between expected and actual experience	40,929	272,891	(231,962)
Change of assumptions	232,628	-	232,628
Total	\$ 588,232	\$ 272,891	\$ 315,341

Amounts reported as deferred outflows and inflows of resources related to the Plan will be recognized as an increase (decrease) in pension expense in future years as follows:

Year ended June 30,			
2024	\$	64,291	
2025		14,450	
2026		270,455	
2027		(27,433)	
2028		(6,422)	
		\$ 315,341	

Plan Financial Statements

The following presents the statement of fiduciary net position and the statement of changes in fiduciary net position for the Town Plan as of and for the year ended June 30, 2023:

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 166,964
Investments	7,614,263
Receivables	16,040
Total assets	7,797,267
NET POSITION	
Restricted for pension benefits	\$ 7,797,267

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLANS *(Continued)*

Killingly Defined Benefit Pension Plan *(Continued)*

Plan Financial Statements *(Continued)*

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 249,640
Plan members	155,109
Total contributions	404,749
Investment earnings:	
Interest and dividends	220,702
Net change in the fair value of investments, net	532,390
Total investment earnings	753,092
Less: investment expense	(17,488)
Net investment income	735,604
Total additions	1,140,353
DEDUCTIONS	
Benefit payments	491,811
Administrative expenses	47,370
Total deductions	539,181
Change in net position	601,172
Net position - beginning	7,196,095
Net position - ending	\$ 7,797,267

Connecticut State Teachers' Retirement System

Plan Description

The Connecticut Teachers' Retirement System (TRS or the Plan) is the public pension plan offered by the State of Connecticut (the State) to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The Plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board (TRB). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

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

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLANS *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Benefit Provisions

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

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

Early Retirement: Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6.0% per year for the first 5 years preceding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.0% per year by which retirement precedes normal retirement date.

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

Disability Retirement: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as 2.0% per year of service times the average of the highest three years of pensionable salary, but not less than 15.0%, nor more than 50.0%. In addition, disability benefits under this Plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75.0% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100.0% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

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

Contributions

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

Employers - School District employers are not required to make contributions to the Plan, as contributions are required only from employees and the State.

Employees - Effective January 1, 2018, the required contribution increased to 7.0% of pensionable salary for the pension benefit.

TOWN OF KILLINGLY, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLANS *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Administrative Expenses

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

Basis of Presentation

The components associated with pension expense and deferred outflows and inflows of resources have been determined based on fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Annual Comprehensive Financial Report as of and for the year ended June 30, 2022. The net pension liability has been calculated using the audited amounts. TRS is included in the State of Connecticut audit as a pension trust fund. The State of Connecticut's Annual Comprehensive Financial Report can be obtained at www.ct.gov.

The accounting standards require participating employers to recognize their proportional share of the collective net pension liability, deferred outflows and inflows of resources and pension expense. Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Allocation Methodology

The allocations for participating employers are based on the expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. Based upon the employee contributions made by the employees of each employer, as compared to the total employee contributions, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above. The employer allocation applied to Town totaled 0.367% as of the most recent measurement date.

Collective Net Pension Liability

The following summarizes the collective net pension liability of the State for the TRS as of June 30, 2022, the measurement date, in addition to the Town's and State's proportionate shares of the collective net pension liability that is attributed to the Town:

Collective Net Pension Liability of the State for the TRS		<u>\$ 18,310,559,000</u>
	<u>Proportion</u>	<u>Proportionate Share</u>
Town's proportionate share of the Collective Net Pension Liability	0.000%	<u>\$ -</u>
State's proportionate share of the Collective Net Pension Liability attributed to the Town	0.367%	<u>\$ 67,214,000</u>

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLANS *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Collective Pension Expense

The Town's expected contribution effort for allocation purposes totaled \$5,299,373 or 0.367% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures in the General Fund for the year ended June 30, 2023.

The collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The portion of the collective pension expense attributed to the Town totaled \$6,496,347 or 0.367% of the total collective pension expense and has been recognized as an operating contribution and related education expenses in the statement of activities for the year ended June 30, 2023.

Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.00% - 6.50%, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly

Mortality rates were based on the 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.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5.0% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6.0% 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 5.0% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3.0%, 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.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 9 - DEFINED BENEFIT PENSION PLANS *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Long-Term Rate of Return *(Continued)*

The current capital market assumptions and the target asset allocation as provided by the Treasurer's Office are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity Fund	20.0%	5.4%
Developed Market Intl. Stock Fund	11.0%	6.4%
Emerging Market Intl. Stock Fund	9.0%	8.6%
Core Fixed Income Fund	13.0%	0.8%
Emerging Market Debt Fund	5.0%	3.8%
High Yield Bond Fund	3.0%	3.4%
Real Estate Fund	19.0%	5.2%
Private Equity	10.0%	9.4%
Private Credit	5.0%	6.5%
Alternative Investments	3.0%	3.1%
Liquidity Fund	2.0%	-0.4%
	<u>100%</u>	

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 the State contributions will be made at the actuarially determined rates in 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.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Town accounts for activity relating to two other post-employment benefits plans, (1) the Killingly Other Post-employment Benefit Plan and (2) the Connecticut Teachers' Retirement System. As of and for the year ended June 30, 2023, the two plans had the following balances reported in the Town's government-wide financial statements:

	<u>Total OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>On Behalf Revenues</u>	<u>OPEB Expense</u>
Killingly Defined Other Post-employment Benefits Plan	\$ 5,810,928	\$ 1,482,022	\$ 3,774,952	\$ -	\$ 173,845
Connecticut Teachers' Retirement System	-	-	-	354,820	354,820
	<u>\$ 5,810,928</u>	<u>\$ 1,482,022</u>	<u>\$ 3,774,952</u>	<u>\$ 354,820</u>	<u>\$ 528,665</u>

Detailed disclosures for each plan follow.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Killingly Other Post-employment Benefits Plan *(Continued)*

Plan Description

Plan Administration - The Town administers an Other Post-Employment Benefits Plan (the OPEB Plan), which is a single-employer defined benefit healthcare plan. The Town's Board of Education provides health insurance benefits for eligible retirees and their spouses through the Town's group insurance plan, which covers both active and retired members. The Town also provides healthcare insurance benefits for eligible retirees and their spouses through a Blue Cross Blue Shield Medicare supplemental policy. The OPEB Plan is considered to be part of the Town's financial reporting entity. The OPEB Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Plan membership - As of July 1, 2021, the date of the most recent actuarial valuation, membership data was as follows:

Inactive plan members or beneficiaries currently receiving benefits	28
Active members	<u>280</u>
Total members	<u><u>308</u></u>

Benefits Provided - The OPEB Plan provides for health insurance benefits for eligible Board of Education retirees and their spouses through the Town's group insurance plan, which covers both active and retired members. The OPEB Plan also provides for healthcare insurance benefits for eligible Town retirees and their spouses through a Blue Cross Blue Shield Medicare supplemental policy. The Town also provides a life insurance policy for eligible retirees through the Town's group life insurance policy, which covers both active and retired members. Benefit provisions are established through negotiations between the Board of Education and the union representing Board of Education employees and are renegotiated each three-year bargaining period.

Contributions - Contribution requirements of the plan members and the Town are established by and may be amended through negotiations between the Town and the Board of Education and their respective unions. Currently, Town full-time non-union employees and department heads, including public works, who retire at age 65 with 25 years of service with the Town are eligible for the health insurance benefits and those who have 25 years or service and are hired before 7/1/2016 are eligible for life insurance benefits. The Town pays the premium cost for those who chose to participate. Currently, Board of Education Employees who are age 50 with 25 years of service, age 55 with 20 years of service or age 60 with 10 years of service in the Killingly School System are eligible to receive benefits. Those who choose to participate must pay the 100% of the premium cost. The Town primarily finances the plan on a pay-as-you-go basis.

Summary of Significant Accounting Policies

The OPEB Plan is accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the OPEB Plan 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 OPEB Plan.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Killingly Other Post-employment Benefits Plan *(Continued)*

Investments - Investments are generally reported at fair value, except for investments in external investment pools. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date. Investments in external investment pools, which are permitted to measure their investment holdings at amortized costs, are measured by the OPEB Plan at the net asset value per share as determined by the pools.

Investment policy - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the practice of the Town to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes.

Concentrations - The OPEB Plan's investments consist solely of investments in various mutual funds and are therefore not exposed to concentrations of credit risk, as these investments are considered to be diversified by nature.

