

FINAL OFFERING CIRCULAR DATED AUGUST 3, 2021

NEW MONEY ISSUE: Book-Entry-Only

**RATINGS: Fitch Ratings: "AA-"
S&P Global Ratings: "A+"**

In the opinion of Pullman & Comley, LLC, Special Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the Borough with certain representations and covenants relating to the applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, the portion of each Base Rent payment due under the IFP Lease designated as and constituting interest paid by the Borough under the IFP Lease and received by the owners of the Series A Certificates (i) is excluded from gross income for federal income tax purposes, except for any period during which a Series A Certificate is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Series A Certificates (and, thereby, the proportionate interests in the Series A Certificates Base Rent) or a "related person" of such a "substantial user," each within the meaning of section 147(a) of the Code, and (ii) is an item of tax preference for purposes of calculating the federal alternative minimum tax under the Code. In the opinion of Special Counsel, the portion of each Base Rent payment due under the IFP Lease designated as and constituting interest paid by the Borough under the IFP Lease and received by the owners of the Series B Certificates is included in gross income for federal income tax purposes pursuant to the Code. In the opinion of Special Counsel, under existing statutes, the portion of each Base Rent payment due under the IFP Lease designated as and constituting interest paid by the Borough under the IFP Lease and received by the owners of the Series A Certificates or the Series B Certificates 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. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of that portion of each Base Rent payment due under the IFP Lease designated as and constituting interest paid by the Borough under the IFP Lease and received by the owners of the Series A Certificates or the Series B Certificates. (See "Tax Matters" herein.)

\$12,110,000

**CERTIFICATES OF PARTICIPATION
(Naugatuck Incineration Facilities Project)**

**Evidencing Proportionate Interests in Base Rent to be Paid by the
BOROUGH OF NAUGATUCK, CONNECTICUT
Issue of 2021, Series A (Tax-Exempt) (AMT)**

\$6,055,000

**CERTIFICATES OF PARTICIPATION
(Naugatuck Incineration Facilities Project)**

**Evidencing Proportionate Interests in Base Rent to be Paid by the
BOROUGH OF NAUGATUCK, CONNECTICUT
Issue of 2021, Series B (Taxable)**

Dated: Date of Delivery

Due: as detailed on the inside cover page:

The Series A Certificates (the "Series A Certificates") constitute proportionate interests in principal and interest components of Series A Certificates Base Rent and the Series B Certificates Base Rent (the "Series B Certificates", and together with the Series A Certificates, the "Certificates") constitute proportionate interests in principal and interest components of Series B Certificates Base Rent, each to be paid by the Borough of Naugatuck, Connecticut (the "Borough"), under a Lease Agreement dated as of August 18, 2021 (the "IFP Lease"), by and between the Borough and Naugatuck IFP Statutory Trust II (the "IFP Trust"), pursuant to which certain capital improvements to the Borough's sludge incineration facilities (the "Project"), which are provided for in the Incineration Facilities Lease Agreement dated July 30, 2021, as amended (the "Management Agreement") among the Borough, the Water Pollution Control Authority of the Borough, and Naugatuck Environmental Technologies, LLC (the "Incinerator Lessee"), are to be constructed by the Incinerator Lessee, owned by the IFP Trust and leased to the Borough. Certain rights of the IFP Trust (including the right to Base Rent) and interests under the IFP Lease are being assigned to U.S. Bank National Association, as trustee (the "Trustee"), under a IFP Trust Agreement dated as of August 1, 2021 by and between IFP Trust and the Trustee (the "IFP Trust Agreement"), for the execution and delivery of the Certificates pursuant to the terms of the IFP Trust Agreement. The Borough is not a party to the Certificates.

The interest paid in respect of the Certificates is payable each February 15 and August 15 until maturity or prior prepayment, commencing February 15, 2022. The Certificates are subject to prepayment prior to maturity as described herein.

THE CERTIFICATES ARE LIMITED OBLIGATIONS SECURED UNDER THE IFP TRUST AGREEMENT. THE BOROUGH IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS TO MAKE PAYMENTS OF BASE RENT UNDER THE IFP LEASE. NEITHER THE CERTIFICATES NOR THE IFP LEASE CONSTITUTE OR CREATE DEBT OF THE BOROUGH, OR A CONTRACTUAL OBLIGATION IN EXCESS OF THE AMOUNTS APPROPRIATED THEREFOR, AND THE BOROUGH HAS NO CONTINUING LEGAL OR MORAL OBLIGATION TO APPROPRIATE MONEY FOR SUCH PAYMENTS OR OTHER SUCH OBLIGATIONS DUE UNDER THE IFP LEASE. IN THE EVENT OF THE FAILURE TO APPROPRIATE, THE SECURITY FOR THE CERTIFICATES SHALL BE LIMITED TO CERTAIN RIGHTS WITH RESPECT TO THE PROJECT AND CERTAIN FUNDS HELD BY THE TRUSTEE. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE BOROUGH ARE PLEDGED TO THE PAYMENT OF THE CERTIFICATES.

The Certificates will be delivered in fully registered form only, and, when executed and delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only, in the denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive physical certificates representing their ownership interests in the Certificates, but will receive a credit balance on the books of the nominees of such purchasers. The Certificates will not be transferable or exchangeable, except for transfer to another nominee of DTC or to a successor securities depository as described herein. Principal and interest due with respect to the Certificates will be paid by the Trustee to DTC or its nominee which will in turn remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of interests in the Certificates as described herein. See "**Book-Entry-Only System**" herein.

The Certificates are offered when, as and if executed and delivered by the Trustee and received by the Underwriter, subject to the delivery of the approving opinion of Pullman & Comley, LLC, of Hartford and Bridgeport, Connecticut, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel Shipman & Goodwin LLP, of Hartford, Connecticut, and for the IFP Trust by its counsel Shipman & Goodwin LLP, of Hartford, Connecticut. It is expected that delivery of the Certificates in book-entry-only form will be made through the facilities of DTC in New York, New York, on or about August 18, 2021.

BAIRD

\$12,110,000
CERTIFICATES OF PARTICIPATION
(Naugatuck Incineration Facilities Project)
Evidencing Proportionate Interests in Base Rent to be Paid by the
BOROUGH OF NAUGATUCK, CONNECTICUT
Issue of 2021, Series A (Tax-Exempt) (AMT)

Dated: Date of Delivery

**Due: on August 15,
as detailed below:**

Year	Principal	Coupon	Yield	CUSIP
2032*	\$ 910,000	4.000%	1.900%	639066CU1

Term Certificates

\$1,165,000 4.000% Term Certificate due August 15, 2031* - Yield 1.800% CUSIP 639066CT4

\$2,955,000 4.000% Term Certificate due August 15, 2035* - Yield 2.050% CUSIP 639066CV9

\$3,330,000 4.000% Term Certificate due August 15, 2038* - Yield 2.150% CUSIP 639066CW7

\$3,750,000 4.000% Term Certificate due August 15, 2041* - Yield 2.270% CUSIP 639066CX5

**Priced assuming redemption on August 15, 2029; however, any such redemption is at the option of the Borough*

\$6,055,000
CERTIFICATES OF PARTICIPATION
(Naugatuck Incineration Facilities Project)
Evidencing Proportionate Interests in Base Rent to be Paid by the
BOROUGH OF NAUGATUCK, CONNECTICUT
Issue of 2021, Series B (Taxable)

Dated: Date of Delivery

**Due: Serially, on August 15,
as detailed below:**

Year	Principal	Coupon	Yield	CUSIP	Year	Principal	Coupon	Yield	CUSIP
2023	\$ 760,000	0.670%	0.670%	639066CY3	2027	\$ 795,000	1.580%	1.580%	639066DC0
2024	765,000	0.880%	0.880%	639066CZ0	2028	805,000	1.820%	1.820%	639066DD8
2025	770,000	1.130%	1.130%	639066DA4	2029	825,000	2.010%	2.010%	639066DE6
2026	780,000	1.400%	1.400%	639066DB2	2030	555,000	2.160%	2.160%	639066DF3

No dealer, broker, salesman or other person has been authorized by the Borough of Naugatuck, Connecticut (the “Borough”) to give any information or to make any representations, other than those contained in this Offering Circular; and if given or made, such other information or representation must not be relied upon as having been authorized by the Borough. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Offering Circular has been prepared only in connection with the initial offering and sale of the Certificates and may not be reproduced or used in whole or in part for any other purpose. The information, estimates and expressions of opinion in this Offering Circular are subject to change without notice. Neither the delivery of this Offering Circular nor any sale of the Certificates shall, under any circumstances, create any implication that there has been no material change in the affairs of the Borough since the date of this Offering Circular.

Neither the Borough nor the IFP Trust assumes any liability or responsibility for the information appearing herein other than the information under the captions “CONTINUING DISCLOSURE”, “LITIGATION” and Appendix A (as it relates to the Borough or the IFP Trust as the case may be).

The independent auditors for the Borough are not passing upon and do not assume responsibility for the accuracy or completeness of the financial information presented in this Offering Circular (other than matters expressly set forth in their opinion in Appendix A), and they make no representation that they have independently verified the same.

The Underwriter (as defined herein) has provided the following sentence for inclusion in this Offering Circular. The Underwriter has reviewed the information in this Offering Circular in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Other than as to matters expressly set forth herein as the opinion of Special Counsel, Special Counsel is not passing on and does not assume any responsibility for the accuracy or adequacy of the statements made in this Offering Circular and makes no representation that it has independently verified the same.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATE AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Offering Circular 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 Offering Circular are based on information available to the Borough 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 Borough 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 Borough; (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 Borough; (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 Borough; (viii) the effects of epidemics and pandemics, including economic effects; and (ix) other factors contained in this Offering Circular.

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Evidencing Proportionate Interests in Base Rent to be Paid by the
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Issue of 2021, Series A (Tax-Exempt) (AMT)

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CERTIFICATES OF PARTICIPATION
(Naugatuck Incineration Facilities Project)
Evidencing Proportionate Interests in Base Rent to be Paid by the
BOROUGH OF NAUGATUCK, CONNECTICUT
Issue of 2021, Series B (Taxable)

Introduction

The Series A Certificates (the “Series A Certificates”) and the Series B Certificates (the “Series B Certificates”, and together with the Series A Certificates, the “Certificates”), which are being issued pursuant to an IFP Trust Agreement, dated as of August 1, 2021 (the “IFP Trust Agreement”), by and between Naugatuck IFP Statutory Trust II (the “IFP Trust”), and U.S. Bank, National Association, Hartford, Connecticut, as trustee (the “Trustee”), represent proportionate interests of the registered owners (the “Owners”) thereof in principal and interest components of certain rental payments (the “Series A Certificates Base Rent”) to be made by the Borough of Naugatuck, Connecticut (the “Borough”) and (ii) proportionate interests of the Owners thereof in principal and interest components of certain rental payments (the “Series B Certificates Base Rent”, and together with Series A Certificates Base Rent, the “Base Rent”), to be made by the Borough pursuant to that certain IFP Lease Agreement dated as of August 18, 2021 by and between the Borough and the IFP Trust (the “IFP Lease”). Proceeds of the Certificates will be used to fund various capital improvements, to be made to its sludge incineration facilities (the “Incineration Facilities”) to be constructed by the Incinerator Lessee (as hereinafter defined), pursuant to that certain Incinerator Facilities Lease Agreement (the “Management Agreement”) by and among the Borough, the Water Pollution Control Authority of the Borough and Naugatuck Environmental Technologies, LLC (the “Incinerator Lessee”). Under the Management Agreement, the Incinerator Lessee will design and construct the Project and operate, maintain, repair, replace and manage the Incinerator Facilities, including the Project.

Under the IFP Lease, the IFP Trust agrees to lease the Project to the Borough and, in consideration therefor, the Borough has agreed to make payments of the principal component and interest component of Base Rent as set forth in the schedule to the IFP Lease and to make certain Additional Rent payments as described therein (collectively, the “Lease Payments”).

In order to obtain the funding to finance the cost of the Project, simultaneously with the execution of the IFP Lease, the IFP Trust will assign its right, title and interest in the IFP Lease (including the right to receive the Base Rent from the Borough) to the Trustee pursuant to the IFP Trust Agreement. The Base Rent payments scheduled to be paid by the Borough under the IFP Lease will be paid by the Trustee, in turn, to the Certificate Holders.

The Borough’s obligation to make payments under the IFP Lease is unconditional and absolute, subject to annual appropriation of funds for such purpose by the Borough or other funds being lawfully available for such purpose. (See “SECURITY FOR AND SOURCES OF PAYMENT OF THE CERTIFICATES” herein.)

NEITHER THE CERTIFICATES NOR THE LEASE PAYMENTS CONSTITUTE OR CREATE DEBT OF THE BOROUGH, NOR A CONTRACTUAL OBLIGATION IN EXCESS OF THE AMOUNTS APPROPRIATED THEREFOR, AND THE BOROUGH HAS NO CONTINUING LEGAL OR MORAL OBLIGATION TO APPROPRIATE MONEYS FOR SUCH PAYMENTS OR OTHER OBLIGATIONS DUE UNDER THE IFP LEASE. IN THE EVENT OF THE FAILURE BY THE BOROUGH TO APPROPRIATE AMOUNTS SUFFICIENT TO MAKE SCHEDULED LEASE PAYMENTS, THE SECURITY FOR THE CERTIFICATES SHALL BE LIMITED TO RIGHTS WITH RESPECT TO THE PROJECT AND CERTAIN FUNDS HELD BY THE TRUSTEE AS PROVIDED IN THE IFP TRUST AGREEMENT AND THE IFP LEASE. THE CERTIFICATES DO NOT CONSTITUTE A DEBT OR OBLIGATIONS OF THE IFP TRUST OR THE TRUSTEE AND NEITHER THE IFP TRUST NOR THE TRUSTEE IS LIABLE FOR PAYMENT OF THE CERTIFICATES OTHER THAN WITH RESPECT TO LEASE PAYMENTS MADE BY THE BOROUGH THEREFOR. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE BOROUGH OR ANY OF ITS POLITICAL SUBDIVISIONS ARE PLEDGED TO THE PAYMENT OF THE CERTIFICATES.