Rate of return - For the year ended June 30, 2023, the annual money-weighted rate of return on the OPEB Plan's investments, net of pension plan investment expense was 10.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net OPEB Liability

The Town's net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021. The components of the net OPEB liability of the OPEB Plan as of June 30, 2023, were as follows:

Total OPEB liability	\$ 6,800,592
Plan fiduciary net position	<u>989,664</u>
Net OPEB liability	<u><u>\$ 5,810,928</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 14.55%

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Killingly Other Post-employment Benefits Plan *(Continued)*

Net OPEB Liability *(Continued)*

The components of the change in the net OPEB liability of the Town's OPEB Plan for the year ended June 30, 2023, were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance as of June 30, 2022	\$ 6,636,931	\$ 889,603	\$ 5,747,328
Changes for the year:			
Service cost	144,764	-	144,764
Interest	338,642	-	338,642
Differences between expected and actual experience	(118,534)	-	(118,534)
Changes of assumptions	(101,463)	-	(101,463)
Contributions - employer	-	42,535	(42,535)
Contributions - TRB subsidy	-	67,213	(67,213)
Net investment income	-	90,061	(90,061)
Benefit payments	(99,748)	(99,748)	-
Administrative expense	-	-	-
Net changes	163,661	100,061	63,600
Balance as of June 30, 2023	\$ 6,800,592	\$ 989,664	\$ 5,810,928

Actuarial Assumptions - The Total OPEB liability measured as of June 30, 2023 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	5.15%
Discount rate	3.65%
Inflation rate	2.40%
Healthcare cost trend rate:	
Initial	6.50%
Ultimate	4.40%

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Table projected to valuation date with Scale MP-2021.

Projections of benefits are based on the substantive plan (the plan as understood by the Town and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and the plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the Town and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Killingly Other Post-employment Benefits Plan *(Continued)*

Net OPEB Liability *(Continued)*

The long-term expected rate of returns on OPEB Plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 OPEB Plan's target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Weighting</u>
Large Cap	36.00%	4.60%	1.66%
Mid / Small Cap	11.00%	5.20%	0.57%
International Equities	11.00%	5.70%	0.63%
Emerging Market Equities	4.00%	7.45%	0.30%
Intermediate Bond - Corporate	21.00%	1.35%	0.28%
Intermediate Bond - Government	10.00%	0.60%	0.06%
Short Term Bonds, Money Market	3.00%	-0.15%	0.00%
Real Estate (Core)	4.00%	5.10%	0.20%
			<u>3.70%</u>
Long-term Inflation Expectation			<u>2.40%</u>
Long-term Nominal Return			<u>6.10%</u>

Discount rate - The discount rate used to measure the total OPEB liability was 5.15%. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that the Town's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the OPEB Plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the discount rate was determined using a blended single equivalent discount rate based on the expected long-term rate of return of 6.10% and the 20 year, high quality, tax-exempt municipal bond yield of 3.65%.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Killingly Other Post-employment Benefits Plan *(Continued)*

Net OPEB Liability *(Continued)*

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

	Discount Rate		
	1% Decrease	Current	1% Increase
Net OPEB liability	\$ 6,728,557	\$ 5,810,928	\$ 5,044,657

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

	Healthcare Cost Trend Rates		
	1% Decrease	Current	1% Increase
Net OPEB liability	\$ 4,875,068	\$ 5,810,928	\$ 6,970,706

OPEB Plan Financial Statements

The following presents the statements of fiduciary net position and the statement of changes in fiduciary net position for the Town's OPEB plan as of and for the year ended June 30, 2023.

	OPEB Trust Fund
ASSETS	
Cash and cash equivalents	\$ 20,122
Investments	969,542
Total assets	989,664
NET POSITION	
Restricted for other post-employment benefits	\$ 989,664

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Killingly Other Post-employment Benefits Plan (Continued)

OPEB Plan Financial Statements *(Continued)*

	OPEB Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 10,000
Total contributions	10,000
Investment earnings:	
Interest and dividends	28,142
Net change in the fair value of investments, net	66,773
Net investment income	94,915
Less: investment expense	(4,854)
Net investment income	90,061
Total additions	100,061
DEDUCTIONS	
Benefit payments	-
Total deductions	-
Change in net position	100,061
Net position - beginning	889,603
Net position - ending	\$ 989,664

OPEB Expense and Deferred Outflows and Inflows of Resources

For the year ended June 30, 2023, the Town recognized OPEB expense of \$173,845. As of June 30, 2023, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferrals
Differences between expected and actual experience	\$ 262,672	\$ 2,091,422	\$ (1,828,750)
Changes of assumptions	1,219,350	1,682,603	(463,253)
Net difference between projected and actual earnings on OPEB plan investments	-	927	(927)
Total	\$ 1,482,022	\$ 3,774,952	\$ (2,292,930)

TOWN OF KILLINGLY, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Killingly Other Post-employment Benefits Plan *(Continued)*

OPEB Expense and Deferred Outflows and Inflows of Resources *(Continued)*

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

Year ended June 30,		
2024	\$	(195,450)
2025		(195,975)
2026		(158,885)
2027		(195,145)
2028		(186,132)
Thereafter		(1,361,343)
	\$	<u>(2,292,930)</u>

Connecticut Teachers' Retirement System

Plan Description

The Connecticut Teachers' Retirement System (TRS or the Plan) is the public pension plan offered by the State of Connecticut (the State) to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The Plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board (TRB). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

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

Benefit Provisions

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

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Benefit Provisions *(Continued)*

Any member that is not currently participating in Medicare Parts A & B is eligible to continue health care coverage with their former employer. A subsidy of up to \$220 per month for a retired member plus an additional \$220 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute. A subsidy amount of \$440 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 \$440 per month towards coverage under a local school district plan.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the System. If they elect to remain in the Plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage. If a member participating in Medicare Parts A & B so elects, they may enroll in one of the CTRB Sponsored Medicare Supplemental Plans. Active members, retirees, and the State pay equally toward the cost of the basic coverage (medical and prescription drug benefits).

Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Contributions

State of Connecticut - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

Employers - School District employers are not required to make contributions to the Plan.

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.

Administrative Expenses

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

TOWN OF KILLINGLY, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Basis of Presentation

The components associated with the other postemployment benefits (OPEB) expense and deferred inflows and outflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Annual Comprehensive Financial Report as of and for the year ended June 30, 2022. The net OPEB liability has been calculated using the audited amounts. The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund. The State of Connecticut's Annual Comprehensive Financial Report can be obtained at www.ct.gov.

The accounting standards require participating employers to recognize their proportional share of the collective net OPEB liability, deferred outflows and inflows of resources and OPEB expense. Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Allocation Methodology

The allocations for participating employers are based on the expected contribution effort for each participating employer. The employer allocations were then applied to the net OPEB liability and OPEB expense to determine the amount applicable to each employer. Based upon the employee contributions made by the employees of each employer, as compared to the total employee contributions, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above. The employer allocation applied to the Town totaled 0.367% as of the most recent measurement date.

Collective Net OPEB Liability

The following summarizes the collective net OPEB liability of the State for the TRS as of June 30, 2022, the measurement date, in addition to the Town's and State's proportionate shares of the collective net OPEB liability that is attributed to the Town:

Collective Net OPEB Liability of the State for the TRS		<u>\$ 1,603,585,000</u>
	<u>Proportion</u>	<u>Proportionate Share</u>
Town's proportionate share of the Collective Net OPEB Liability	0.000%	<u>\$ -</u>
State's proportionate share of the Collective Net OPEB Liability attributed to the Town	0.367%	<u>\$ 5,886,000</u>

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Collective OPEB Expense

The Town's expected contribution effort for allocation purposes totaled \$74,954 or 0.367% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures in the General Fund for the year ended June 30, 2023.

The collective OPEB expense includes certain current period changes in the collective net OPEB liability, projected earnings on OPEB plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The portion of the collective OPEB benefit attributed to the Town totaled \$354,820 or 0.367% of the total collective OPEB benefit and has been recognized as a reduction in operating contributions and related education expenses in the statement of activities for the year ended June 30, 2023.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Real Wage Growth	0.50%
Wage Inflation	3.00%
Salary increases	3.00% - 6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Discount rate	3.53%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates:	
Medicare	Known increases until calendar year 2024, then general trend decreasing to an ultimate rate of 4.50% by 2031

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.

Long-Term Rate of Return

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

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

TOWN OF KILLINGLY, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)*

Connecticut Teachers' Retirement System *(Continued)*

Long-Term Rate of Return *(Continued)*

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Treasuries (Cash Equivalents)	100.0%	-0.98%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.53%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2022. In addition to the actuarial methods and assumptions of the June 30, 2022 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.00%.
- 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 2027 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

NOTE 11 - OTHER RETIREMENT PLANS

Town Defined Contribution Plans

The Town offers a deferred compensation and 401(a) plan to all eligible employees (except those covered under a comparable employer plan). Under terms of the plan, the Town is required to contribute 6.0% of a participant's base wages. Participants have the right to self-direct contributions made to the plan among the investment options offered by the plan administrator. During the year ended June 30, 2023, employees contributed \$257,286 to the deferred compensation plan and the Town contributed matching employer contributions of \$197,024 to the 401(a) plan.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 11 - OTHER RETIREMENT PLANS *(Continued)*

Board of Education Defined Contribution Plans

The Board of Education offers deferred compensation and 403(b) plans to all eligible employees (except those covered under a comparable employer plan). Under terms of the plans, the Board of Education is not required to make employer contributions. Participants have the right to self-direct their contributions made to the plans among the investment options offered by the plan administrator.

NOTE 12 - FUND BALANCES

Specific purposes for which fund balances have been categorized as follows as of June 30, 2023:

	General Fund	Capital Improvements Fund	Sewer Operating Fund	Capital Nonrecurring Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventories and prepaids	\$ 72,104	\$ -	\$ -	\$ -	\$ 42,460	\$ 114,564
Permanent funds principal	-	-	-	-	71,303	71,303
	<u>72,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,763</u>	<u>185,867</u>
Restricted for:						
Grant programs	-	-	-	-	970,434	970,434
Unspent bond proceeds	-	3,644,399	-	-	-	3,644,399
Special reserves - external	-	-	-	-	737,825	737,825
	<u>-</u>	<u>3,644,399</u>	<u>-</u>	<u>-</u>	<u>1,708,259</u>	<u>5,352,658</u>
Committed to:						
General government	222,698	-	-	-	31,048	253,746
Recreation and leisure	-	-	-	-	73,955	73,955
Community development	402,030	-	-	-	177,136	579,166
Education	-	-	-	-	1,146,555	1,146,555
Capital purposes	85,000	-	-	6,940,442	1,872,934	8,898,376
Sewers	36,458	-	3,129,565	-	617,986	3,784,009
	<u>746,186</u>	<u>-</u>	<u>3,129,565</u>	<u>6,940,442</u>	<u>3,919,614</u>	<u>14,735,807</u>
Assigned to:						
General government	1,492,004	-	-	-	-	1,492,004
Education	3,297,739	-	-	-	-	3,297,739
Public safety	416,897	-	-	-	-	416,897
Public works	346,601	-	-	-	-	346,601
Compensated absences	126,869	-	-	-	-	126,869
Other post-employment benefits	150,462	-	-	-	-	150,462
Sewer extension	118,519	-	-	-	-	118,519
Capital purposes	-	4,523,436	-	-	-	4,523,436
Subsequent year's budget	2,750,000	-	-	-	-	2,750,000
	<u>8,699,091</u>	<u>4,523,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,222,527</u>
Unassigned						
	<u>16,288,807</u>	<u>(7,824,230)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,464,577</u>
	<u>\$ 25,806,188</u>	<u>\$ 343,605</u>	<u>\$ 3,129,565</u>	<u>\$ 6,940,442</u>	<u>\$ 5,741,636</u>	<u>\$ 41,961,436</u>

Deficit Fund Balances

The Capital Improvements Fund has a deficit unassigned fund balance of \$7,824,230 as of June 30, 2023. The deficit is expected to be eliminated by grant reimbursements on eligible projects, future debt issuances, appropriations and/or transfers from the General Fund.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The Town purchases commercial insurance for all risks of loss except health coverage. During 2023, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years.

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

Workers' Compensation Pool

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

Liability-Automobile-Property Pool

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

Medical Self-Insurance

The Health Insurance Fund, an internal service fund, was established to account for and finance employee medical benefits claims for eligible employees of both the Town and the Board of Education. The Town retains the risk of loss under the plan. A third party processes the claims filed under the self-insured health plan, for which the General Fund is charged an administrative fee. The General Fund also pays for a stop-loss policy for individual claims exceeding \$125,000 for the plan.

The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2023. Claims liabilities are recorded if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries.

TOWN OF KILLINGLY, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 13 - RISK MANAGEMENT *(Continued)*

Medical Self-Insurance *(Continued)*

The claims accrual does not include other allocated or unallocated claims adjustment expenses. A summary of claims activity for the last three years is as follows:

<u>Year Ended June 30,</u>	<u>Claims Payable, Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>Claims Payable, End of Year</u>
2021	\$ 355,195	\$ 5,997,548	\$ (5,929,897)	\$ 422,846
2022	422,846	7,006,055	(6,631,483)	797,418
2023	797,418	5,810,033	(6,219,451)	388,000

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Federal Awards and State Financial Assistance

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

Litigation, Claims and Assessments

The Town, in the normal course of operations, is named as defendants in lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. The outcome and eventual liability to the Town, if any, for such matters are 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 matters would not materially affect the financial position of the Town.

Arbitrage Rebates

The Town may be subject to rebate penalties to the federal government relating to various bond and note issues. The Town expects such amounts, if any, would not have a material adverse effect on the financial condition of the Town.

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund. Encumbrances are recognized as a valid and proper charge against a General Fund budget appropriation in the year in which a purchase order, contract, or other commitment is issued. Open encumbrances as of June 30, 2023 totaled \$1,006,181 and are included in the assigned fund balance for the General Fund.

Capital Projects and Related Commitments

The Town has total project authorizations totaling approximately \$115.5 million as of June 30, 2023. The remaining balance of those authorizations totaled approximately \$63.9 million as of June 30, 2023. Outstanding commitments on construction contracts totaled approximately \$5.9 million as of June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Over (Under)</u>
REVENUES				
Property taxes	\$ 38,580,197	\$ 38,580,197	\$ 38,741,159	\$ 160,962
Intergovernmental	17,774,981	17,774,981	18,032,167	257,186
Licenses, permits and fees	280,500	280,500	674,619	394,119
Charges for services	3,279,323	3,279,323	3,288,909	9,586
Use of money and property	201,000	201,000	619,084	418,084
Miscellaneous	382,750	382,750	588,174	205,424
Total revenues	<u>60,498,751</u>	<u>60,498,751</u>	<u>61,944,112</u>	<u>1,445,361</u>
EXPENDITURES				
Current:				
General government	2,214,447	2,296,130	2,194,174	(101,956)
Public works	2,752,192	2,576,029	2,513,064	(62,965)
Recreation and leisure	1,445,286	1,502,100	1,500,009	(2,091)
Public safety	1,572,260	1,494,100	1,492,488	(1,612)
Community development and human services	770,305	773,391	753,255	(20,136)
Education	45,029,799	45,029,799	42,904,045	(2,125,754)
Miscellaneous	2,653,130	2,535,803	2,515,075	(20,728)
Debt service:				
Principal payments	3,685,473	3,685,473	3,685,191	(282)
Interest and fiscal charges	797,289	797,289	797,289	-
Debt issuance costs	70,000	70,000	70,000	-
Total expenditures	<u>60,990,181</u>	<u>60,760,114</u>	<u>58,424,590</u>	<u>(2,335,524)</u>
Excess (deficiency) of revenues over expenditures	(491,430)	(261,363)	3,519,522	3,780,885
OTHER FINANCING SOURCES (USES)				
Appropriation from fund balance	2,045,000	2,089,976	-	(2,089,976)
Cancellation of prior year encumbrances	-	-	5,935	5,935
Premium on bonds issued	-	-	71,095	71,095
Transfers in	2,295,113	2,295,113	2,288,325	(6,788)
Transfers out	(3,848,683)	(4,123,726)	(4,123,726)	-
Total other financing sources (uses)	<u>491,430</u>	<u>261,363</u>	<u>(1,758,371)</u>	<u>(2,019,734)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,761,151</u>	<u>\$ 1,761,151</u>

See notes to required supplementary information.

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - SEWER OPERATING FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sewer use - current	\$ 6,904,022	\$ 6,904,022	\$ 7,222,728	\$ 318,706
Sewer use interest	47,000	47,000	109,037	62,037
Investment income	34,000	34,000	5,671	(28,329)
Other	1,000	1,000	19,932	18,932
Total revenues	<u>6,986,022</u>	<u>6,986,022</u>	<u>7,357,368</u>	<u>371,346</u>
EXPENDITURES				
Contractual services	3,295,849	3,295,849	2,317,696	(978,153)
Materials and supplies	150	150	6,579	6,429
Total expenditures	<u>3,295,999</u>	<u>3,295,999</u>	<u>2,324,275</u>	<u>(971,724)</u>
Excess of revenues over expenditures	3,690,023	3,690,023	5,033,093	1,343,070
OTHER FINANCING SOURCES (USES)				
Transfers out:				
Capital Improvement Fund	(995,000)	(995,000)	(995,000)	-
Capital and Nonrecurring Fund	(400,000)	(400,000)	(400,000)	-
General Fund	(2,295,023)	(2,295,023)	(2,288,160)	6,863
Total other financing sources (uses)	<u>(3,690,023)</u>	<u>(3,690,023)</u>	<u>(3,683,160)</u>	<u>6,863</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,349,933</u>	<u>\$ 1,349,933</u>

See notes to required supplementary information.