The Certificates of Participation

General Provisions

The Certificates are available in book-entry form only. See “THE CERTIFICATES OF PARTICIPATION - Book-Entry-Only System” herein. So long as Cede & Co. is the registered owner of the Certificates as nominee of The Depository Trust Company (“DTC”) New York, New York, references herein to the Holders or registered owners of the Certificates shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Certificates.

The Borough is not a party to the Certificates.

The Certificates are to be dated as of August 18, 2021, will mature on August 15 in the years and in the principal components, and those principal components will bear interest from August 18, 2021 at the rates per annum, shown on the inside cover page. The interest component of the Certificate Payments (as hereinafter defined) will be payable on February 15 and August 15 of each year until maturity or prior prepayment commencing February 15, 2022 (the “Payment Dates”). Certificate Payments are payable on the Payment Dates by check or draft mailed by the Trustee to the holder as shown on the Register at the close of business on the last day of the calendar month preceding the Interest Payment Date, at the address appearing thereon. The Certificates are issuable only in fully registered form, in denominations of \$5,000 each and any integral multiple of \$5,000.

As used herein, “Certificate Payments” mean the payments of principal and Sinking Fund Installments, premium (if any) and interest that are derived from the Base Rent and that become payable at any time or from time to time to the holders of the Certificates in accordance with the IFP Trust Agreement. References herein to “payments of”, or “payments on”, or “payments under”, or “prepayment of” the Certificates (or words and phrases of like tenor) are for convenience only and should not be understood to mean or imply that the Certificates themselves constitute obligations of the Borough or that the Certificates have significance which is other than evidencing their rights under the IFP Trust Agreement.

During all times that the Certificates are in book-entry-only form the following provisions in this paragraph shall apply to the registered owners only and not the Beneficial Owners (hereinafter defined) of the Certificates. The Certificates may be exchanged or transferred at the principal office of the Trustee. The exchange or transfer will be without charge except that the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to the exchange or transfer. Certificates may be exchanged for Certificates of the same maturity of other authorized denominations, upon surrender together with a written instrument satisfactory to the Trustee executed by the Holder or his authorized attorney. The Certificates are transferable only upon the Certificate register maintained by the Trustee upon surrender of the Certificates to be transferred together with a written instrument satisfactory to the Trustee executed by the Holder or his authorized attorney. Upon transfer, the Trustee will provide, in the name of the transferee, a new Certificate or Certificates of the same maturity in the same aggregate unpaid principal amount as the surrendered Certificates.

Optional Prepayment

Series A Certificates

As a result of the prepayment of Certificates Base Rent, the Series A Certificates maturing on and after August 15, 2030 are subject to optional prepayment prior to maturity at any time on any Interest Payment Date, in whole or in part, in integral multiples of \$5,000, on or after August 15, 2029 in such order of maturity as directed in writing by the Borough, at a prepayment price equal to 100% of principal prepaid, plus in each case interest to the prepayment date.

Series B Certificates

The Series B Certificates are not subject to optional prepayment.

Mandatory Prepayment (Term Certificates)

Series A Certificates

The Series A Certificates maturing on August 15, 2031, August 15, 2035, August 15, 2038, and August 15, 2041 are subject to mandatory prepayment on each August 15 from moneys in the Series A Certificate Fund (See **Appendix C -- “SUMMARY OF CERTAIN PROVISIONS OF THE IFP TRUST AGREEMENT AND THE IFP LEASE”**), in the principal amounts and in the years specified below, plus accrued interest thereon.

<i>\$1,165,000 Term Certificate Maturing August 15, 2031</i>		<i>\$2,955,000 Term Certificate Maturing August 15, 2035</i>	
<i>Sinking Fund</i>		<i>Sinking Fund</i>	
<i>Due</i>	<i>Installments</i>	<i>Due</i>	<i>Installments</i>
2030	\$ 290,000	2033	\$ 945,000
2031 ¹	875,000	2034	985,000
¹ Final Maturity		2035 ¹	1,025,000
		¹ Final Maturity	
<i>\$3,330,000 Term Certificate Maturing August 15, 2038</i>		<i>\$3,750,000 Term Certificate Maturing August 15, 2041</i>	
<i>Sinking Fund</i>		<i>Sinking Fund</i>	
<i>Due</i>	<i>Installments</i>	<i>Due</i>	<i>Installments</i>
2036	\$ 1,065,000	2039	\$ 1,200,000
2037	1,110,000	2040	1,250,000
2038 ¹	1,155,000	2041 ¹	1,300,000
¹ Final Maturity		¹ Final Maturity	

Series B Certificates

The Series B Certificates are not subject to mandatory prepayment.

Extraordinary Optional Prepayment

The Certificates are subject to extraordinary optional prepayment at any time on any Interest Payment Date, in whole or in part, at par plus accrued interest, in such order of maturity as directed in writing by the Borough, as a result of (i) excess proceeds of the Certificates being transferred from the Project Fund (See **Appendix C -- “SUMMARY OF CERTAIN PROVISIONS OF THE IFP TRUST AGREEMENT AND THE IFP LEASE”**), as a result of the completion or the abandonment of the Project (ii) the exercise of eminent domain or the condemnation or destruction of the Project, in whole or in part, or (iii) any federal, State or local governmental action that would render the Project unusable in the reasonable opinion of the Borough.

Prepayment at the Election or Direction of the Borough

In the case of any prepayment of Certificates under the IFP Trust Agreement, the Borough shall give written notice to the Trustee of its election or direction to prepay, of the prepayment date, of the principal amounts of the Certificates of each maturity to be prepaid, and of the monies to be applied to the payment of the prepayment price.

Selection of Certificates to Be Prepaid by Lot

In the event of prepayment of less than all the Outstanding Certificates of like maturity, the Trustee shall assign to each such Outstanding Certificate of the maturity to be prepaid a distinctive number for each \$5,000 of the principal amount of such Certificate and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers of all such Certificates of the denomination of \$5,000 then outstanding and the numbers assigned to such Certificates as many numbers as, at \$5,000 for each number, shall equal the principal amount

of such Certificates to be prepaid. In making such selections the Trustee may draw the Certificates by lot (a) individually or (b) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Certificates drawn shall exceed the amount to be prepaid, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may, in its discretion, assign numbers to portions of Certificates and select part of any Certificates for prepayment. The Certificates to be prepaid shall be the Certificates of the denomination of \$5,000 bearing the numbers so selected and the registered Certificates to which were assigned numbers so selected.

Notice of Prepayment

The Trustee will give to the Holders of Certificates called for prior prepayment, notice of such prepayment, specifying the Certificates or portions thereof in amounts of \$5,000 or any integral multiple thereof to be prepaid, the prepayment price, prepayment date and the place or places of payment of the prepayment price. Notice of prepayment will be given to the Holders by mailing copies of the notice first class, postage prepaid, at least 30 days prior to the prepayment date, to their addresses, appearing on the Certificate Register.

On the specified prepayment date, the Certificate Payment due on each Certificate called for prepayment will become due and payable and, if moneys are available on that date for that purpose, from and after the prepayment date interest on the Certificates called for prepayment will cease to accrue.

Book-Entry-Only System

DTC will act as securities depository for the Certificates. The Certificates 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 Certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Certificates 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 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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.

Prepayment notices shall be sent to DTC. If less than all of the Certificates within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates 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 Borough or the Trustee, 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the Trustee, 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 Certificates at any time by giving reasonable notice to the Borough or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificated Certificates are required to be printed and delivered.

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

The principal of, Prepayment Price, if any, and interest on the Certificates are payable to DTC by the Trustee.

NEITHER THE BOROUGH, THE IFP TRUST NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE CERTIFICATES UNDER THE IFP TRUST AGREEMENT; (iii) THE SECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE CERTIFICATES; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR PREPAYMENT PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE CERTIFICATES; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF CERTIFICATES; OR (vi) ANY OTHER MATTER.

Security for and Sources of Payment of the Certificates

General

To provide for the payment of the Certificates, the IFP Trust, by the IFP Trust Agreement, has transferred and assigned to the Trustee all of its right, title and interest to the Base Rent and its right to receive payment to restore the Debt Service Reserve Fund. In addition, under the IFP Trust Agreement, the Certificates are secured by assets, including the IFP Lease, the proceeds of the sale of the Certificates, funds established pursuant to the IFP Trust Agreement except for the Rebate Fund, their earnings and contents. In addition, the IFP Trust has granted a security interest in all of its assets including the Project to secure obligations underlying the Certificates.

Each Series A Certificate represents a proportionate interest in the right to receive Series A Certificates Base Rent paid by the Borough under the IFP Lease. Each Series B Certificate represents a proportionate interest in the right to receive Series B Certificates Base Rent paid by the Borough under the IFP Lease. Base Rent payments, portions of which are designated as principal and portions of which are designated as interest, are to be made from funds appropriated or otherwise legally available to the Borough. The interest component of each Base Rent payment comprises the interest with respect to the respective Certificate. Pursuant to the provisions of the IFP Lease, the Borough's obligation to make payments of Base Rent during the Lease Term is absolute and unconditional, subject to annual appropriations being made by the Borough for such purpose or other amounts being lawfully available therefore, and each payment of Base Rent is payable without any rights of set-off, defense, counterclaim or recoupment.

The IFP Lease

In the IFP Lease, the Borough has covenanted to use its best efforts (i) to take all reasonable steps lawfully within its power necessary to cause amounts to be appropriated in each Borough annual budget for Lease Payments; (ii) to take all lawful steps within its power to obtain funding in future Fiscal Years; and (iii) to otherwise pursue funds for Lease Payments from all other legally available sources. The Borough further covenanted to budget and seek appropriations for and to make Lease Payments when due.

If sufficient funds are not lawfully appropriated by the Borough and other funds are not lawfully available for payment of Base Rent due during any Fiscal Year, the Borough will immediately notify the Trustee. In the event of such non-appropriation, on the first day following the Lease Payment Date (as defined in the Lease) on which the last payment of Base Rent can be made in full from lawfully appropriated funds or other lawfully available funds, the IFP Lease shall terminate, without penalty or expense to the Borough of any kind whatsoever, except as to the portions of Base Rent herein agreed upon for Fiscal Years in which sufficient funds have been lawfully appropriated or are lawfully available. In the event of such termination, the Borough agrees to surrender possession of the Project or cause possession of the Project to be surrendered peaceably to the IFP Trust on the date of such termination. Under the IFP Trust Agreement, after an Event of Default, the Trustee has the right to take possession of the Project and to sell, rent or otherwise dispose of the Project as the Trustee determines. Given the essential nature of the Project, a court may limit the enforcement of such rights and remedies.

THE BOROUGH'S OBLIGATION TO MAKE ANY LEASE PAYMENTS UNDER THE IFP LEASE CONSTITUTES A CURRENT EXPENSE OF THE BOROUGH AND SHALL NOT IN ANY WAY BE CONSTRUED TO BE A DEBT OF THE BOROUGH IN CONTRAVENTION OF ANY APPLICABLE CONSTITUTIONAL OR STATUTORY LIMITATIONS OR REQUIREMENTS CONCERNING THE CREATION OF INDEBTEDNESS BY THE BOROUGH, NOR SHALL ANYTHING THEREIN CONSTITUTE A PLEDGE OF THE GENERAL TAX REVENUES, FUNDS OR MONIES OR ANY OTHER ASSETS OF THE BOROUGH.

Due to the specialized nature of the Project, its purpose, location, the legal limitations on its operation and other restrictions, it may be difficult for the Trustee to relet the Project and, even if the Project is relet, the amount derived from such reletting may be insufficient to pay all principal and interest on the Certificates at the time of any such event.

Additional Certificates

So long as the IFP Trust or the Borough is not in default under the IFP Lease, or any other agreements or documents related thereto, the IFP Lease may be amended and additional certificates may be issued on a parity with the Certificates, with such principal and interest components, at such maturities and interest rates, with such provisions for prepayment, and upon such other terms and conditions, in each case not inconsistent with the IFP Trust Agreement and as shall be specified in a supplemental agreement authorizing such additional certificates, for the purposes of (i) paying the costs of completing the Project, (ii) providing funds in excess of the net proceeds for insurance or a condemnation award to repair, relocate, rebuild or restore the Project in the event of damage, destruction or taking by condemnation, (iii) paying the costs of providing additions, improvements, or extensions for the Project, or (iv) paying the costs or refunding outstanding Certificates. Prior to the issuance and delivery of any additional certificates the Trustee shall receive (i) evidence of an amendment to the IFP Lease providing for Lease Payments duly executed by an authorized representative of the Borough, (ii) the consent required by the IFP Trust Agreement and (iii) an opinion of nationally recognized bond counsel selected by the Borough and acceptable to the Trustee that such supplemental agreement authorizing additional certificates and such amendment to the IFP Lease has each been duly authorized, executed and delivered, is valid, is authorized or permitted by the IFP Trust Agreement and is binding and enforceable in accordance with their terms.

Debt Service Reserve Funds

A Series A Debt Service Reserve Fund for the Series A Certificates and a Series B Debt Service Reserve Fund for the Series B Certificates will each be established and maintained under the IFP Trust Agreement. The Series A Debt Service Reserve Fund shall be required to be maintained at an amount equal to \$1,211,000.00 which is the Series A Required Reserve for the Series A Certificates. The Series B Debt Service Reserve Fund shall be required to be maintained at an amount equal to \$605,500.00 which is the Series B Required Reserve for the Series B Certificates. The Borough is required to restore deficiencies in the Series A Debt Service Reserve Fund and in the Series B Debt Service Reserve Fund pursuant to the terms of the IFP Lease prior to the next Payment Date, except if due to non-appropriation.