TOWN OF KILLINGLY, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION (ASSET) LIABILITY -
TOWN GENERAL PENSION PLAN (UNAUDITED)
LAST TEN FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 336,378	\$ 306,275	\$ 289,496	\$ 246,780	\$ 207,885	\$ 177,335	\$ 156,852	\$ 151,064	\$ 141,320	\$ 135,885
Interest	472,263	451,376	452,618	423,087	411,274	407,887	389,320	379,873	383,339	371,582
Change in benefit terms	-	-	-	34,139	-	-	86,649	-	-	-
Differences between expected and actual experience	(115,883)	57,492	(281,326)	(112,158)	21,367	(137,777)	(192,012)	(18,660)	(232,264)	-
Changes of assumptions	-	193,435	23,846	217,061	129,499	(41,312)	172,613	-	19,712	-
Benefit payments, including refunds	(491,811)	(397,127)	(390,165)	(437,331)	(395,706)	(381,162)	(356,557)	(408,800)	(335,201)	(354,345)
Net change in total pension liability	200,947	611,451	94,469	371,578	374,319	24,971	256,865	103,477	(23,094)	153,122
Total pension liability - beginning	7,313,768	6,702,317	6,607,848	6,236,270	5,861,951	5,836,980	5,580,115	5,476,638	5,499,732	5,346,610
Total pension liability - ending	7,514,715	7,313,768	6,702,317	6,607,848	6,236,270	5,861,951	5,836,980	5,580,115	5,476,638	5,499,732
Plan fiduciary net position										
Contributions - employer	249,640	213,344	199,506	183,318	163,531	142,943	130,480	122,206	161,874	157,123
Contributions - members	144,524	144,860	140,062	136,113	139,392	115,945	103,887	89,141	70,131	73,359
Net investment income	735,604	(1,115,666)	1,775,035	270,900	315,009	456,239	638,680	41,604	251,939	831,581
Benefit payments, including refunds	(491,811)	(397,127)	(390,165)	(437,331)	(395,706)	(381,162)	(356,557)	(408,800)	(335,201)	(354,345)
Administrative expense	(47,370)	(17,762)	(47,350)	(33,556)	(15,343)	(58,596)	(58,614)	(51,870)	(59,335)	(52,818)
Net change in plan fiduciary net position	590,587	(1,172,351)	1,677,088	119,444	206,883	275,369	457,876	(207,719)	89,408	654,900
Plan fiduciary net position - beginning	7,206,680	8,379,031	6,701,943	6,582,499	6,375,616	6,100,247	5,642,371	5,850,090	5,760,682	5,105,782
Plan fiduciary net position - ending	7,797,267	7,206,680	8,379,031	6,701,943	6,582,499	6,375,616	6,100,247	5,642,371	5,850,090	5,760,682
Town's net pension (asset) liability	\$ (282,552)	\$ 107,088	\$(1,676,714)	\$ (94,095)	\$ (346,229)	\$ (513,665)	\$ (263,267)	\$ (62,256)	\$ (373,452)	\$ (260,950)
Plan fiduciary net position as a percentage of total pension liability	103.76%	98.54%	125.02%	101.42%	105.55%	108.76%	104.51%	101.12%	106.82%	104.74%
Covered payroll	\$ 4,233,538	\$ 4,125,591	\$ 3,935,035	\$ 3,620,541	\$ 3,210,419	\$ 2,810,987	\$ 2,459,376	\$ 2,267,863	\$ 2,268,575	\$ 2,160,000
Town's net pension asset as a percentage of covered payroll	-6.67%	2.60%	-42.61%	-2.60%	-10.78%	-18.27%	-10.70%	-2.75%	-16.46%	-12.08%

See notes to required supplementary information.

TOWN OF KILLINGLY, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS -
TOWN GENERAL PENSION PLAN (UNAUDITED)
LAST TEN FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 249,640	\$ 213,344	\$ 199,506	\$ 183,318	\$ 163,531	\$ 142,943	\$ 130,480	\$ 122,206	\$ 161,874	\$ 157,123
Contributions in relation to the actuarially determined contribution	249,640	213,344	199,506	183,318	163,531	142,943	130,480	122,206	161,874	157,123
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,233,538	\$ 4,125,591	\$ 3,935,035	\$ 3,620,541	\$ 3,210,419	\$ 2,810,987	\$ 2,459,376	\$ 2,267,863	\$ 2,268,575	\$ 2,160,000
Contributions as a percentage of covered payroll	5.90%	5.17%	5.07%	5.06%	5.09%	5.09%	5.31%	5.39%	7.14%	7.27%
Annual money-weighted rate of return, net of investment expense	9.75%	-13.53%	26.89%	4.22%	5.04%	7.63%	6.98%	0.73%	4.49%	16.74%

See notes to required supplementary information.

TOWN OF KILLINGLY, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY -
CONNECTICUT TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
 LAST NINE FISCAL YEARS*
 (Rounded to nearest thousand)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's proportion of the collective net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net pension liability attributed to the Town	67,214,000	59,624,000	75,281,000	66,907,000	51,589,000	52,065,000	54,929,000	44,695,000	41,312,000
Total	<u>\$ 67,214,000</u>	<u>\$ 59,624,000</u>	<u>\$ 75,281,000</u>	<u>\$ 66,907,000</u>	<u>\$ 51,589,000</u>	<u>\$ 52,065,000</u>	<u>\$ 54,929,000</u>	<u>\$ 44,695,000</u>	<u>\$ 41,312,000</u>
Town's covered payroll	\$ 16,779,000	\$ 17,978,000	\$ 17,388,000	\$ 17,204,000	\$ 16,936,000	\$ 16,503,000	\$ 15,906,000	\$ 16,599,000	\$ 15,999,000
Town's proportionate share of the collective 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%	0.00%
Plan fiduciary net position as a percentage of the total collective pension liability	54.06%	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

TOWN OF KILLINGLY, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY -
OTHER POST-EMPLOYMENT BENEFITS PROGRAMS (UNAUDITED)
LAST SEVEN FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	\$ 144,764	\$ 231,453	\$ 250,952	\$ 243,546	\$ 207,891	\$ 116,706	\$ 130,479
Interest	338,642	308,337	281,563	356,508	348,436	301,922	273,107
Changes in benefit terms	-	-	-	-	-	314,651	-
Differences between expected and actual experience	(118,534)	(325,119)	(88,206)	(2,251,599)	22,541	429,578	(75,925)
Changes of assumptions	(101,463)	(1,109,850)	(505,769)	1,330,173	395,316	(396,818)	(545,846)
Benefit payments, including refunds	(99,748)	(162,753)	(119,841)	(53,546)	(276,136)	(41,803)	(93,469)
Net change in total OPEB liability	163,661	(1,057,932)	(181,301)	(374,918)	698,048	724,236	(311,654)
Total OPEB liability - beginning	6,636,931	7,694,863	7,876,164	8,251,082	7,553,034	6,828,798	7,140,452
Total OPEB liability - ending	6,800,592	6,636,931	7,694,863	7,876,164	8,251,082	7,553,034	6,828,798
Plan fiduciary net position							
Contributions - employer	42,535	139,823	95,423	21,841	233,001	(2,481)	57,031
Contributions - TRB subsidy	67,213	32,930	34,418	41,705	53,135	54,284	53,177
Net investment income	90,061	(140,995)	213,436	29,491	41,994	52,347	73,544
Benefit payments, including refunds	(99,748)	(162,753)	(119,841)	(53,546)	(276,136)	(41,803)	(93,469)
Administrative expense	-	-	-	-	-	(1,500)	-
Net change in plan fiduciary net position	100,061	(130,995)	223,436	39,491	51,994	60,847	90,283
Plan fiduciary net position - beginning	889,603	1,020,598	797,162	757,671	705,677	644,830	554,547
Plan fiduciary net position - ending	989,664	889,603	1,020,598	797,162	757,671	705,677	644,830
Town's net OPEB liability	\$ 5,810,928	\$ 5,747,328	\$ 6,674,265	\$ 7,079,002	\$ 7,493,411	\$ 6,847,357	\$ 6,183,968
Plan fiduciary net position as a percentage of total OPEB liability	14.55%	13.40%	13.26%	10.12%	9.18%	9.34%	9.44%
Covered payroll	\$ 19,593,000	\$ 19,133,000	\$ 20,626,000	\$ 20,103,000	\$ 18,951,000	\$ 18,470,700	\$ 15,954,000
Town's net OPEB liability as a percentage of covered payroll	29.66%	30.04%	32.36%	35.21%	39.54%	37.07%	38.76%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

TOWN OF KILLINGLY, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS -
OTHER POST-EMPLOYMENT BENEFIT PROGRAMS (UNAUDITED)
LAST SEVEN FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 436,106	\$ 432,500	\$ 429,100	\$ 505,100	\$ 501,200	\$ 519,900	\$ 515,900
Contributions in relation to the actuarially determined contribution	42,535	139,823	95,423	21,841	233,001	(2,481)	57,031
Contribution deficiency	<u>\$ 393,571</u>	<u>\$ 292,677</u>	<u>\$ 333,677</u>	<u>\$ 483,259</u>	<u>\$ 268,199</u>	<u>\$ 522,381</u>	<u>\$ 458,869</u>
Covered employee payroll	\$ 19,593,000	\$ 19,133,000	\$ 20,626,078	\$ 20,103,390	\$ 18,951,000	\$ 18,470,700	\$ 15,954,000
Contributions as a percentage of covered employee payroll	0.22%	0.73%	0.46%	0.11%	1.23%	-0.01%	0.36%
Annual money-weighted rate of return, net of investment expense	10.11%	-13.81%	26.67%	3.87%	5.92%	8.08%	13.02%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

TOWN OF KILLINGLY, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OPEB LIABILITY -
CONNECTICUT TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST SIX FISCAL YEARS*
(Rounded to Nearest Thousand)

	2023	2022	2021	2020	2019	2018
Town's proportion of the collective net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability attributed to the Town	5,886,000	6,496,000	11,228,000	10,435,000	10,313,000	13,041,000
Total	<u>\$ 5,886,000</u>	<u>\$ 6,496,000</u>	<u>\$ 11,228,000</u>	<u>\$ 10,435,000</u>	<u>\$ 10,313,000</u>	<u>\$ 13,041,000</u>
Town's covered payroll	\$ 16,779,000	\$ 17,978,000	\$ 17,388,000	\$ 17,204,000	\$ 16,936,000	\$ 16,503,000
Town's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total collective OPEB liability	9.46%	6.11%	2.50%	2.08%	1.49%	1.79%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND AND SEWER OPERATING FUND

Budgetary Information

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund and Sewer Operating Fund financial statements.

- Each department, office, board or commission of the Town (including the Board of Education) shall submit to the Town Manager a detailed estimate of expenditures and anticipated revenues for the ensuing fiscal year by March 15.
- On or before April 1, the Town Manager submits a balanced budget and budget message to the Town Council based upon requests submitted by the various Town departments.
- By April 15, the Town Council submits the proposed operating budget to one or more public hearings, at which taxpayer comments are obtained. The budget includes proposed expenditures and the means of financing them. The Town Council recommends the budget, as revised, for adoption at the annual Town meeting on the second Monday in May.
- The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is at the functional level within a department as prescribed by Town Charter. Management is not authorized to make budgetary transfers. The Town Council, in accordance with the provisions of the Charter and Connecticut General Statutes, is authorized to transfer unexpended balances from one appropriation to another. Additional appropriations up to one percent of the immediately prior year's operating budget, excluding public school education may be approved by the Town Council. Those in excess of this amount must be approved at a Town Meeting.
- The Department of Education is not a separate legal entity, but a separate function of the Town. Its Board is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Town Council approval and, if necessary, approval at a public hearing or referendum.
- Formal budgetary integration is employed as a management control device during the year. Formal budgetary integration is not employed in Capital Projects or Special Revenue Funds (with the exception of the Sewer Operating Fund) because budgetary control is alternatively achieved by constraints imposed by the project authorization or grant awards related to these funds.
- The budget is prepared on the modified accrual basis of accounting. "On-behalf" payments made by the State of Connecticut into the State Teachers' Retirement System are not recorded for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year. Generally, all unexpended appropriations lapse at year-end, except those for the Capital Projects Funds and certain Special Revenue Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND AND SEWER OPERATING FUND (Continued)

Budgetary Information (Continued)

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP basis). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2023:

	<u>Total</u> <u>Revenues</u>	<u>Total</u> <u>Expenditures</u>	<u>Other</u> <u>Financing Uses -</u> <u>Transfers, Net</u>	<u>Net Change</u> <u>In Fund</u> <u>Balance</u>
Budgetary basis	\$ 61,944,112	\$ 58,424,590	\$ (1,758,371)	\$ 1,761,151
"On-behalf" payments - State Teachers' Retirement Fund	5,374,327	5,374,327	-	-
Change in encumbrances	-	(373,878)	(5,935)	367,943
Intergovernmental grants netted against expenditures	986,312	986,312	-	-
Debt issuance costs netted against premium	-	19,145	19,145	-
Budgetary perspective differences:				
Funds combined for GAAP financial reporting purposes	78,005	847,575	284,933	(484,637)
Other reserves	150,595	150,595	-	-
Reclassification of transfers	(749)	(10,000)	(9,251)	-
GAAP basis	<u>\$ 68,532,602</u>	<u>\$ 65,418,666</u>	<u>\$ (1,469,479)</u>	<u>\$ 1,644,457</u>

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 - SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY - TOWN GENERAL PENSION PLAN

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

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2022.

Benefit Changes - There have been no changes in benefit terms that have had a significant effect on the measurement of the net pension (asset) liability as of June 30, 2023.

Assumption Changes - There have been no changes in assumptions that have had a significant effect on the measurement of the net pension (asset) liability as of June 30, 2023.

NOTE 3 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - TOWN GENERAL PENSION PLAN

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

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

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2023:

Actuarial cost method:	Entry Age Normal Actuarial Cost Method
Remaining amortization period:	20 years, open
Asset valuation method:	5-year Smoothed Market Value
Inflation:	2.40%
Investment rate of return, including inflation:	6.375%
Salary increases, including inflation:	3.40% compounded annually
Retirement age:	Age 65 with one year of service
Mortality:	Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables, projected to the valuation date with Scale MP-2021

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 4 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY - CONNECTICUT TEACHER'S RETIREMENT SYSTEM

The Town began to report this schedule in fiscal year 2019. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2022. This information is utilized by the Town for reporting as of June 30, 2023.

Benefit Changes - There were no changes in benefit terms that had a significant effect on the measurement of the collective total pension liability reported as of June 30, 2023.

Assumption Changes - There have been no changes in assumptions that had a significant effect on the measurement of the collective total pension liability reported as of June 30, 2023.

NOTE 5 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY - OTHER-POST EMPLOYMENT BENEFITS PLAN

The Town began to report this schedule when it implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in fiscal year 2017. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of July 1, 2021. The July 1, 2021 was increased by service cost and interest and decreased by benefit payments to calculate the total OPEB liability as of June 30, 2023.

Benefit Changes - There have been no benefit term changes that have had a significant effect on the measurement of the Town's net OPEB liability as of June 30, 2023.

Assumption Changes - There have been no assumption changes that had a significant effect on the measurement of the Town's net OPEB liability as of June 30, 2023.

TOWN OF KILLINGLY, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NOTE 6 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - OTHER-POST EMPLOYMENT BENEFITS PLAN

The Town began to report this schedule when it implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in fiscal year 2017. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years.

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

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2023:

Actuarial cost method:	Entry Age Normal Actuarial Cost Method
Remaining amortization period:	30 years, open
Asset valuation method:	Market value
Inflation:	2.60%
Investment rate of return:	2.40%
Healthcare cost trend rates:	6.50% current 4.40% final
Mortality:	Pub-2010 Public Retirement Plans Mortality Tables projected to the valuation date with Scale MP-2021

NOTE 7 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT TEACHERS' RETIREMENT SYSTEM

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

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2022. The liabilities were estimated based on a measurement date of June 30, 2022. The employer allocations were then applied to the net OPEB liability and OPEB expense to determine the amount applicable to each employer. This information is utilized by the Town for reporting as of June 30, 2023.

Benefit Changes - There were no benefit term changes that had a significant effect on the measurement of the collective net OPEB liability reported as of June 30, 2023.

Assumption Changes - The following assumption changes collectively had a significant effect on the measurement of the collective net OPEB liability reported as of June 30, 2023.

- The discount rate was increased from 2.17% to 3.53% to reflect the change in the Municipal Bond Index rate.
- The expected annual per capita claims costs were updated to better reflect anticipated medical and prescription drug claim experience both before and after the plan change that became effective on January 1, 2019.
- The expected rate of inflation was decreased and the Real Wage Growth assumption was increased.

APPENDIX B – FORM OF OPINION OF BOND COUNSEL

May __, 2024

Town of Killingly
172 Main Street
Killingly, CT 06239

We have acted as Bond Counsel in connection with the issuance by the Town of Killingly, Connecticut (the “Town”), of its \$_____ General Obligation Bonds, Issue of 2024 (the “Bonds”) dated May __, 2024. In such capacity, we have examined a record of proceedings of the Town authorizing the Bonds, a Tax Regulatory Agreement of the Town dated the date hereof (the “Agreement”), such law and such other proceedings, certifications, and documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We are of the opinion that when the Bonds are duly certified by U.S. Bank Trust Company, National Association, the Bonds will be valid and legally binding general obligations of the Town payable as to both principal and interest 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 pursuant to Connecticut statutes. We are further of the opinion that the Agreement is a valid and binding agreement of the Town and was duly authorized by the Town.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

The Internal Revenue Code of 1986 (the “Code”) establishes certain requirements that must be satisfied at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be excluded from gross income under Section 103 of the Code. In the Agreement, the Town has made covenants and representations designed to assure compliance with such requirements of the Code. The Town has covenanted in the Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds shall not be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds.

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

In our opinion, under existing statutes and court decisions, (i) interest on the Bonds is excluded from gross income for federal income tax purposes; and (ii) such interest is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest is taken into account in determining the annual adjusted financial statement income of certain corporations for the purpose of computing the alternative minimum tax imposed on corporations. We express no opinion regarding other federal income tax consequences caused by ownership or disposition of, or receipt of interest on the Bonds.