Moneys in the Series A Debt Service Reserve Fund may only be applied to cure deficiencies in the Series A Certificate Fund and are pledged only to secure payments on the Series A Certificates, and moneys in the Series B Debt Service Reserve Fund may only be applied to cure deficiencies in the Series B Certificate Fund and are pledged only to secure payments on the Series B Certificates. (See **Appendix C -- "SUMMARY OF CERTAIN PROVISIONS OF THE IFP TRUST AGREEMENT AND THE IFP LEASE"**.)

Estimated Sources and Uses of Funds

The application of the aggregate proceeds to be received from the sale of the Certificates are as follows:

	Series A	Series B
Sources:	Certificates	Certificates
Certificate Proceeds	\$ 12,110,000.00	\$ 6,055,000.00
Net Original Issue Premium/Discount	1,675,578.15	-
Total Sources	\$ 13,785,578.15	\$ 6,055,000.00
Uses:		
Deposit to Project Fund	\$ 12,062,682.40	\$ 5,033,299.43
Deposit to Debt Service Reserve Fund	1,211,000.00	605,500.00
Capitalized Interest	238,163.33	42,886.85
Costs of Issuance ¹	273,732.42	373,313.72
Total Uses	\$ 13,785,578.15	\$ 6,055,000.00

¹ Includes Underwriter's discount, legal fees, trustee fees and miscellaneous costs.

The IFP Trust

Naugatuck IFP Statutory Trust II (the “IFP Trust”) is a statutory trust, organized and existing in accordance with the provisions of Chapter 615 of the Connecticut General Statutes. Pursuant to its Declaration of Trust, the IFP Trust is constituted solely for the purpose of acquiring, maintaining and holding the Project, any replacements and improvements thereto, leasing the Project in accordance with the IFP Lease, assigning the IFP Lease, executing and delivering the IFP Trust Agreement and discharging the obligations thereunder, issuing the Certificates and taking appropriate actions to facilitate the financing of the Project, including the granting of security interests in the Project to secure the obligations owed to holders of the Certificates. The trustee of the IFP Trust is not authorized or empowered to acquire any other investments or engage in any other activities on behalf of the IFP Trust.

The IFP Lease

General

The IFP Lease has been entered into by the IFP Trust as Lessor and the Borough as Lessee. The IFP Lease is a triple net lease and contains the terms and conditions under which the Project is leased to the Borough (See **Appendix C** for a summary of the IFP Lease). Certain of the Borough’s obligations under the IFP Lease have been delegated to the Incinerator Lessee pursuant to the Management Agreement.

IFP Lease Term

The IFP Lease will terminate upon the earlier of (i) August 15, 2041 or (ii) any of the following events:

- (a) An Event of Default under the IFP Lease and termination of the IFP Lease as hereinafter described (see “Remedies”); or
- (b) Exercise by the Borough of its option to purchase the Project (see “Options to Purchase” in **Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF THE IFP TRUST AGREEMENT AND THE IFP LEASE”**); or
- (c) Non-Appropriation of funds for Lease Payments by the Borough (see “Non-Appropriation” herein).

The Borough agrees, if the IFP Lease is terminated following non-appropriation or an Event of Default under the IFP Lease, to surrender possession of the Project to the Trustee promptly following such termination.

Rent

The Borough agrees to pay to the IFP Trust the Base Rent, based upon a rent year from August 15 of each year to August 14 of the succeeding year. Payments of Base Rent, in accordance with the IFP Lease, together with certain proceeds of the Certificates, are sufficient, in both time and amount, to pay when due the Certificate Payments.

Non-Appropriation

The Borough has covenanted to use its best efforts (i) to take all reasonable steps lawfully within its power necessary to cause amounts to be appropriated in each Borough annual budget for Lease Payments, (ii) to take all lawful steps within its power to obtain funding in future fiscal years, and (iii) to otherwise pursue funds for Lease Payments from all other legally available sources.

If sufficient funds are not lawfully appropriated by the Borough and other funds are not lawfully available for payment of Base Rent due during any Fiscal Year, the Borough will immediately notify the Trustee. In the event of such non-appropriation, on the first day following the Lease Payment Date on which the last payment of Base Rent can be made in full from lawfully appropriated funds or other lawfully available funds, the IFP Lease shall terminate, without penalty or expense to the Borough of any kind whatsoever, except as to the portions of Base Rent herein agreed upon for Fiscal Years in which sufficient funds have been lawfully appropriated or are lawfully available. In the event of such termination, the Borough agrees to surrender possession of the Project or cause possession of the Project to be surrendered peaceably to the IFP Trust on the date of such termination. Under the IFP Trust Agreement, after an event of default, the Trustee has the right to take possession of the Project and to sell, rent or otherwise dispose of the Project as the Trustee determines. Given the essential nature of the Project, a court may limit the enforcement of such rights and remedies.

THE BOROUGH'S OBLIGATION TO MAKE ANY LEASE PAYMENTS UNDER THE IFP LEASE CONSTITUTES A CURRENT EXPENSE OF THE BOROUGH AND SHALL NOT IN ANY WAY BE CONSTRUED TO BE A DEBT OF THE BOROUGH IN CONTRAVENTION OF ANY APPLICABLE CONSTITUTIONAL OR STATUTORY LIMITATIONS OR REQUIREMENTS CONCERNING THE CREATION OF INDEBTEDNESS BY THE BOROUGH, NOR SHALL ANYTHING THEREIN CONSTITUTE A PLEDGE OF THE GENERAL TAX REVENUES, FUNDS OR MONIES OR ANY OTHER ASSETS OF THE BOROUGH.

See “**Security for and Sources of Payment of the Certificates**” for a discussion of the probable insufficiency of the rental value of the Project if sublet by the Borough to pay the equivalent of the then unpaid Lease Payments. See “**Certain Investment Considerations and Risk Factors**” regarding the limitations on enforceability of the IFP Lease. See **Appendix C** hereto for a summary of the IFP Lease.

The Incinerator Lessee

Naugatuck Environmental Technologies LLC (the “Incinerator Lessee” or “NET”), is a limited liability corporation organized and existing under the laws of the State of Connecticut, and a wholly-owned indirect subsidiary of Veolia North America, Inc. (“Veolia North America”). It was selected as the Incinerator Lessee pursuant to a proposal submitted by Veolia Water North America – Northeast LLC, which is a subsidiary of Veolia North America. Veolia North America is a part of a business entity commercially referred to as the Veolia Group. The Veolia Group is a global leader in optimized resource management. With nearly 180,000 employees worldwide, the Veolia Group designs and provides water, waste and energy management solutions that contribute to the sustainable development of communities and industries. Through its three complementary business activities, the Veolia Group helps to develop access to resources, preserve available resources, and to replenish them.

In 2020, the Veolia Group supplied 95 million people with drinking water and 62 million people with wastewater service, produced nearly 43 million megawatt hours of energy and treated 47 million metric tons of waste. Veolia Environment (listed on Paris Euronext: VIE) recorded consolidated revenue of €26.010 billion in 2020.

In North America, the Veolia Group partners with municipalities to help manage changing regulations, aging infrastructure, limited resources to provide safe, reliable and efficient water and wastewater services. The company's website for North America is: <https://www.veolianorthamerica.com/>.

2002 Project Description

The Borough was under a consent order with the Department of Environmental Protection (now the Department of Energy and Environmental Protection) to make certain capital improvements to its Incineration Facilities to meet the requirements of applicable laws, regulations, rules, codes, permits, agreements and similar requirements and determined that it was in its best interest to contract with a private company on a long-term basis to operate, maintain, repair, replace and manage its Incineration Facilities as a merchant sludge facility and to provide such capital improvements. The Borough negotiated the Existing Incineration Lease Agreement with the Existing Incineration Lessee for construction and acquisition of the capital improvements and leasehold services relating to the management, operation, maintenance, repair and replacement of the Incineration Facilities.

Under the Existing Incineration Lease Agreement, certain capital improvements were made to the Incineration Facilities at the commencement of such agreement and thereafter to replace aging equipment with more efficient equipment, increase the capacity for sludge processing, reduce energy needs and lower emissions. Capital improvements included installation of a new fluidized bed incinerator (replacing the two existing multiple hearth incinerators), installation of a sludge dryer system, installation of a new sludge cake handling system, sludge dewatering system improvements, installation of a SCADA system, and improvements for odor control. These capital improvements are briefly described below.

Fluidized Bed Incinerator. The existing multiple hearth sludge incinerators were replaced with a fluidized bed sludge incinerator and associated air pollution controls, to provide efficient sludge incineration capacity of 3.125 dry tons per hour. In conjunction with this upgrade, both existing multiple hearth incinerators were decommissioned.

Sludge Dryer System. A sludge dryer system to reduce the consumption of auxiliary fuel, by evaporating water from the sludge prior to injecting the sludge into the fluidized bed incinerator.

Sludge Cake Handling System. A new sludge handling system was installed to increase sludge processing capacity and to enable the receipt of sludge in solid form.

Sludge Dewatering System Improvements. Improvements were made to increase the capacity of the current sludge dewatering system. These improvements include: installation of two new centrifuges to augment the existing belt filter presse.

Incineration Facilities SCADA System. A new and fully functional SCADA system, including all related equipment and services, was installed at the Incineration Facilities. The SCADA system included new instrumentation and control systems for all Incineration Facilities unit processes and equipment.

Incineration Facilities Improvements for Odor Control. Odor control improvements were made at the sludge processing area of the Incineration Facilities. Improvements included: rehabilitation of covers and the scrubber for the sludge holding tanks; installation of air containment baffles within the sludge dewatering building; and installation of an air ducting system, including ducts and a blower, to convey air from the sludge dewatering building to the new fluidized bed incinerator for use as combustion makeup air.

2002 and 2014 Certificates of Participation

To finance capital improvements made to its incineration facilities, the Borough issued its Certificates of Participation (Naugatuck Incinerator System Project), Evidencing Proportionate Interests in Base Rent to be Paid by the Borough of Naugatuck, Connecticut, (Tax-Exempt) (AMT) on August 13, 2002 (the “Original COPs”). The base rent consisted of the principal and interest payments made on a certain Lease Agreement dated August 1, 2002 by and between the Borough and the Naugatuck IFP Statutory Trust, S.T. (the “Original Lease”). Under the Original Lease, the statutory trust agreed to lease the improvements to the Borough and, in consideration therefor, the Borough agreed to make payments of the principal component and interest component of rent. The Original COPs were refunded in 2014 (the “Refunded COPs”) and the last principal payment on the Refunded COPs was due on June 15, 2022. On July 19, 2021, the Borough deposited money and securities in escrow to defease the Refunded COPs. None of the Original COPs or the Refunded COPs remain outstanding.

2021 Project Description

The Borough owns sludge incineration facilities, consisting of a dedicated merchant wastewater and septage holding tank, a sludge dewatering building and equipment, a sludge incinerator and ash lagoons (the “Incineration Facilities”). The Incineration Facilities have been leased and operated by NET since 2002 under a contract which expires on August 15, 2022 (the “Existing Incineration Lease Agreement”). With the Existing Incineration Lease Agreement set to expire, the Borough determined to competitively procure a contract with a private company on a long-term basis to operate, lease, maintain, repair, replace and manage the Incineration Facilities, and to permit, design, construct, startup, test and achieve acceptance of certain initial capital improvements to the Incineration Facilities to meet requirements of applicable law (the “Project”). Pursuant to a request for proposals process, the Borough received several proposals, and ultimately selected NET to implement the Project after an extensive clarification and negotiation process. NET agreed to provide guaranteed rent as well as profit sharing under the new agreement (the “New Incineration Lease Agreement”). Pursuant to the New Incineration Lease Agreement, Veolia Water North America Operating Services, LLC will serve as NET’s guarantor. In addition, the Project under the New Incineration Lease Agreement consists of capital improvements to be made to the Incineration Facilities as described briefly below:

Sludge Storage Tank Cover & Drives— The scope of work for the Sludge Storage Tank Cover and Drives ICI includes the demolition of the existing concrete encased dome cover; repair of existing concrete support structure; installation of new aluminum dome cover over the sludge storage tanks; repair and replacement of the sludge tank mixing system with a modified configuration as needed.

Secondary Heat Exchanger – The scope of work for the Secondary Heat Exchanger ICI includes the replacement of the Secondary Air to Hot Oil Heat Exchanger and plenums and will include all labor, material, transportation, installation, and any modifications and repairs of the roof as necessary.

Primary Heat Exchanger – The scope of work for the Primary Heat Exchanger ICI includes the removal of the existing primary air to air heat exchanger, installation of a refurbished primary heat exchanger, and removal from site and shipment of the old heat exchanger to the manufacturer for refurbishment and return to site.

Primary Heat Exchanger Ductwork – The scope of work for the Primary Heat Exchanger Ductwork ICI includes the removal and replacement of the horizontal refractory lined ductwork in kind with expansion joints.

Burner Controls – The scope of work for the Burner Controls ICI includes the removal and replacement with a new Burner Management System and bring to current NFPA 86 Code Compliance for Furnaces. The new control system will include local flame safety controls at the burner face, new wiring to the control room, a new control panel with electronic operator interface. Modification to the burner cone section may also be required to ensure line of sight for flame verification. Additionally, the atomizing blower and all original pressure switches and appurtenances will be replaced.