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 for individuals, trusts and estates required to pay the federal alternative minimum tax. We express no opinion regarding other state income tax consequences caused by ownership or disposition of, or receipt of interest on the Bonds.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Preliminary Official Statement, the Official Statement and other offering material relating to the Bonds.

The foregoing opinion is based upon existing laws, regulations, rules and court decisions. We undertake no responsibility to inform you of changes in law or fact occurring after the date hereof which may affect the conclusions herein. In addition, we have not undertaken to advise in the future whether any events after the date of issuance of the Bonds, including the adoption of federal tax legislation, may affect the tax status of interest on the Bonds.

Respectfully,

PULLMAN & COMLEY, LLC

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Town will agree, pursuant to a Continuing Disclosure Agreement to be executed by the Town substantially in the following form, to provide, or cause to be provided, (i) annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds 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.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement ("Agreement") is made as of May __, 2024 by the Town of Killingly, Connecticut (the "Issuer") acting by its undersigned officers, duly authorized, in connection with the issuance of \$ _____ General Obligation Bonds, Issue of 2024, dated as of May __, 2024 (the "Bonds"), for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the Issuer dated April __, 2024 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means Rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The Issuer agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2024) as follows:

(i) Financial statements of the Issuer's general fund and, any capital and trust or agency funds, for the prior fiscal year which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the Issuer prepares its financial statements in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) The following financial information and operating data to the extent not included in the financial statements described in (i) above

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

(b) The financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided (the "Filing Due Date"). The Issuer's fiscal year currently ends on June 30. The Issuer reserves the right to provide unaudited financial statements if audited financial statements are not available as of the Filing Due Date, provided that the Issuer shall promptly provide audited financial statements when available.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report.

(d) The Issuer reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in accounting principles adopted by the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

Section 3. Notice of Certain Events.

The Issuer agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;

- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of the Bonds;
- (g) modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (m) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (o) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation, any of which affect security holders, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

Events (d) and (e). The Issuer does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds, unless the Issuer applies for or participates in obtaining the enhancement.

Event (f). Event (f) is relevant only to the extent interest on the Bonds is excluded from gross income for federal income tax purposes.

Event (h). The Issuer does not undertake to provide the above-described event notice of a mandatory scheduled redemption, not *otherwise* contingent upon the occurrence of an event, if (A) the terms, dates and amounts of redemption are set forth in detail in the Final Official Statement, (B) the sole matter to be determined is which of the Bonds will be redeemed in the case of a partial redemption, (C) notice of redemption is given to the holders of the Bonds to be redeemed as required under the terms of the Bonds, and (D) public notice of redemption is given pursuant to Exchange Act Release No. 23856 of the SEC, even if the originally scheduled amounts are reduced due to prior optional redemptions or Bond purchases.

Events (o) and (p). The term “financial obligation” is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with MSRB pursuant to the Rule.

Section 4. Notice of Failure to Provide Annual Financial Information.

The Issuer agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the Issuer to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the Issuer or by any agents which may be employed by the Issuer for such purpose from time to time.

Section 6. Termination.

The obligations of the Issuer under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the Issuer ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The Issuer acknowledges that the undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the Issuer shall fail to perform its duties hereunder, the Issuer shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the Issuer's Director of Finance/Treasurer, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Director of Finance/Treasurer is Town Hall, 172 Main Street, Killingly, Connecticut 06239.

In the event the Issuer does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The parties expressly acknowledge and agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) All documents provided by the Issuer to a Repository pursuant to the Issuer’s undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The Issuer shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided, however, nothing in this Agreement shall be construed as prohibiting the Issuer from providing such additional information, data or notices from time to time as it

deems appropriate in connection with the Bonds. If the Issuer elects to provide any such additional information, data or notices, the Issuer shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the Issuer 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 of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Issuer, 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) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information 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 operating or financial information provided.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

TOWN OF KILLINGLY, CONNECTICUT

By: _____
MARY T. CALORIO
Town Manager

By: _____
JENNIFER M. HAWKINS
Treasurer

APPENDIX D – NOTICE OF SALE

NOTICE OF SALE

TOWN OF KILLINGLY, CONNECTICUT \$10,000,000*GENERAL OBLIGATION BONDS, ISSUE OF 2024 BOOK-ENTRY-ONLY

NOTICE IS GIVEN that ELECTRONIC BIDS solely via **PARITY**® will be received by the TOWN OF KILLINGLY, CONNECTICUT (the “Issuer”), until 11:30 A.M. (EASTERN TIME) on THURSDAY,

APRIL 25, 2024

(the “Sale Date”) for the purchase, when issued, of all (but not less than all) of the Issuer’s \$10,000,000* General Obligation Bonds, Issue of 2024, dated May 9, 2024 (the “Bonds”), at no less than par and accrued interest from the date of the Bonds to the date of delivery, if any, maturing on May 1 in the principal amounts and in each of the years as follows:

<u>Maturity</u>	<u>Amount (\$)*</u>	<u>Maturity</u>	<u>Amount (\$)*</u>
2025	500,000	2035	500,000
2026	500,000	2036	500,000
2027	500,000	2037	500,000
2028	500,000	2038	500,000
2029	500,000	2039	500,000
2030	500,000	2040	500,000
2031	500,000	2041	500,000
2032	500,000	2042	500,000
2033	500,000	2043	500,000
2034	500,000	2044	500,000

The Bonds will bear interest commencing November 1, 2024 and semiannually thereafter on May 1 and November 1 in each year until maturity, as further described in the Preliminary Official Statement (as hereinafter defined), at the rate or rates per annum specified by the winning bidder.

Optional Redemption

The Bonds maturing on or before May 1, 2032 are not subject to redemption prior to maturity. The Bonds maturing May 1, 2033 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on and after May 1, 2032, 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 Issuer may determine, at the respective prices (expressed as a percentage of the principal amount of the

* *Preliminary, subject to change. See “Adjustment of Principal Amount and Maturity Schedule of the Bonds” herein.*

Bonds to be redeemed) set forth in the following table, plus interest accrued and unpaid to the redemption date:

<u>Period During Which Redeemed</u>	<u>Redemption Price</u>
May 1, 2032 and thereafter	100.0%

Nature of Obligation

The Bonds will constitute general obligations of the Issuer, and the Issuer will pledge its full faith and credit to pay the principal of and interest on the Bonds when due. Unless paid from other sources, the Bonds are payable from ad valorem taxes which may be levied on all taxable property subject to taxation by the Issuer without limit 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 pursuant to provisions of the Connecticut General Statutes, as amended.

Bank Qualification

The Bonds SHALL NOT be designated by the Issuer as qualified tax exempt obligations under the provisions of Section 265(b)(3) of the Internal Revenue Code of 1986 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 (“DTC”), New York, New York, registered in the name of its nominee, Cede & Co., and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 or any integral multiple thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The purchaser, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, registered in the name of Cede & Co. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the Issuer or its agent to DTC or its nominee as registered owner of the Bonds. Principal and interest payments by DTC to participants of DTC will be the responsibility of DTC; principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Issuer will not be responsible or liable for payments by DTC to its participants or by DTC participants or indirect participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Upon receipt from the Issuer, the Paying Agent will pay principal of and interest on the Bonds directly to DTC so long as DTC or its nominee, Cede & Co, is the bondholder.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds and the Issuer fails to identify another qualified securities depository to replace DTC, or

(b) the Issuer determines to discontinue the book-entry system of evidence and transfer of ownership of the Bonds, the Issuer will authenticate and deliver replacement Bonds in the form of fully registered certificates. Any such replacement Bonds will provide that interest will be payable by check mailed by the Paying Agent to the registered owner whose name appears on the registration books of the Issuer as of the close of business on the record date preceding each interest payment date.

Record Date

The record dates for the Bonds will be the fifteenth day of April and October, or the preceding business day if such fifteenth day is not a business day, in each year.

Proposals

Each bid must be for the entire \$10,000,000* of the Bonds. Each proposal must specify the amount bid for the Bonds (which shall be the aggregate par value of the Bonds, and, at the option of the bidder, a premium), and must specify in a multiple of one-twentieth of one percent (1/20 of 1%) or one-eighth of one percent (1/8 of 1%) the rate or rates of interest per annum which the Bonds are to bear, provided that such proposal shall not state (a) more than one interest rate for any Bonds having a like maturity or (b) any interest rate for any Bonds of one maturity which exceeds the interest rate stated in such proposal for Bonds of a different maturity by more than three (3) percentage points. In addition to the amount bid for the Bonds, the purchaser must pay an amount equal to the interest on the Bonds accrued to the date of delivery. For the purpose of the bidding process, the time as maintained on **PARITY®** shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost (“TIC”) to the Issuer, as described under “Basis of Award” below, represented by the rate or rates of interest and the bid price specified in their respective bids. Interest shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. No proposal for less than par and accrued interest to the date of delivery will be considered.

Basis of Award; Right to Reject Proposals; Waiver; Postponement; Change of Terms

Unless all bids are rejected, as between proposals which comply with this Notice of Sale, the Bonds will be awarded to the bidder whose bid proposes the lowest true interest cost (“TIC”) to the Issuer. The TIC will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds results in an amount equal to the purchase price for the Bonds, excluding interest accrued to the date of delivery. If there is more than one bidder making said offer at the same lowest TIC, the Bonds will be sold to the bidder whose proposal is selected by the Issuer by lot from among all such proposals. It is requested that each proposal be accompanied by a statement of the percentage of TIC computed and rounded to six decimal places. Such statement shall not be considered as part of the proposal. The purchase price must be paid in immediately available federal funds.

* *Preliminary, subject to change. See “Adjustment of Principal Amount and Maturity Schedule of the Bonds” herein.*

The right is reserved to reject any and all proposals and to reject any proposal not complying with this Notice of Sale and to waive any irregularity or informality with respect to any proposal.

The Issuer further reserves the right to postpone the sale to another time and date in its sole discretion for any reason, including Internet difficulties. The Issuer will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Upon the establishment of an alternative sale date, any bidder may submit proposals for the purchase of the Bonds in accordance with the provisions of this Notice of Sale.

Adjustment of Principal Amount and Maturity Schedule of the Bonds

The Issuer reserves the right to change the maturity schedule after the determination of the winning bidder. In such event, the final aggregate principal amount of the Bonds will be increased or decreased by a net amount of such change or changes in principal amount of one or more maturities. The winning bidder will be required to provide the coupon, yield and reoffering price information to be included in the issue price certificate, if requested, for purposes of determining the adjustment. The dollar amount bid by the bidder will be adjusted to reflect any adjustments in the final maturity schedule and the aggregate principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but every effort will be made to not change the per bond underwriter's discount as calculated from the bid and the initial reoffering prices required to be delivered to the Issuer as stated herein. **The winning bidder may not withdraw its bid or change the interest rates bid or initial reoffering prices provided as a result of any changes made to the principal amounts within these limits.**

CUSIP Numbers

The deposit of the Bonds with DTC under a book-entry system requires the assignment of CUSIP numbers prior to delivery. It shall be the responsibility of the purchaser to apply for CUSIP numbers for the Bonds prior to delivery. Neither the failure to print such CUSIP number on any bond, nor any error with respect thereto, shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the Issuer; provided, however, that the Issuer assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the purchaser.

Electronic Proposals Bidding Procedure

Electronic bids for the purchase of the Bonds must be submitted through the facilities of **PARITY®**. Any prospective bidder must be a subscriber of i-Deal's BiDCOMP competitive bidding system. Further information about **PARITY®**, including any fee charged, may be obtained from **PARITY®**, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Support (telephone: (212) 849-5021 – email notice: [parity@i-](mailto:parity@i-deal.com)

[deal.com](#)). The Issuer neither will confirm any subscription nor be responsible for any failure of a prospective bidder to subscribe.

Once an electronic bid made through the facilities of **PARITY®** is communicated to the Issuer, it shall constitute an irrevocable offer, in response to this Notice, and shall be binding upon the bidder as if made by the signed, sealed bid delivered to the Issuer. By submitting a bid for the Bonds via **PARITY®**, the bidder represents and warrants to the Issuer that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder by an irrevocable offer and that acceptance of such bid by the Issuer will bind the bidder by a legal, valid and enforceable contract, for the purchase of the Bonds on the terms described in this Notice. **The Issuer shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY®, or the inaccuracies of any information, including bid information or worksheets supplied by PARITY®, the use of PARITY® facilities being the sole risk of the prospective bidder. Each Bidder is solely responsible for knowing the terms of the sale as set forth herein.**

Disclaimer. Each of **PARITY®** prospective electronic bidders shall be solely responsible to make necessary arrangements to access **PARITY®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice. Neither the Issuer nor **PARITY®** shall have any duty or obligation to undertake such arrangements to bid for any prospective bidder or to provide or assure such access to any prospective bidder, and neither the Issuer or **PARITY®** shall be responsible for a bidder's failure to make a bid or for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY®**. The Issuer is using **PARITY®** as a communication mechanism, and not as the Issuer's agent, to conduct the electronic bidding for the Bonds. The Issuer is not bound by any advice and determination of **PARITY®** to the effect that any particular bid complies with the terms of this Notice and in particular the bid requirements herein set forth. All costs and expenses incurred by prospective bidders in connection with their subscription to, arrangements with and submission of bids via **PARITY®** are the sole responsibility of the bidders; and the Issuer is not responsible directly or indirectly, for any of such costs or expenses. If the prospective bidder encounters any difficulty in arranging to bid or submitting, modifying or withdrawing a bid for the Bonds, the prospective bidder should telephone **PARITY®** at (212) 849-5021. If any provision of this Notice shall conflict with information provided by **PARITY®**, this Notice shall control.

For the purpose of the electronic bidding process, the time maintained on **PARITY®** shall constitute the official time.

Certifying Agent, Registrar, Paying Agent and Transfer Agent

The Bonds will be authenticated by U.S. Bank Trust Company, National Association, Hartford, Connecticut. U.S. Bank Trust Company, National Association will also act as Registrar, Paying Agent and Transfer Agent.

Delivery, Payment and Closing Requirements

At or prior to the delivery of the Bonds the purchaser shall be furnished, without cost, with (a) the approving opinion of Pullman & Comley, LLC of Hartford, Connecticut, Bond Counsel (“Bond Counsel”) (see “Bond Counsel Opinion” below); (b) a signature and no litigation certificate, in form satisfactory to said firm, dated as of the date of delivery of the Bonds, and stating that there is no litigation pending, or to the knowledge of the signer or signers thereof threatened, affecting the validity of the Bonds or the power of the Issuer to levy and collect taxes to pay them; (c) a signed copy of the Official Statement prepared for this bond issue; (d) a certificate of Issuer Officials relating to the accuracy and completeness of the Official Statement; (e) a Continuing Disclosure Agreement; and (f) a receipt of payment for the Bonds.

The Bonds will be delivered against payment in immediately available federal funds through the facilities of DTC, New York, New York or its agent via Fast Automated Securities Transfer (“FAST”) on or about May 9, 2024 (the “Closing Date”).

The Issuer will have no responsibility to pay for any expenses of the purchaser except to the extent specifically stated in this Notice of Sale. The purchaser will have no responsibility to pay for any of the Issuer’s costs of issuance except to the extent specifically stated in this Notice of Sale.

The purchaser will be responsible for the clearance or exemption with respect to the status of the Bonds for sale under securities or “Blue Sky” laws and the preparation of any surveys or memoranda in connection with such sale. The Issuer shall have no responsibility for such clearance, exemption or preparation.

Bond Counsel Opinion

The legality of the issue will be passed upon by Pullman & Comley, LLC of Hartford, Connecticut, Bond Counsel, and the purchaser will be furnished with its opinion, without charge, substantially in the form set forth in Appendix B to the Official Statement. The opinion will state that the Bonds are valid and binding obligations of the Issuer. If the Competitive Sale Rule (as defined below in the “Establishment of Issue Price” section) is met, Bond Counsel will require as a precondition to release of its opinion that the purchaser of such Bonds deliver to it a completed “issue price” certificate, or similar certificate, regarding expectations or public offering prices, as applicable, with respect to the Bonds awarded to such bidder, as described below under “Establishment of Issue Price”.

Establishment of Issue Price

In order to provide the Issuer with information that enables it to comply with certain requirements of the Internal Revenue Code of 1986 (the “Code”), relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the Issuer at or prior to the delivery of the Bonds an “issue price” or similar certificate setting forth the reasonably expected initial offering price to the Public (the “Initial Offering Price”) or the actual sales price or prices of the Bonds, as circumstances may determine, together with the supporting pricing wires or equivalent

communications, with such modifications as may be appropriate or necessary, in the reasonable judgment of Bond Counsel. Communications relating to this “Establishment of Issue Price” section, the completed certificate(s) and any supporting information shall be delivered to (1) Bond Counsel at Glenn G. Rybacki, Esq., Pullman & Comley, LLC, 90 State House Square, Hartford, CT 06103, Telephone: (860) 424-4391, E-mail: grybacki@pullcom.com and (2) the Municipal Advisor at Susan Caron, Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, CT 06443, Telephone: (860) 372-1887, E-mail: Susan.Caron@munistat.com (the “Municipal Advisor”). Questions related to this “Establishment of Issue Price” section should be directed to Bond Counsel or the Municipal Advisor. For purposes of this “Establishment of Issue Price” section, Bond Counsel may act on behalf of the Issuer and the Municipal Advisor may act on behalf of the Issuer.

By submitting a bid, each bidder is certifying that its bid is a firm offer to purchase the Bonds, is a good faith offer which the bidder believes reflects current market conditions, and is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale requirements relating to the establishment of the “issue price” of the Bonds pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds.