FBI Refractory & Shell Repairs – The scope of work for the FBI Refractory & Shell Repairs ICI includes the inspection of the shell for thickness and the refractory for thermo failures, cracks and damage castable and the development of a full report with repair recommendations. The Lessee shall make recommended repairs.

Scalping Sludge Dryer – The scope of work for the Scalping Sludge Dryer ICI includes the purchase of two (2) Haarslev TST1950 Thermal-Oil Replacement Rotors; removal of the existing and replace with a new Haarslev TST1950 Thermal-Oil Replacement Rotor; repair existing frame and appurtenances as may be required during rotor installation; store and maintain 2nd TST1950 Thermal-Oil Replacement Rotor to remain property of the Borough and install in the future, at no additional expense to the Borough, as may be required.

Electrical Improvements – The scope of work for the Electrical Improvements ICI to the Incineration Facilities will include separation of the electrical service feed for the Incineration Facilities from the Wastewater Treatment Plant, replacement and consolidation of certain electrical equipment into the Filter Building Electrical Room Annex. Additional electrical improvements will include miscellaneous architectural and HVAC improvements to bring the electrical facilities up to all current electrical and safety codes. These include requirements for clearances around equipment, number of exits in electrical rooms, and ventilation.

Instrumentation and Control – The scope of work for the Instrumentation and Control ICI includes an evaluation of the overall communications and control infrastructure at the Facilities, upgrading ten PLCs and the associated wiring, enclosures and other adjustments or upgrades necessary to adhere to best design and construction practices, and to meet current code requirements. Obsolete control screens, wiring, and I/O will be removed and all documentation will be updated.

Certain Investment Considerations and Risk Factors

Prospective purchasers of the Certificates should be aware of certain investment considerations and risk factors in evaluating an investment in the Certificates. The following discussion of investment considerations and risk factors that could affect the payment of and security for the Certificates and the willingness of the Borough to appropriate funds to make Lease Payments is not intended to be definitive or comprehensive and does not necessarily reflect the relative importance of such investment considerations or risk factors. Accordingly, prospective purchasers should consider carefully the following investment considerations and risk factors in addition to the other information concerning the Project contained in this Offering Circular, before purchasing the Certificates offered hereby.

Non-Appropriation; Limited Sources of Revenues

The principal source of Base Rent payment to be made under the IFP Lease and paid in respect of the Certificates will be the annual appropriation made by the Borough. Lease Payments are not secured by any pledge of taxes or other revenues and the Borough's obligation to make Lease Payments is subject to annual appropriations being made by the Borough for such purpose or other amounts being lawfully available therefor. Pursuant to the terms of the IFP Lease, the IFP Lease will terminate in the event funds are not appropriated for the Lease Payments and the Borough is not obligated to make further Lease Payments thereunder. See "THE IFP LEASE – Non-Appropriation".

Damage or Destruction of The Project

The Project could be subject to damage or destruction, in whole or in part. Although the Borough is obligated to maintain insurance on the Project, the amount of such insurance may not be sufficient to replace or rebuild the Project or to provide sufficient funds to prepay the Certificates.

Bankruptcy Risks

Enforceability of the rights and remedies of Certificate owners, and the obligations incurred by the IFP Trust, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, or equity principles which may limit the specific enforcement under local or state law of certain remedies. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, may delay or prevent the enforcement by the Trustee and the Certificate Holders of their claim to the Revenues, which would delay or prevent payment of the principal of or interest on the Certificates.

All legal opinions with respect to the enforceability of legal documents are expressly subject to a qualification that enforceability thereof may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting creditors' rights generally and by applicable principles of equity.

Matters Relating to Enforceability

The practical realization of any rights upon any default or non-appropriation will depend upon the exercise of various remedies specified in the IFP Trust Agreement. Any attempt by the Trustee, or the Borough to enforce these remedies may require judicial action, which is often subject to discretion and delay. Under existing law, certain of the remedies specified in the IFP Trust Agreement may not be readily enforceable. Moreover, due to the essential nature of the facilities financed, there is no assurance that a court will enforce such remedies. For example, a court may decide not to order the specific performance of the covenants contained in the IFP Trust Agreement if it determines that monetary damages will be an adequate remedy.

Secondary Markets and Prices

The Underwriter will not be obligated to repurchase any of the Certificates, and no representation is made concerning the existence of any secondary market for the Certificates. No assurance is given that any secondary market will develop following the completion of the offering of the Certificates and no assurance is given that the initial offering prices for the Certificates will continue for any period of time.

No Acceleration Remedy

In the event of the occurrence of an Event of Default under the IFP Trust Agreement, the remedy of accelerating the Certificates is not available under the IFP Trust Agreement.

Availability of Continuing Disclosure Information

The Borough will enter into a Continuing Disclosure Agreement with respect to the Certificates, substantially in the form included in Appendix C to this Offering Circular (the “Continuing Disclosure Agreement”). The Underwriter’s obligation to purchase the Certificates shall be conditioned upon it receiving, at or prior to the delivery of the Certificates, an executed copy of the Continuing Disclosure Agreement. The Borough has complied in all material respects with its obligations under prior continuing disclosure agreements during the last five years with respect to the Borough’s previously issued bonds, notes, and any outstanding certificates of participation for which the Borough is the obligor, except for annual financial information due by February 28, 2019, which was filed on April 1, 2019, the annual financial information due by February 28, 2020, which was filed on April 27, 2020, and the annual financial information that was due on February 28, 2021, which was filed on May 6, 2021. The Borough has registered for email reminders from the MSRB Electronic Municipal Market Access system to ensure timely compliance with its continuing obligations under its agreements.

The Borough prepares, in accordance with State law, annual audited financial statements and files such annual audits with the State of Connecticut, Office of Policy and Management. The Borough provides, and will continue to provide, to all rating agencies ongoing disclosure in the form of the Annual Financial Report, Recommended and Adopted Budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The IFP Trust has determined that no financial information or operating data concerning the IFP Trust is material to any decision to purchase, hold or sell the Certificates, and the IFP Trust will not provide any such information.

Tax Exemption

Series A Certificates (AMT)

Federal Taxes. In the opinion of Special Counsel, under existing law, the portion of each Base Rent payment due under the IFP Lease designated as and constituting interest paid by the Borough under the IFP Lease and received by the owners of the Series A Certificates (the “Series A Base Rent Interest Component”) (i) is excluded from gross income for federal income tax purposes, except for any period during which a Series A Certificate is held by a person who is a “substantial user” of the facilities financed with the proceeds of the Series A Certificates or a “related person” of such a “substantial user,” each within the meaning of section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is an item of tax preference for purposes of calculating the federal alternative minimum tax under the Code. In rendering its opinion, Special Counsel has relied on certain certifications of fact, representations and statements of reasonable expectations made by the Borough, separate representations and covenants of the Incinerator Lessee and certifications of fact, representations and opinions of Kleinfelder, the Borough engineer, in connection with the issuance of the Series A Certificates. Further, in rendering its opinion, Special Counsel has assumed ongoing compliance by the manager with its covenants, and ongoing compliance by the Borough with certain other covenants to comply with the applicable requirements of the Code to assure the exclusion of the Series A Base Rent Interest Component from gross income for federal income tax purposes.

Special Counsel’s opinion with respect to the Series A Certificates will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the Borough with its representations and covenants relating to certain requirements of the Code. The Code and regulations promulgated thereunder establish certain requirements which must be satisfied at and subsequent to the issuance of the Series A Certificates in order that the Series A Base Rent Interest Component be and remain excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause the Series A Base Rent Interest Component to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series A Certificates irrespective of the date on which such noncompliance occurs. In the Tax Regulatory Agreement, which will be delivered concurrently with the issuance of the Series A Certificates, the Borough 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 Series A Certificate proceeds and certain other matters. The opinion of Special Counsel delivered on the date of issuance of the Series A Certificates is conditioned upon compliance by the Borough with such requirements.

The Code imposes an alternative minimum tax on the “alternative minimum taxable income” of an individual if the amount of such alternative minimum tax is greater than the amount of such individual’s regular income tax. Generally, the alternative minimum taxable income of an individual will include items of tax preference under the Code, such as the amount of interest received on “private activity bonds” issued after August 7, 1986. Accordingly, Special Counsel’s opinion will state that the Series A Base Rent Interest Component is an item of tax preference for purposes of calculating the federal alternative minimum tax under the Code.

No other opinion is expressed by Special Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of the Series A Base Rent Interest Component.

Original Issue Discount. The initial public offering prices of certain maturities of the Series A Certificates may be less than the stated principal amount (the “OID Series A Certificates”). Under existing law, the difference between the stated principal amount and the initial offering price of each maturity of the OID Series A Certificates will constitute original issue discount. The offering prices relating to the yields set forth on the inside cover page of this Offering Circular for such OID Series A Certificates are expected to be the initial offering prices to the public (excluding bond houses and brokers) at which a substantial amount of the OID Series A Certificates are sold. Under existing law, original issue discount on the OID Series A Certificates accrued and properly allocable to the owners thereof under the Code is excludable from gross income for federal income tax purposes if the Series A Base Rent Interest Component on the OID Series A Certificates 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 Series A Certificate purchased at an original issue discount, original issue discount is treated as having accrued while the owner holds such OID Series A Certificate 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 Certificate.

Prospective purchasers of OID Series A Certificates 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 Series A Certificates purchasing such OID Series A Certificates after the initial offering and sale, and the state and local tax consequences of owning or disposing of such OID Series A Certificates.

Original Issue Premium. The initial public offering prices of certain maturities of the Series A Certificates may be more than their stated principal amounts payable at maturity (the “OIP Series A Certificates”). In general, an owner who purchases an OIP Series A Certificates must amortize the original issue premium as provided in the applicable Treasury Regulations, and amortized premium reduces the owner’s basis in the OIP Series A Certificates for federal income tax purposes. Prospective purchasers of Series A Certificates 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 Series A Certificates should be aware that ownership of the Series A Certificates 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. Special Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Series A Certificates should consult their tax advisors regarding collateral federal income tax consequences. Prospective purchasers of the Series A Certificates 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 Special Counsel, under existing statutes, the Series A Base Rent Interest Component 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.

The Series A Base Rent Interest Component is included in gross income for purposes of the Connecticut corporation business tax.

Accrued original issue discount on an OID Series A Certificate 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 Series A Certificates 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 Series A Certificates.

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 Series A Certificates. There can be no assurance that legislation enacted or proposed, or actions by a court, after the issuance of the Series A Certificates will not have an adverse effect on the tax status of the Series A Base Rent Interest Component or the market value or marketability of the Series A Certificates. 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 the Series A Base Rent Interest Component from gross income for federal or state income tax purposes for all or certain taxpayers.

Investors in the Series A Certificates 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 Series A Base Rent Interest Component for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series A Certificates may be adversely affected and the ability of holders to sell their Series A Certificates in the secondary market may be reduced. The Series A Certificates are not subject to special mandatory redemption, and the Series A Base Rent Interest Component is not subject to adjustment, in the event of any such change in the tax treatment of the Series A Base Rent Interest Component.

General. The opinion of Special Counsel is rendered as of its date, and Special 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. Special Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Special Counsel as of the date of issuance. Moreover, Special 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 Special 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 Series A Certificates. Prospective owners of the Series A Certificates, 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 Series A Certificates.

Series B Certificates (Federally Taxable)

Federal Taxes. In the opinion of Special Counsel, under existing law, the portion of each Base Rent payment due under the IFP Lease designated as and constituting interest paid by the Borough under the IFP Lease and received by the owners of the Series B Certificates (the "Series B Base Rent Interest Component") is included in gross income for federal income tax purposes pursuant to the Code.

United States Tax Consequences. The following is a summary of certain United States federal income tax consequences resulting from the beneficial ownership of the Series B Certificates by certain persons. This summary does not consider all possible federal income tax consequences of the purchase, ownership, or disposition of the Series B Certificates, and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a Series B Certificate at its issue price,

which is the first price at which a substantial amount of the Series B Certificates is sold to the public, and who hold Series B Certificates as “capital assets” within the meaning of the Code (generally, property held for investment). This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Series B Certificates as a hedge against currency risks or as part of a straddle with other investments or as part of a “synthetic security” or other integrated investment (including a “conversion transaction”) comprising a bond and one or more other investments, or United States Holders (as defined below) that have a “functional currency” other than the United States dollar. This summary is applicable only to a person (a “United States Holder”) who or that is the beneficial owner of Series B Certificates and is (a) an individual citizen or resident of the United States, (b) a corporation or partnership or other entity created or organized under the laws of the United States or any State (including the District of Columbia), or (c) a person otherwise subject to federal income taxation on its worldwide income. This summary is based on the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or interpretations thereof any of which may be applied retroactively. Except as provided below, it does not discuss the tax laws of any state, local, or foreign governments.

United States Holders

Payments of Stated Interest. In general, for a United States Holder, interest on a Series B Certificate will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner’s method of accounting for tax purposes.

Series B Certificates Purchased at a Market Discount. A Series B Certificate will be treated as acquired at a market discount (market discount bond) if the amount for which a United States Holder purchased the Series B Certificate is less than the Series B Certificate’s adjusted issue price, unless such difference is less than a specified de minimis amount. In general, any payment of principal or any gain recognized on the maturity or disposition of a market discount bond will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on the Series B Certificate. Alternatively, a United States Holder of a market discount bond may elect to include market discount in income currently over the life of the market discount bond. That election applies to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service (“IRS”). If an election is made to include market discount in income currently, the tax basis of the Series B Certificate in the hands of the United States Holder will be increased by the market discount thereon as such discount is included in income.

Market discount generally accrues on a straight-line basis unless the United States Holder elected to accrue such discount on a constant yield-to-maturity basis. That election is applicable only to the market discount bond with respect to which it is made and is irrevocable. A United States Holder of a market discount bond that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to the Series B Certificate in an amount not exceeding the accrued market discount on such Series B Certificate until maturity or disposition of the Series B Certificate.

Prospective United States Holders should consult their tax advisors regarding the federal, state and local tax consequences concerning the purchase, holding and disposition of a Series B Certificate purchased at a discount, whether at the date of original issue or subsequent thereto.

Series B Certificates Purchased at Original Issue Premium. The initial public offering price of certain maturities of the Series B Certificates are greater than the principal amount payable on such Series B Certificates at maturity. The excess of the initial public offering price at which a substantial amount of the Series B Certificates is sold over the principal amount payable at maturity constitutes original issue premium. The offering prices relating to the yields set forth on the inside cover page of this Offering Circular are expected to be the initial public offering prices at which a substantial amount of each maturity of the Series B Certificates were ultimately sold to the public. Under Section 171 of the Code, a holder of a Series B Certificate may elect to treat such excess as “amortizable bond premium”, in which case the amount of interest required to be included in the taxpayer’s income each year with respect to interest on the Series B Certificate will be reduced by the amount of amortizable bond premium allocable (based on the Series B Certificate’s yield to maturity) to that year. If such an election is made, the amount of each reduction in interest income will result in a corresponding reduction in the taxpayer’s adjusted basis in the Series B Certificates. Any election to amortize bond premium is applicable to all taxable debt instruments held by the taxpayer at the

beginning of the first taxable year to which the election applies or thereafter acquired by the taxpayer and may not be revoked without the consent of the IRS. Prospective United States Holders should consult their tax advisors regarding the federal, state and local tax consequences concerning the purchase, holding and disposition of a Series B Certificate purchased at a premium.

Purchase, Sale, Exchange, and Retirement of Series B Certificates. A United States Holder's tax basis in a Series B Certificate generally will equal its cost, increased by any market discount included in the United States Holder's income with respect to the Series B Certificate, and reduced by the amount of any amortizable bond premium applied to reduce interest on the Series B Certificate. A United States Holder generally will recognize gain or loss on the sale, exchange, or retirement of a Series B Certificate equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Holder's tax adjusted basis in the Series B Certificate. Except to the extent described above under "*Series B Certificates Purchased at a Market Discount*" herein, gain or loss recognized on the sale, exchange or retirement of a Series B Certificate will be capital gain or loss and will be long-term capital gain or loss if the Series B Certificate was held for more than one year. The material modification of the terms of any Series B Certificate may result in a deemed reissuance thereof, in which event a United States Holder may recognize taxable gain or loss without any corresponding receipt of proceeds.

Backup Withholding. United States Holders may be subject to backup withholding on payments of interest and, in some cases, disposition proceeds of the Series B Certificates, if they fail to provide an accurate Form W-9, "Request for Taxpayer Identification Number and Certification," or a valid substitute form, or have been notified by the IRS of a failure to report all interest and dividends, or otherwise fail to comply with the applicable requirements of backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against the United States Holder's United States federal income tax liability (or refund) provided the required information is timely furnished to the IRS. Prospective United States Holders should consult their tax advisors concerning the application of backup withholding rules.

Medicare Tax Affecting United States Holders. For taxable years beginning after December 31, 2012, a United States Holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, will be subject to a Medicare tax on the lesser of (1) the United States Holder's "net investment income" for the taxable year and (2) the excess of the United States Holder's modified adjusted gross income for the taxable year over a certain threshold. A United States Holder's net investment income will generally include its interest income and its net gains from the disposition of the Series B Certificates, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). A United States Holder that is an individual, estate, or trust, should consult its own tax advisor regarding the applicability of the Medicare tax.

Information Reporting

In general, information reporting requirements will apply with respect to payments to a United States Holder of principal and interest (and with respect to annual accruals of original issue discount) on the Series B Certificates, and with respect to payments to a United States Holder of any proceeds from a disposition of the Series B Certificates. This information reporting obligation, however, does not apply with respect to certain United States Holders including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the IRS that it has failed properly to report payments of, interest and dividends, a backup withholding tax generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the United States Holder on or with respect to the Series B Certificates.

Any payments of interest and original issue discount on the Series B Certificates to a Non-United States Holder generally will be reported to the IRS and to the Non-United States Holder, whether or not such interest or original issue discount is exempt from United States withholding tax pursuant to a tax treaty or the portfolio interest exemption. Copies of these information returns also may be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the payee resides.

Information reporting requirements will apply to a payment of the proceeds of the disposition of a Series B Certificate by or through (a) a foreign office of a custodian, nominee, other agent, or broker that is a United States person, (b) a foreign custodian, nominee, other agent, or broker that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (c) a foreign custodian, nominee, other agent, or broker that is a controlled foreign corporation for United States federal income tax purposes, or (d) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a trade or business within the United States, unless the custodian, nominee, other agent, broker, or foreign partnership has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

The federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a beneficial owner's particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences of the purchase, ownership, and disposition of the Series B Certificates, including the tax consequences under state, local, foreign, and other tax laws and the possible effects of changes in federal or other tax laws.

State Taxes. In the opinion of Special Counsel, under existing statutes, the Series B Base Rent Interest Component 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.

The Series B Base Rent Interest Component is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Series B Certificates 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 Series B Certificates.

General. The opinion of Special Counsel is rendered as of its date, and Special 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. Special Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Special Counsel as of the date of issuance. Moreover, Special 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 Special 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 Series B Certificates. Prospective owners of the Series B Certificates, 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 Series B Certificates.

Legal Matters

Legal matters incident to the authorization, issuance and sale of the Certificates are subject to delivery of the approving opinion of Pullman & Comley, LLC, Hartford and Bridgeport, Connecticut, Special Counsel, which is expected to be delivered substantially in the form set forth in Appendix D hereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Shipman & Goodwin LLP, of Hartford, Connecticut, and for the IFP Trust by Shipman & Goodwin LLP, of Hartford, Connecticut.

Ratings

Fitch Ratings (“Fitch”) and S&P Global Ratings (“S&P”) have assigned ratings of “AA-” and “A+”, respectively, to the Certificates. Any desired explanation of the significance of such ratings should be obtained from Fitch and S&P. There is no assurance that a particular rating will pertain for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency furnishing such rating, circumstances so warrant. Any downward revision or withdrawal of any such ratings could have an adverse effect on the market price of the Certificates.

Litigation

Upon delivery of the Certificates, the Borough shall furnish a certificate, dated the date of delivery of the Certificates to the effect that based on the knowledge of the Borough there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Certificates, or in any way contesting or affecting the validity of the IFP Lease or any of the proceedings taken with respect to thereto. In addition, such certificate shall state that, except as disclosed in this Offering Circular, there is no controversy or litigation of any nature now pending by or against the Borough which, in the opinion of the Borough, will be finally determined so as to result individually or in the aggregate in a final judgment against the Borough which would materially adversely affect its financial condition.

The Borough is a party to various legal proceedings that are generally incidental to its operations but unrelated to the Project or the IFP Lease. The ultimate disposition of these proceedings, if any, and its potential impact on the Borough’s financial condition is addressed in Appendix A hereto.

Underwriting

Robert W. Baird & Co. Incorporated (the “Underwriter”) has agreed to purchase the Series A Certificates at a purchase price of \$13,610,831.89 (representing the par amount of the Series A Certificates, minus an Underwriter’s Discount in the amount of \$174,746.26, plus original issue premium in the amount of \$1,675,578.15). The Underwriter has agreed to purchase the Series B Certificates at a purchase price of \$5,966,879.37 (representing the par amount of the Series B Certificates, minus an Underwriter’s Discount in the amount of \$88,120.63). The Underwriter reserves the right to join with dealers and other underwriters in offering the certificates to the public. The Underwriter may offer and sell Certificates to certain dealers (including dealer banks and dealers depositing Certificates into investment trusts) and others at prices lower than the respective public offering prices on the inside cover page. Those initial public offering prices may be changed from time to time by the Underwriter. The obligation of the Underwriter to accept delivery of the Certificates is subject to various conditions of the purchase contract. The Underwriter is obligated to purchase all of the Certificates if any of the Certificates are purchased.

Additional Information

References to and summaries or descriptions of provisions of the Certificates, the IFP Lease, the IFP Trust Agreement and the Management Agreement should not be regarded as a full and complete statement of the provisions of such documents. Reference is made to such documents in its entirety for a complete statement of the provisions thereof. Copies in reasonable quantities of such documents may be obtained during the initial offering period upon request to the Underwriter.

Any statements in this Offering Circular involving matters of opinion or estimates, whether or not expressly so described, are intended merely as expressions of opinion or estimates and not as representations of fact. This Offering Circular is not to be construed as a contract or agreement between the Owners of any of the Certificates and the Trustee, the Borough or the IFP Trust.

DATED: August 3, 2021

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APPENDIX A

BOROUGH OF NAUGATUCK, CONNECTICUT

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Description of the Municipality

The Borough of Naugatuck was incorporated in 1844, and the Borough was incorporated in 1893. In 1895, the Borough and Borough governments were consolidated by an act of the Connecticut General Assembly.

Naugatuck encompasses a land area of 16.2 square miles and is located in north-central New Haven County, approximately five miles south of Waterbury, 15 miles northwest of New Haven, 25 miles north of Bridgeport, and 33 miles southwest of Hartford. Major roadways, including Connecticut Routes 8 and 63, the Merritt Parkway, and Interstates 84, 91, and 95 traverse Naugatuck or are readily accessible. Air transportation is available at the Oxford Regional Airport, the New Haven-Tweed Regional Airport, and Bradley International Airport. Freight service is available through Conrail and common carriers.

The Borough is a residential community with a diverse commercial and industrial base. The Borough's population increased from 30,989 in 2000 to 31,862 in 2010, according to the U.S. Census, and the most recent estimate for 2019 is 31,347. The housing distribution in Naugatuck is predominantly single-family detached, but there are a substantial number of condominiums as well as an inventory of low-density multifamily units. Compared to other towns in the area, Naugatuck's housing inventory is highly diversified and more affordable. The Borough has 3,027.5 acres, or 14% of the Borough's total land area, designated as open space.

Naugatuck remains a center for many manufacturers at the Naugatuck Industrial Park. Traditional industries include plastics, dairy products, surgical supplies, and health care products and many other assembled parts. Small manufacturers with 25 to 100 employees have been one of Naugatuck's strengths. The growth in jobs for small manufacturers has offset jobs lost in large companies.

Global Health Emergency Risk

The COVID-19 Outbreak

The outbreak of COVID-19, a respiratory virus caused by a new strain of coronavirus, has been declared a Public Health Emergency of International Concern by the World Health Organization. On March 13, 2020, the President of the United States declared a national emergency as a result of the COVID-19 outbreak. The outbreak of the virus has affected travel, commerce and financial markets globally, and is widely expected to affect economic growth worldwide. The administration of vaccines for the virus in the United States began in December of 2020.

There can be no assurances that the ongoing impact of COVID-19 will not materially affect local, state, national, and global activity; increase public health emergency response costs; and materially adversely impact the financial condition of the Borough. As the situation evolves, states, municipalities, businesses and individuals appear to have altered behaviors in manners that are having negative effects on global, national, state and local economies. The financial, stock and bond markets in the United States and globally have seen significant volatility attributed to COVID-19.

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

On March 10, 2020, Governor Lamont declared a state of emergency throughout the State of Connecticut (the "State") as a result of the COVID-19 outbreak. Immediately after the outbreak, the Governor restricted social and recreational gatherings and cancelled all public-school classes through the 2019/2020 school year. For the 2020/2021 school year, schools were permitted to reopen and were given the discretion to choose either full in-person learning, virtual learning or a hybrid model for reopening.

On April 30, 2020, Governor Lamont announced a multi-staged plan to reopen the State's economy (the "Reopening Plan"). In October of 2020, a rise in COVID-19 positive cases and an increase in hospitalizations caused the Governor to reimplement certain gathering restrictions effective as of November 6, 2020. Due to a decline in the number of positive COVID-19 cases and hospitalizations, effective March 19, 2021, all capacity limits will be eliminated for certain establishments, including restaurants, retail, personal services, gym / fitness centers and offices, and social / recreational gathering capacities will be increased. The Governor regularly reviews conditions and, accordingly, expands or reduces restrictions.

On October 9, 2020, Governor Lamont formed the COVID-19 Vaccine Advisory Group, which advises the Governor on matters concerning the COVID-19 vaccine, including the optimization of a statewide vaccine distribution strategy and communicating critical medical information about the vaccine. On December 13, 2020, Governor

Lamont announced Connecticut's COVID-19 vaccination plan which contains several phases. Phase 1A commenced on December 14, 2020 at which time healthcare personnel, long-term care facility residents and medical first responders were eligible to be vaccinated. On January 18, 2021, Phase 1B began in which people 75-years and older were eligible to be vaccinated. Effective March 1, 2021, eligibility for the vaccine was modified to follow an age-based schedule. Medical information disseminated throughout the State and the vaccination plan in the State continues to evolve as more information and vaccines become available.

On March 17, 2020, the Borough's Mayor declared a local state of emergency and closed all public parks and facilities and has taken a multiple of measures to limit the congregation of groups and enhance social distancing. In addition, the Borough closed its offices to the public except by appointment and has continued to operate with full staff performing most services in person by appointment or working remotely. The Borough is capable of running most services remotely throughout the term of COVID-19.

To date, the Borough's school district began the school year with a hybrid learning model which model includes in-person and distance learning for its students. However, the Borough cannot predict how or when this plan may change or the potential economic impact any such change will have on the Borough.

The potential long-term impact of the COVID-19 pandemic on the Borough cannot be predicted at this time. The continued efforts to mitigate the spread of the outbreak and any prolonged effects on the national, State and local economy could have a materially adverse effect on the Borough's finances.