By submitting a bid, a bidder represents to the Issuer that it has an established industry reputation for underwriting new issuances of municipal bonds such as the Bonds, represents that such bidder’s bid is submitted for or on behalf of such bidder by an officer or agent who is duly authorized to bind the bidder to a legal, valid and enforceable contract for the purchase of the Bonds, and understands that upon award by the Issuer that this Notice of Sale constitutes a written contract between such bidder, as winning bidder, and the Issuer.

By submitting a bid, the bidder agrees that if the Competitive Sale Rule (as set forth below) is not met, it will satisfy either the Actual Sales Rule (as set forth below) or the Hold-the-Offering-Price Rule (as set forth below).

Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied.

Notification of Contact Information of Winning Bidder. Promptly upon award, the winning bidder shall notify the Municipal Advisor and Bond Counsel of the contact name, telephone number and e-mail address of the person(s) of the winning bidder for purposes of communications concerning this “Establishment of Issue Price” section.

Competitive Sale Rule. The Issuer intends that the provisions of Treasury Regulations Section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the “Competitive Sale Rule”) because:

- (1) the Issuer shall disseminate, or have disseminated on its behalf, this Notice of Sale to potential bidders in a manner that is reasonably designed to reach potential bidders;

- (2) all bidders shall have an equal opportunity to bid;
- (3) the Issuer anticipates receiving bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost (“TIC”), as set forth in this Notice of Sale.

Competitive Sale Rule Met. The Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder if the Competitive Sale Rule has been met. Within two (2) hours of award (or such other time as agreed to by Bond Counsel), the winning bidder shall provide Bond Counsel and the Municipal Advisor, via e-mail, a completed “ISSUE PRICE CERTIFICATE” in the form attached hereto as Attachment A.

Competitive Sale Rule Not Met. In the event that the Competitive Sale Rule is not satisfied, the Issuer, or the Municipal Advisor on behalf of the Issuer, shall at the time of award advise the winning bidder. The Issuer may determine to treat (i) the first price at which ten percent (10%) of a Maturity of the Bonds (the “Actual Sales Rule”) is sold to the Public as the issue price of that Maturity, and/or (ii) the Initial Offering Price to the Public as of the Sale Date of any Maturity of the Bonds as the issue price of that Maturity (the “Hold-the-Offering-Price Rule”), in each case applied on a Maturity-by-Maturity basis. In the event that the Competitive Sale Rule is not satisfied, the winning bidder, by 4:30 p.m. (EASTERN TIME) on the Sale Date, shall notify and provide, via e-mail, Bond Counsel and the Municipal Advisor (I) of the first price at which ten percent (10%) of each Maturity of Bonds has been sold to the Public and (II) reasonable supporting documentation or certifications of such price the form of which is acceptable to Bond Counsel; i.e., those Maturities of the Bonds that satisfy the Actual Sales Rule as of the Sale Date. After such receipt, the Issuer, or Bond Counsel on behalf of the Issuer, shall promptly confirm with the winning bidder, via e-mail, which Maturities of the Bonds shall be subject to the Actual Sales Rule and which Maturities shall be subject to the Hold-the-Offering-Price Rule.

For those Maturities of Bonds subject to the Hold-the-Offering-Price Rule, the winning bidder shall (i) provide Bond Counsel (via e-mail) a copy of pricing wire or equivalent communication for the Bonds (ii) confirm that each Underwriter (as defined below) has offered or will offer all of the Bonds to the Public on or before the date of award at the Initial Offering Prices and (iii) agree, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell unsold Bonds of any Maturity to which the Hold-the-Offering-Price Rule shall apply to any person at a price that is higher than the Initial Offering Price for such Maturity during the period starting on the Sale Date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the Sale Date; or

- (2) the date on which the Underwriters have sold at least ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price.

The winning bidder shall promptly advise Bond Counsel and the Municipal Advisor, via e-mail, when the Underwriters have sold ten percent (10%) of that Maturity of the Bonds to the Public at a price that is no higher than the Initial Offering Price, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the Public the unsold Bonds of each Maturity allotted to it until it is notified by the winning bidder or such Underwriter that either the Actual Sales Rule has been satisfied as to the Bonds of that Maturity or all Bonds of that Maturity have been sold to the Public and (B) comply with the Hold-the-Offering-Price Rule, if applicable, in each case if and for so long as directed by the winning bidder or such Underwriter and as set forth in the related pricing wires.

Sales of any Bonds to any person that is a Related Party (as defined below) to an Underwriter shall not constitute sales to the Public for purposes of this Notice of Sale.

Definitions. For purposes of this “Establishment of Issue Price” section:

- (1) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (2) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.
- (3) “Related Party” generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

- (4) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

Official Statement

For more information regarding the Bonds or the Issuer, reference is made to the Preliminary Official Statement dated April 17, 2024 (the “Official Statement”) describing the Bonds and the financial condition of the Issuer. The Preliminary Official Statement is available in electronic format at www.i-dealprospectus.com and www.munistat.com, and such electronic access is being provided as a matter of convenience only. Copies of the Preliminary Official Statement may be obtained from Susan Caron, Munistat Services, Inc., 129 Samson Rock Drive, Suite A, Madison, CT 06443, Telephone: (860) 372-1887, E-mail: Susan.Caron@munistat.com. The Issuer deems such Official Statement to be a final official statement for purposes of complying with Securities and Exchange Commission Rule 15c2-12 (the “Rule”), but such Official Statement is subject to revision or amendment as appropriate. The Issuer will make available to the purchaser a reasonable number of copies of the final Official Statement at the Issuer’s expense, and the final Official Statement will be made available to the purchaser by no later than the earlier of the delivery of the Bonds or by the seventh (7th) business day after the day bids on the Bonds are received. If the Issuer’s Municipal Advisor, is provided with the necessary information from the purchaser by 12:00 o’clock noon on the day after the Sale Date, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, rating(s), yields or reoffering prices and the name of the managing underwriter of the Bonds, and any corrections. The purchaser shall arrange with the Municipal Advisor the method of delivery of the copies of the final Official Statement to the purchaser. Additional copies of the final Official Statement may be obtained by the purchaser at its own expense by arrangement with the printer.

Continuing Disclosure Agreement

As required by the Rule, the Issuer will undertake, pursuant to a Continuing Disclosure Agreement (the “Agreement”), to provide annual financial information and operating data including audited financial statements, notice of the occurrence of certain events with respect to the Bonds within ten (10) business days of such event, and timely notice of any failure by the Issuer to provide annual reports on or before the date specified in the Agreement. A form of the Agreement is attached to the Official Statement as Appendix C. The purchaser’s obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to delivery of the Bonds, an executed Agreement.

TOWN OF KILLINGLY, CONNECTICUT

MARY T. CALORIO
Town Manager

JENNIFER M. HAWKINS
Treasurer

April 17, 2024

ATTACHMENT A

ISSUE PRICE CERTIFICATE

(If Competitive Sale Rule Met)

TOWN OF KILLINGLY, CONNECTICUT
\$ _____ GENERAL OBLIGATION BONDS, ISSUE OF 2024
Dated May 9, 2024

The undersigned, on behalf of [UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Bonds”).

1. ***Due Authorization.*** The undersigned is a duly authorized representative of [SHORT NAME OF UNDERWRITER], the purchaser of the Bonds.

2. ***Purchase Price.*** The TOWN OF KILLINGLY, CONNECTICUT (the “Issuer”) sold to [SHORT NAME OF UNDERWRITER], for delivery on or about May 9, 2024, the Bonds at a price of par (\$ _____), plus an aggregate net premium of \$ _____ and less an underwriter’s discount of \$ _____, resulting in an aggregate net purchase price of \$ _____.

3. ***Reasonably Expected Initial Offering Price.***

(a) As of April 25, 2024 (the “Sale Date”), the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in **Schedule A** (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as **Schedule B** is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

4. ***Defined Terms.***

(a) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or

more persons who have greater than fifty percent (50%) common ownership, directly or indirectly.

(c) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this definition to participate in the initial sale of the Bonds to the Public (including a member of the selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public).

5. ***Representations and Information.*** The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986 and the Treasury Regulations thereunder (collectively, the “Code”). The undersigned understands that the foregoing information will be relied upon by the Issuer in making its certification as to issue price of the Bonds under the Code and with respect to compliance with the federal income tax rules affecting the Bonds. Pullman & Comley, LLC, bond counsel, may rely on the foregoing representations in rendering its opinion on the exclusion from federal gross income of the interest on the Bonds, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer relating to the Bonds. Except as set forth above, no third party may rely on the foregoing certifications, and no party may rely hereon for any other purpose.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of April 25, 2024.

[UNDERWRITER]

By: _____
Name:
Title:

Schedule A to Issue Price Certificate

<u>Maturity, May 1</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price (\$, not Yield)</u>
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			

Schedule B to Issue Price Certificate