COVID-19 Outbreak – Municipal Tax Relief Programs

On April 1, 2020, in response to the COVID-19 emergency, Governor Ned Lamont issued Executive Order No. 7S ("Order 7S"), as amended by Executive Order No. 7W on April 9, 2020 ("Order 7W"), which created two short-term tax relief programs and required all towns, cities, and boroughs as well as their water pollution control authorities to adopt either or both of them by a vote of the legislative body. One program defers tax payments and benefit assessments by three months for taxpayers based on a showing of need, while the other reduces the interest chargeable on overdue tax and assessment payments for all taxpayers in the municipality for three months.

All municipalities were directed to notify the Secretary of the Office of Policy and Management ("OPM") no later than April 25, 2020 which program or programs it intended to elect. On April 16, 2020, the Borough adopted the "Deferment Program" for eligible taxpayers and landlords. The "Deferment Program" delays by three months payments due on any unescrowed taxes on real estate, motor vehicles, and personal property as well as unescrowed municipal utility charges (the "Taxes and Charges") if taxpayers, businesses, nonprofits and residents demonstrate significant economic impact caused by COVID-19 and/or demonstrate that they are assisting people who are experiencing significant economic impact caused by COVID-19.

For Fiscal Year 2020, the Borough did not experience any negative impact as a result of the Deferment Program.

On December 16, 2020, the Governor issued Executive Order 9R ("Order 9R"), which applies the two tax relief programs to tax deadlines for Taxes and Charges that become due and payable on January 1, 2021. As of December 30, 2020, the Borough was deemed to have adopted the Deferment Program. The Deferment Program defers any Taxes and Charges that are due on January 1, 2021 through and to April 1, 2021 without penalty.

For Fiscal Year 2021, the Borough did not experience any negative impact as a result of the Deferment Program.

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

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Stabilization Act (the "CARES Act") that provides in excess \$2 trillion of relief to industries and entities throughout the country, including state and local governments. Under the CARES Act, \$150 billion was appropriated to states and other units of government for activities that are directly related to COVID-19. The State received approximately \$1.4 billion in such funding, and it was given the discretion to provide those funds to local governments.

On June 4, 2020, Governor Lamont established the Connecticut Municipal Coronavirus Relief Fund Program (the "Program") which established a process by which Connecticut municipalities can receive funds from the State to offset non-budgeted COVID-19 related expenditures that were incurred between March 1, 2020 and December 30, 2020. For the period through June 30, 2020, municipalities were each allocated a maximum reimbursement amount

under the Program which could have been used as the Borough's 25% local match against the 75% FEMA Disaster Declaration reimbursement. Under the Program, the Borough's maximum reimbursement allowance for COVID-19 related expenditures through June 30, 2020 was \$239,072. The Program was re-evaluated, and on December 16, 2020, the Borough was directly allocated \$414,702 for the period from July 1, 2020 through December 30, 2020.

On December 27, 2020, President Trump signed into law the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, which extends certain programs and benefits first authorized by the CARES Act. The relief package includes, amongst other items, over \$900 billion in stimulus for various COVID-19 relief programs, \$8.75 billion for vaccine distribution, \$54.3 billion of Elementary and Secondary School Emergency Relief Funds, \$4.1 billion for the Governors Emergency Education Relief Fund, and an allocation of \$284 billion of Paycheck Protection Program funds to support eligible small businesses and non-profits, and the legislation expands and modifies the program by allowing second draw loans for certain borrowers.

On March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021 (the "Rescue Plan"). The Rescue Plan relief package includes, amongst other items, \$350 billion in state and local government aid. Of the \$350 billion, the State and its local governments are expected to receive approximately \$4.2 billion as a result of this legislation, with \$2.6 billion in State relief and another \$1.6 billion in relief for local governments.

The Rescue Plan relief package also includes approximately \$123 billion to allow for a return to full-time, in-person teaching at elementary and high schools, which funds could be used for numerous purposes, including but not limited to expanding testing, modifying classrooms, improving ventilation, and hiring more custodial staff. The State's K-12 schools are expected to receive approximately \$1.1 billion.

The Rescue Plan relief package includes another \$160 billion dedicated to COVID-19 vaccination development and distribution.

Economic Development

The Borough's residential growth, particularly on the east side, has spurred more commercial development. Residential prices have increased significantly since the prior revaluation and COVID-19 has increased residential home prices as an influx of New Yorkers has moved into the Borough. Ion Bank has completed construction of a 26,000-square-foot facility on New Haven Road that houses its computer operations center and a new branch bank employing approximately 40 people, while a 50-unit Comfort Inn Hotel opened on New Haven Road in 2008. New commercial development in the downtown area includes: the 2,000-square-foot La Casita Cantina Mexican Restaurant; the new 25,000-square-foot retail plaza that houses a CVS Pharmacy, an Auto Zone car parts store, and a new Dunkin' Donuts on Rubber Avenue; and the 3,200-square-foot Bellissimo Pizza and Pasta Restaurant. In addition to these projects, 66 Church Street, a new bar and restaurant, opened in the spring of 2015 and expanded in the spring of 2016, the Loaded Goat, the Hub Pizza Bar and Living Right Health Bar all have been added on Church Street. New businesses have been opened in neighborhoods around Town and are doing very well. Planet Fitness opened on New Haven Road, and Universal Copy, are two examples of aggressive recruiting by the Naugatuck Economic Development Corporation (NEDC). The Station Restaurant opened in the former Naugatuck Railroad Station in May 2017.

Industrial development has flourished in the Borough, particularly in the Naugatuck Industrial Park. Over 247,560 square feet of space was built, sold, or leased in the Industrial Park. New construction includes a 65,000-square-foot warehouse/distribution facility for Pennsylvania Steel Company for its New England operation and an 18,000-square-foot addition to RAM Welding, a metals fabricator that expanded its plant to 38,000 square feet. Coca-Cola has returned to the Naugatuck Industrial Park, again recruited by the NEDC. Ground-Up, LLC, a warehouse distribution company for auto parts for restoration of 1960s and 1970s muscle cars, including Chevy, Camaro, Chevelle and Nova, has purchased and renovated a 36,000-square-foot facility at the Industrial Park; and Vitek Research Corporation, a company that specializes in the application of high-performance functional coating systems, has leased 18,500 square feet in the Industrial Park and relocated its operations from the lower Naugatuck Valley. In addition to these companies, several other companies including CW Resources, Anomatics Corporation Electric Cable Compounds, Aerial Electric and Naugatuck Glass have either expanded or relocated to Naugatuck. These projects have created over 100 new jobs in the Borough. NEDC worked with a Vermont company to re-locate to Naugatuck. Culture Fresh Foods has moved their facility to Spring Street. A Better Way Car Dealership has moved from Rubber Avenue into the Industrial Park and has built a new expanded dealership in May of 2018. This project has not only created jobs but added to the Naugatuck Grand List. Their former facility has been sold, and Zeller Tire and Auto Center opened on Rubber Avenue. The NEDC has added Blackwater Services Group, Kammetal Inc., P2Science and the Reliable Corporation into the Naugatuck Industrial Park.

The Borough previously had a development agreement in place for the downtown project named Renaissance Place. Unfortunately, this agreement was entered into just as the economy turned and subsequently expired in 2012. The groundwork had been laid through environmental testing, clean-ups, and traffic studies for the project. Subsequently, the Borough in 2013 acquired the property which is the cornerstone of the downtown development project that consists of a 360,000 square foot facility residing on 11+ acres. The Borough also controls 16 acres of property downtown and is in the process of negotiating and/or closing on several projects. The concept is to create a 21st century mixed-use redevelopment of downtown Naugatuck, incorporating historic buildings and parks into a live/work/play environment with a residential population, street-level retail, restaurants, entertainment, and business. The Borough is preparing a Request for Proposal (RFP) for Parcel B for a transit-oriented development adjacent to the Metro North rail line. The parcel behind Town Hall, known as Parcel C, has developed a 30,000 square foot medical facility, anchored by Trinity Health and a second 5,000 square foot building consisting of two separate 2,500 square foot pad sites. My Eye Doctor has opened in the first pad site. Additionally, Tractor Supply has built a store on New Haven Road, opened in 2019 for three years and doing very well. The former Liberty Bank building has been sold to a developer, who has a 15-year lease on the first floor with the Liberty Bank branch, and the second and third floors are occupied by Drew Marine as their international corporate headquarters.

The Borough closed on the sale of the former Prospect Street School in early November 2016. The building is now open to several businesses, including The Club, a fitness and health center. The other occupants are also in the health-related business. NEDC is also working with three owners of property at the Industrial Park, who operate their businesses in the park and who wish to expand their operations. Preliminary plans are being drawn up at all three companies, and discussions on financing and site work is ongoing.

Building on the Strategic Economic Community Development Plan, NEDC and the Borough have initiated an economic development outreach program with the strong support of the private sector business community and are implementing a marketing program directed at the recruitment of new business to the community as well as the retention and expansion of existing businesses in the Borough. Building on the community's strong history of innovation and entrepreneurship, the Borough has selected a theme of "Naugatuck—Where Innovation Works" as the focus on its marketing effort. The Borough's location between the I-84 and Route 8 corridors, its business-friendly environment and its affordable real estate makes Naugatuck an attractive location for business development.

Naugatuck has updated its comprehensive Plan of Development. The plan details land use and planning characteristics of the Borough and makes recommendations for future "smart growth." The Borough received national recognition by being named as one of ten 2000 "All American Cities" by the National Civic League. Naugatuck competed as part of the seven towns in the Naugatuck River Valley. The Valley was rewarded for its ability to rebound from the economic transformation of the late 1970s and 1980s and work within a regional collaboration for collective success.

The Borough's Regional Economic Development Commission is working together with the Waterbury Economic Development Commission on a joint industrial development opportunity along their shared border. Waterbury owns 146.6 acres straddling the town line with 2/3 in Waterbury and 1/3 in Naugatuck. The draft agreement would have Waterbury buy Naugatuck's share of the property and the tax revenue generated would be evenly split.

Form of Government

The Borough operates under a Mayor–Board of Burgesses form of government. The Mayor and the nine members of the Board of Burgesses are elected. The Board of Finance is appointed by the Mayor and approved by the Board of Burgesses. The Board of Finance and the Board of Mayor and Burgesses share policy-making for financial affairs. The Board of Finance, assisted by the Controller, performs the administrative tasks involved in budget preparation, requesting and receiving budget estimates, compiling the budget and presenting it to the Board of Mayor and Burgesses at a joint meeting of the two boards. A public hearing is held on the budget as recommended by said boards before the joint boards adopt it.

A Water Pollution Control Authority (the "WPCA") was reestablished on February 5, 2002 to oversee the management of the Borough wastewater facility and sludge incinerators and to administer and manage the sewer collection system. The WPCA consists of five residents of the Borough who are appointed by nomination of the Mayor and confirmed by the Board of Mayor and Burgesses. The WPCA submits budget requests to the Board of Mayor and Burgesses for submission to the Borough Finance Board for approval.

Principal Municipal Officials

<i>Office</i>	<i>Name</i>	<i>Manner of Selection/Term</i>	<i>Years of Service</i>
Mayor.....	N. Warren Hess III	Elected/2 years	5 years
Treasurer.....	Judith E. Anderson	Elected/2 years	15 years
Tax Collector.....	James Goggin	Elected/2 years	12 years
Borough Clerk.....	Nancy K. DiMeo	Appointed	12 years
Assessor.....	Shelby P. Jackson	Appointed	< 1 year
Controller.....	Allyson Bruce	Appointed	3 years
Assistant Controller.....	Eileen Cornacchia	Appointed	1 year
Superintendent of Schools.....	Christopher Montini	Appointed	< 1 year
Chairman, Board of Finance.....	Daniel Sheridan, Jr.	Appointed	3 years

Sources: Controller's Office, Borough of Naugatuck

Municipal Services

Police:

The Police Department, under the direction of a Chief of Police, is responsible for the prevention and deterrence of crime, the apprehension of offenders, the recovery and return of property, the efficient control and movement of traffic, and the provision of public service. The Borough has a state-of-the-art police facility, including the latest available computer technology. The facility was totally constructed and equipped with funds from a grant.

Fire:

Fire protection and rescue operations are provided by a paid municipal force, supplemented by volunteers during emergencies. The municipal department operates from two firehouses and maintains a full complement of equipment. The department's Maple Street Firehouse was renovated in 1994 at a total cost of \$1.9 million. The unit possesses a Jaws of Life, a generator-equipped vehicle, and a variety of other equipment. The Borough provides substantial financial support.

Ambulance:

Naugatuck is served by the Naugatuck Ambulance Corps. The Corps has received certification for EMT-1 and EMT-D levels of care.

Public Works and Recycling:

The Public Works Department is responsible for road maintenance and repair, winter plowing, cleaning and repair of sewage lines, and weekly and special refuse and recycling collections. Equipment includes refuse collection vehicles, backhoe, payloader, and several heavy dump trucks and lighter pickup vehicles. A recycling drop-off center is also maintained. The recyclables are taken to a transfer station in Watertown, Connecticut owned by Materials Innovation and Recycling Authority ("Authority") and from there shipped to Authority facilities in Hartford, Connecticut.

Solid Waste:

The Borough has entered into a certain Tier 1 Long-Term Municipal solid Waste Management Services Agreement with Materials Innovation and Recycling Authority (MIRA). The existing contract expires June 30, 2027, The Materials Innovation and Recycling Authority, or "MIRA", is Connecticut's quasi-public organization responsible for the development and operation of systems and facilities that turn municipal solid waste into useful materials. MIRA was created by the State of Connecticut under Public Act 14-94 which became effective on June 6, 2014. On that date MIRA became the successor to the Connecticut Resources Recovery Authority (CRRA) and assumed control over all of CRRA's assets, rights, duties, and obligations. MIRA is a public instrumentality and political subdivision of the State of Connecticut and is included as a component unit in the State's Comprehensive Annual Financial Report. MIRA is planning to close its "trash-to-energy" plant in the next 4 to 5 years and this will likely lead to increased costs to local municipalities. Naugatuck is planning to reduce its trash volume to help mitigate any increase in costs.

The current agreement requires the Borough to provide all “Acceptable Solid Waste” generated within its borders to MIRA.

MIRA shall adopt a budget for each contract year; this budget is utilized in calculating the annual “Base Disposal Fee” as such terms are defined in the Service Contract. As a Tier 1 Long-Term Municipality, the Borough receives a discount off the Base Disposal Fee. The Tier 1 Contract also includes an Opt-Out provision, which can be used if the disposal fee exceeds the calculated “Opt-Out Disposal Fee”.

The Municipal Disposal Fee for municipal solid waste during the 2020-2021 fiscal year is \$105.00 per ton. Annually the Borough delivers approximate 8,400 Tons of municipal solid waste collected from the curb.

The Borough contracts with USA Waste and Recycling Inc. for the curbside collection of municipal solid waste and recycling.

Sewage:

The sanitary sewer collection system extends throughout most developed areas of the Borough. Public sewer serves approximately 90% of the Borough’s population and 38% of the land area. The system is owned by the Borough. The Wastewater Treatment Plant (“WWTP”) and Incineration Facilities are operated by Veolia Water North America (“Veolia”) under two contracts. The Borough has entered into a 20-year Service Contract for wastewater treatment system capital improvements and asset management with Veolia, under which Veolia operates and manages the WWTP. The Borough has also entered into a 20-year Incineration Facilities Lease Agreement with Veolia under which Veolia operates and manages the incineration facilities, and is responsible for marketing the excess sludge capacity of the incineration facilities. Veolia operates the incineration facilities as a regional sludge disposal business, continuing the practice of servicing customers in Connecticut and expanding service to nearby areas of neighboring states.

The WWTP was originally built in 1954 as a primary treatment plant. Secondary treatment was constructed in 1973, with additional upgrades in 1989, 1995 and 2005. The plant has a combined municipal/industrial capacity of 10.3 million gallons per day (“MGD”) for average flows and 21.5 MGD for peak flows. The WWTP serves three other communities, Middlebury, Oxford and Beacon Falls, although Naugatuck is by far the largest contributor. The plant has approximately 50% of available capacity remaining. The current 20-year contract and lease expire in FY 2022 and the Borough anticipates entering into a new 20-year contact and lease with Veolia and issuing new Certificates of Participation.

Water:

Water is supplied to the Borough by the Naugatuck Division of the Connecticut Water Company, an investor-owned utility company. The company’s water supply and treatment facilities have sufficient capacity to meet current and projected future demand. The company services approximately 63% of the Borough’s population, with the balance being served by private wells.

Utilities and other services:

Electric and gas services are provided by Eversource Energy and phone service is provided by Frontier Communications Corporation.

Parks and recreation:

The Borough’s Parks and Recreation Department maintains several recreational facilities and programs for its residents. Facilities include 18 publicly owned facilities with 250 acres, tennis courts, and numerous baseball, softball and soccer fields. The Borough’s playgrounds are fully staffed during the summer months, and programs include athletic leagues, swimming, arts and crafts, and sponsored trips. Adult activities include organized basketball and softball leagues, tennis, and swimming. The Department also offers a handicapped adult activities program.

A separate Board of Golf Commissioners administers the Borough-owned Hop Brook Golf Course. Borough employees maintain and operate the facility.

Public library:

The Howard Whittemore Memorial Library offers a wide variety of reading and research materials to Naugatuck residents and is open seven days, 51 hours per week. The Library holds approximately 70,000 volumes and numerous periodicals. Extensive renovations have been completed, offering improved access to the handicapped as well as new audio-visual and personal computer facilities.

Health care:

Health care needs are addressed through Naugatuck's participation in the Naugatuck Valley Health District and the Northwest Mental Health Board, Inc. St. Mary's Hospital and Waterbury Hospital, both teaching hospitals, are located in adjacent Waterbury. Griffin Hospital is located in nearby Derby.

Housing Authority:

The Naugatuck Housing Authority provides housing for the elderly and for low- and moderate-income individuals. The Authority manages 579 units including 36 units of congregate housing.

Employee Relations and Collective Bargaining Municipal Employees

	2019-20	2018-19	2017-18	2016-17	2015-16
General Government.....	189	187	182	176	180
Board of Education. ¹	633	644	637	643	631
Total	822	831	819	819	811

¹ Includes employees funded by grants.

Source: Director of Personnel, Borough of Naugatuck Public Schools

Employee Bargaining Groups

Employees	Organization	Positions Covered	Current Contract Expiration Date
Police Officers	Connecticut Independent Police Union	55	6/30/2022
Firefighters	International Association of Firefighters, Local 1219	38	6/30/2021 ¹
Public Works	American Federation of State, County and Municipal Employees, AFL-CIO, Local 1303	31	6/30/2022
Custodial, Cafeteria, Secretaries, and Aides	American Federation of State, County and Municipal Employees, AFL-CIO, Local 1303	240	6/30/2022
Teachers, psychologists, social workers, guidance	Naugatuck Teachers League	368	8/31/2024
		18	6/30/2023
Administrators	Naugatuck Administrators Negotiation Association		
Clerical	UPSEU., Local 424, Unit 15	24	6/30/2022
Supervisors	C.S.E.A., Inc. Chapter 90 – Supervisors	12	6/30/2023
NPD Dispatchers	UPSEU., Local 424, Unit 15B, NPD 911 Dispatchers	6	6/30/2022
Total		<u>792</u>	

¹ In negotiation.

Source: Director of Human Resources, Borough of Naugatuck

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 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 of teachers' contracts, in assessing the financial capability of a municipal entity, there is an irrefutable presumption that a budget reserve of 5% or less is not available for payment of the cost

of any item subject to arbitration. In the light of the employer's financial capability, the panel considers prior negotiations between the parties, the interests and welfare of the employee group, changes in the cost of living, existing employment conditions, and the wages, salaries, fringe benefits, and other conditions of employment prevailing in the labor market, including developments in private sector wages and benefits.

Educational System

The Naugatuck public schools are governed by a nine-member Board of Education. Naugatuck has one preschool, five elementary schools (grades K–4), two intermediate schools (grades 5–6), one middle school (grades 7–8), and one high school (grades 9–12). Also located in Naugatuck is one parochial elementary school.

The Naugatuck school system offers a variety of programs in order to meet the needs and interests of a diverse student body. The elementary and middle schools offer a traditional program of study. The high school offers a broad range of courses including computers, and expanded offerings in mathematics, languages, and vocational education. All students are carefully monitored and placed in appropriate programs designed to enhance their learning capabilities.

School Facilities

School	Grades	Date of Construction (Remodeling)	Type of Construction	Number of Classrooms	10/1/2020 Enrollment	Rated Capacity
Andrew Avenue.....	K–4	1971 (1993)	Brick & Cinder	12	251	380
Central Avenue.....	Pre-K	1949 (1954, 1971, 1993)	Brick & Cinder	15	163	400
Cross Street.....	5–6	1954 (1964, 1971, 1993)	Brick & Cinder	19	316	500
Hop Brook.....	K–4	1916 (1970, 1992)	Brick & Cinder	15	333	345
Maple Hill.....	K–4	1988	Brick & Cinder	40	504	600
Salem.....	K–4	1893 (1984, 1993)	Brick & Cinder	12	275	325
Western.....	K–4	1949 (1954, 1964, 1993)	Brick & Cinder	16	255	550
City Hill.....	7–8	1972 (1988, 1992)	Brick & Cinder	32	697	800
Hillside.....	5–6	1905 (1962, 1965, 1993)	Brick & Cinder	26	334	600
Naugatuck High School...	9–12	1960 (1975, 1993, 2004, 2015)	Brick & Cinder	102	1,267	1,750
Total.....				289	4,395	6,250

Source: Superintendent's Office, Borough of Naugatuck Public Schools.

School Enrollment

School Year	Pre-K	K-4	5-6	7-8	9-12	Special Education	Total
<u>Historical</u>							
2011-12	29	1,636	677	709	1,332	50	4,433
2012-13	33	1,657	656	703	1,278	51	4,378
2013-14	26	1,593	640	679	1,245	59	4,242
2014-15	35	1,572	650	680	1,260	58	4,255
2015-16	30	1,595	619	674	1,220	72	4,210
2016-17	150	1,581	647	665	1,238	72	4,353
2017-18	157	1,555	638	647	1,238	*	4,235
2018-19	163	1,562	647	668	1,268	*	4,308
2019-20	163	1,595	667	691	1,273	*	4,389
2020-21	163	1,618	650	697	1,267	*	4,395
<u>Projected¹</u>							
2021-22	161	1,510	656	673	1,300	*	4,300
2022-23	161	1,476	656	660	1,307	*	4,260
2023-24	161	1,420	635	680	1,313	*	4,209

¹ Projected enrollment from the New England School Development Council.

* Starting in 2017 the Borough included Special Education students within each grade.

Source: Superintendent's Office, Borough of Naugatuck Public Schools.

III. Economic and Demographic Information

Population and Density

Year	Actual Population ¹	% Increase	Density ³
2019 ²	31,347	-1.6%	1,935
2010	31,862	2.8%	1,967
2000	30,989	1.2%	1,913
1990	30,625	15.8%	1,890
1980	26,456	14.9%	1,633
1970	23,034	18.1%	1,422
1960	19,511	--	1,204

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

² American Community Survey, 2015-2019

³ Per square mile: 16.2 square miles.

Age Distribution of the Population

Age	Borough of Naugatuck		State of Connecticut	
	Number	Percent	Number	Percent
Under 5.....	1,732	5.8%	198,000	5.7%
5 - 9.....	1,777	5.9	221,325	6.4
10 - 14.....	1,870	6.2	244,249	7.0
15 - 19.....	1,740	5.8	244,597	7.0
20 - 24.....	4,084	13.6	441,742	12.7
25 - 34.....	4,236	14.1	424,739	12.2
35 - 44.....	4,783	15.9	508,428	14.6
45 - 54.....	2,316	7.7	264,804	7.6
55 - 59.....	2,204	7.3	242,329	7.0
60 - 64.....	2,733	9.1	336,422	9.7
65 - 74.....	1,159	3.9	174,887	5.0
75 - 84.....	708	2.4	89,744	2.6
85 and over.....	724	2.4	89,187	2.6
Total.....	30,066	100.0%	3,480,453	100.0%

Median Age (Years). 39.9 41.0

Source: American Community Survey, 2015-2019

Income Distribution

Income	Borough of Naugatuck		State of Connecticut	
	Families	Percent	Families	Percent
Less than \$10,000.....	119	1.5%	24,799	2.8%
\$10,000 to \$14,999.....	144	1.8	16,037	1.8
\$15,000 to \$24,999.....	335	4.2	38,364	4.3
\$25,000 to \$34,999.....	507	6.3	48,110	5.4
\$35,000 to \$49,999.....	685	8.6	77,010	8.6
\$50,000 to \$74,999.....	1,383	17.3	123,980	13.9
\$75,000 to \$99,999.....	1,009	12.6	116,676	13.1
\$100,000 to \$149,999.....	2,153	27.0	186,246	20.8
\$150,000 to \$199,999.....	1,001	12.5	109,258	12.2
\$200,000 or more.....	651	8.2	152,958	17.1
Total.....	7,987	100.0%	893,438	100.0%

Source: American Community Survey, 2015-2019

Income Levels

	Borough of Naugatuck	State of Connecticut
Per Capita Income, 2019.....	\$ 36,465	\$ 44,496
Median Family Income, 2019.....	\$ 92,352	\$ 100,418
Median Household Income, 2019.....	\$ 74,944	\$ 78,444

Source: American Community Survey, 2015-2019

Educational Attainment Persons 25 Years and Older

	Borough of Naugatuck		State of Connecticut	
	Number	Percent	Number	Percent
Less than 9th grade.....	946	4.3%	99,837	4.0%
9th to 12th grade, no diploma.....	1,024	4.6	132,826	5.3
High School graduate (incl. equivalency).....	7,201	32.4	666,828	26.9
Some college, no degree.....	4,887	22.0	416,175	16.8
Associate degree.....	2,099	9.4	191,964	7.7
Bachelor's degree.....	3,238	14.6	541,380	21.8
Graduate or professional degree.....	2,828	12.7	434,085	17.5
Total.....	22,223	100.0%	2,483,095	100.0%
Total high school graduate or higher (%).....	91.1%		90.6%	
Total bachelor's degree or higher (%).....	27.3%		39.3%	

Source: American Community Survey, 2015-2019

Employment by Industry

	Borough of Naugatuck		State of Connecticut	
Sector	Number	Percent	Number	Percent
Agriculture, forestry, fishing/hunting, & mining	45	0.3%	7,057	0.4%
Construction	1,172	7.1	109,467	6.0
Manufacturing	2,376	14.3	189,162	10.4
Wholesale trade	582	3.5	44,344	2.4
Retail trade	2,308	13.9	191,756	10.6
Transportation and warehousing, and utilities	661	4.0	76,439	4.2
Information	270	1.6	39,585	2.2
Finance, insurance, real estate, rental & leasing	1,132	6.8	162,153	8.9
Professional, scientific, management, administrative, and waste mgmt services	1,396	8.4	208,379	11.5
Education, health and social services	4,015	24.2	484,166	26.7
Arts, entertainment, recreation, accommodation and food services	1,367	8.3	152,041	8.4
Other services (except public administration)	599	3.6	84,915	4.7
Public Administration	635	3.8	66,172	3.6
Total Labor Force, Employed	16,558	100.0%	1,815,636	100.0%

Source: American Community Survey, 2015-2019

**Employment Data
By Place of Residence**

Period	Borough of Naugatuck		Percentage Unemployed		
	Employed	Unemployed	Borough of Naugatuck	Waterbury Labor Market	State of Connecticut
May 2021.....	14,920	977	6.1	7.5	6.0
Annual Average					
2020.....	15,591	1,322	7.8	8.5	7.3
2019.....	16,792	725	4.1	4.6	3.7
2018.....	16,632	815	4.7	5.1	4.1
2017.....	16,469	947	5.4	5.9	4.7
2016.....	16,262	1,037	6.0	6.5	5.3
2015.....	16,390	1,147	6.5	7.1	5.6
2014.....	15,439	1,356	8.1	8.9	6.7
2013.....	15,096	1,565	9.4	10.3	7.9
2012.....	15,104	1,688	10.1	10.9	8.3
2011.....	15,272	1,829	10.7	11.5	8.8

Source: State of Connecticut, Department of Labor.

**Major Employers
As of June 2021**

Name	Business	Approximate Number of Employees
Borough of Naugatuck.....	Municipality	822
Wal-Mart.....	Department Store	358
ION Bank (formerly NSB).....	Financial Institution	187
Big Y.....	Grocery Store	181
Beacon Brook Health Center.....	Health Rehabilitation	149
Stop & Shop.....	Grocery Store	114
Glendale Center.....	Skilled Nursing Facility	112
A Better Way.....	Wholesale Auto	98
CKS Packaging.....	Bottle Manufacturer	80
Electric Cable Compounds.....	Manufacturing Factory	60
Ram Fabrications.....	Manufacturer	54
Flabeg Technical Glass.....	Manufacturer, Mirrors, Lighting Prisms	38

Source: Office of Community Development, Borough of Naugatuck.

**Commute to Work
(16 years of age and over)**

	Borough of Naugatuck		State of Connecticut	
	Number	Percent	Number	Percent
Drove alone.....	13,508	83.4%	1,397,871	78.2%
Car Pools.....	1,646	10.2	141,799	7.9
Using Public Transportation.....	179	1.1	83,525	4.7
Walked.....	168	1.0	48,323	2.7
Other Means.....	111	0.7	21,108	1.2
Worked at Home.....	575	3.6	93,966	5.3
Total.....	16,187	100.0%	1,786,592	100.0%

Mean Travel to Work (minutes)..... 30.5 26.6

Source: American Community Survey, 2015-2019

Building Permits

Calendar Year	Residential		Industrial / Commercial		Other		Totals	
	No.	Value	No.	Value	No.	Value	No.	Value
2020	464	\$ 6,799,000	59	\$ 4,659,000	802	\$ 8,733,000	1325	\$ 20,191,000
2019	563	8,922,000	74	5,302,000	968	9,456,000	1605	23,680,000
2018	509	8,257,000	64	12,173,000	874	8,815,000	1447	29,245,000
2017	473	9,067,000	71	1,694,000	919	7,754,000	1463	18,515,000
2016	574	8,514,000	77	4,960,800	922	7,802,800	1573	21,277,600
2015	464	6,825,000	47	1,824,000	726	6,123,000	1237	14,772,000
2014	493	5,932,000	39	1,759,000	750	4,228,000	1282	11,919,000
2013	507	6,583,000	55	46,017,000	767	15,015,000	1329	67,615,000
2012	548	6,954,000	60	8,892,000	891	6,277,460	1499	22,123,460
2011	548	6,006,000	55	8,564,000	794	5,623,460	1397	20,193,460

Source: Chief Building Inspector, Borough of Naugatuck.

Age Distribution of Housing

Year Built	Borough of Naugatuck		State of Connecticut	
	Units	Percent	Units	Percent
1939 or earlier.....	2,731	22.0%	334,845	22.1%
1940 to 1969.....	3,937	31.7	532,280	35.1
1970 to 1979.....	2,060	16.6	203,700	13.4
1980 to 1989.....	2,231	18.0	188,655	12.4
1990 to 1999.....	806	6.5	116,028	7.7
2000 or 2009.....	616	5.0	103,075	6.8
2010 or later.....	21	0.2	38,046	2.5
Total Housing Units.....	12,402	100.0%	1,516,629	100.0%

Source: American Community Survey, 2015-2019

Housing Inventory

Type	Borough of Naugatuck		State of Connecticut	
	Units	Percent	Units	Percent
1-unit, detached	7,121	57.4%	893,531	58.9%
1-unit, attached	608	4.9	81,832	5.4
2 units	1,602	12.9	124,082	8.2
3 or 4 units	905	7.3	130,863	8.6
5 to 9 units	973	7.8	82,695	5.5
10 to 19 units	585	4.7	57,281	3.8
20 or more units	172	1.4	134,093	8.8
Mobile home	436	3.5	11,826	0.8
Boat, RV, van, etc.	-	-	426	0.0
Total Inventory.....	12,402	100.0%	1,516,629	100.0%

Source: American Community Survey, 2015-2019

Owner-Occupied Housing Values

Specified Owner-Occupied Units	Borough of Naugatuck		State of Connecticut	
	Number	Percent	Number	Percent
Less than \$50,000.....	370	4.6%	17,522	1.9%
\$50,000 to \$99,999.....	811	10.1	28,440	3.1
\$100,000 to \$149,999.....	1,265	15.8	78,467	8.7
\$150,000 to \$199,999.....	2,353	29.4	137,944	15.2
\$200,000 to \$299,999.....	2,451	30.6	248,431	27.4
\$300,000 to \$499,999.....	623	7.8	244,855	27.0
\$500,000 to \$999,999.....	88	1.1	107,504	11.9
\$1,000,000 or more.....	38	0.5	42,518	4.7
Total.....	7,999	100.0%	905,681	100.0%
Median Sales Price.....	\$183,400		\$275,400	

Source: American Community Survey, 2015-2019

Housing Unit Vacancy Rates

Housing Units	Borough of Naugatuck		State of Connecticut	
	Units	Percent	Units	Percent
Occupied housing units	11,589	93.4%	1,370,746	90.4%
Vacant housing units	813	6.6%	145,883	9.6%
Total units	12,402	100.0%	1,516,629	100.0%
Homeowner vacancy rate	—	2.2	—	1.8
Rental vacancy rate	—	2.0	—	6.3

Source: American Community Survey, 2014-2018.

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IV. Tax Base Data

Property Tax Assessments

Pursuant to Section 12-62 of the Connecticut General Statutes as amended most recently by Public Act No. 04-02, Connecticut municipalities must perform a statistical adjustment every five years and a revaluation based on physical observation every ten years. The Borough last completed a physical revaluation for the assessment year beginning October 1, 2018. A statistical revaluation will be required for the assessment year beginning October 1, 2023.

The maintenance of an equitable tax base by locating and appraising all real estate and personal property within the Borough for inclusion onto the grand list is the responsibility of the Assessor's Office. The grand list represents the total assessed values for all taxable and tax-exempt real estate and taxable personal property and motor vehicles located within the Borough on October 1. Assessments for real estate are computed at 70% of the estimated market value at the time of the last revaluation, while assessments for motor vehicles and personal property are computed at 70% of the current fair market value. Each year a Board of Assessment Appeals determines whether taxpayer petitions for assessment reductions on the current grand list are warranted.

When a new structure, or modification to an existing structure, is undertaken, the Assessor's Office receives a copy of the permit issued by the Building Official. Upon issuance of a certification of completion, a physical inspection is conducted and a new fair market value is determined with the aid of schedules developed at the time of the last revaluation. All value adjustments are reviewed to determine equity with similar properties and estimate changes to existing income streams.

All personal property (furniture, fixtures, equipment, machinery, supplies, non-registered motor vehicles, and leased equipment) is revalued annually. Random audits are conducted periodically.

Motor vehicle registration lists are furnished to the Borough by the State Department of Motor Vehicles. The Office of Policy and Management has determined that the average retail values represented by the National Automobile Dealers Association pricing guides must be utilized in preparation of the grand lists. These values are applied uniformly and equitably to all vehicles in the Borough; a myriad of exemptions are then applied to qualifying applicants. The same process is applied to the Supplemental Motor Vehicle list, which represents new or replacement vehicles which were registered after the October 1 assessment date, but before the following July. Bills for this supplemental list are issued the following January, eighteen months after the grand list date.

The Assessor's Office is also responsible for the administration of several property exemptions and payment in lieu of taxes programs which include, but are not limited to, the following: special veterans' programs; elderly tax relief for homeowners and renters; farm, forest and open space; blind and disabled taxpayers; manufacturing and enterprise zone exemptions; private colleges and general hospitals; and State-owned property reimbursement programs.

Levy

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real estate and personal property taxes are billed in the following July and are due in two installments on July 1 and January 1, except motor vehicle taxes and real estate and personal property taxes under \$100 which are due in full on July 1. Motor vehicle supplemental bills are due 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 lienied 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.

Property tax revenues are recognized when they become available. Available means due or past due and receivable within the current period or expected to be collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Property taxes receivable not expected to be collected during the available period are reflected as a deferred revenue.

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

Connecticut General Statutes Section 12-71e, as amended, allows municipalities to tax motor vehicles at a different rate than other taxable property, but caps the motor vehicle tax rate at 39.00 mills for the assessment year commencing October 1, 2017 and at 45.00 mills for the assessment year commencing October 1, 2018 and each assessment year thereafter. Section 4-661 of the General Statutes, as amended ("Section 4-661"), 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 Borough's motor vehicle tax rate for the current 2019 assessment year (Fiscal Year ending June 30, 2021) is 47.75 mills.

COVID-19 Outbreak – Municipal Tax Relief Programs

In compliance with Executive Orders that were issued by Governor Lamont in response to the COVID-19 outbreak, including Order 7S, Order 7W, and Order 9R, the Borough adopted the "Deferment Program". (See "Global Health Emergency Risk - COVID-19 Outbreak – Municipal Tax Relief Programs" herein.)

Comparative Assessed Valuations

(in thousands)

Grand List of 10/1	Residential	Commercial/ Industrial	Personal Property (%)	Motor Vehicle (%)	Other (%)	Gross Taxable Grand List	Less Exemption	Net Taxable Grand List	Percent Growth
	Real Property (%)	Real Property (%)							
2020 ¹	64.5	14.7	9.9	10.8	0.1	\$ 1,960,731	\$ 195,700	\$ 1,765,031	2.0%
2019	68.5	13.2	6.9	10.6	0.7	1,916,325	186,227	1,730,098	0.8%
2018 ²	68.8	13.6	6.4	10.5	0.7	1,908,098	191,876	1,716,222	5.5%
2017	68.6	13.0	6.4	11.0	1.1	1,802,292	175,900	1,626,392	0.4%
2016	70.0	12.7	6.2	11.4	-	1,807,017	187,843	1,619,174	0.5%
2015	68.1	14.8	7.8	11.5	-	1,770,409	159,131	1,611,278	1.7%
2014	66.9	14.8	7.4	10.9	-	1,628,552	44,482	1,584,070	0.7%
2013	67.3	14.8	7.1	10.8	-	1,617,906	44,149	1,573,757	0.5%
2012 ²	67.4	15.1	6.8	10.6	-	1,611,573	45,336	1,566,237	-23.0%
2011	74.0	12.9	4.7	8.4	-	2,075,278	40,288	2,034,990	0.4%

¹ Before Board of Assessment Appeals

² Revaluation.

Source: Assessor's Office, Borough of Naugatuck.

Property Tax Levies and Collections

Grand List of 10/1	Fiscal Year Ending 6/30	Mill Rate	Adjusted Annual Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/2020
2019 ²	2021	47.75	\$ 83,571,711	IN PROCESS		
2018 ¹	2020	47.25	81,227,599	96.4%	3.6%	3.60%
2017	2019	48.35	78,651,248	95.9%	4.1%	2.20%
2016	2018	48.55	76,544,335	96.0%	4.0%	1.68%
2015	2017	47.67	75,615,419	94.9%	5.1%	0.98%
2014	2016	45.57	72,790,049	94.4%	5.6%	0.67%
2013	2015	44.27	71,184,223	94.3%	5.7%	0.45%
2012 ¹	2014	44.80	70,545,286	95.0%	5.0%	0.27%
2011	2013	33.55	68,391,840	95.7%	4.3%	0.24%
2010	2012	32.81	66,594,092	95.7%	4.3%	0.16%

¹ Revaluation.

² Subject to audit.

Sources: Assessor's Office and Tax Collector's Office, Borough of Naugatuck

Property Tax Receivable

Fiscal Year Ending 6/30	Total Uncollected	Uncollected for Current Year of Levy
2021 ¹	\$ 8,300,000	\$ 3,100,000
2020	8,289,755	3,017,607
2019	8,264,924	3,260,721
2018	9,265,599	3,092,400
2017	13,635,363	3,828,598
2016	13,338,113	4,771,060
2015	12,423,157	4,006,522
2014	11,437,144	3,544,936
2013	10,751,349	2,970,751
2012	10,066,572	2,858,146

¹ Subject to audit.

Source: Tax Collector's Report, Borough of Naugatuck Annual Audited Financial Statements, 2010-2020

Ten Largest Taxpayers

Name	Nature of Business	Taxable Valuation	Percent of Net Taxable Grand List ¹
Eversource Gas.....	Gas Utility	\$ 31,188,220	1.77%
Eversource Energy.....	Electric Utility	29,121,150	1.65%
Connecticut Water Company.....	Water Utility	15,844,620	0.90%
Garden Homes/Horizon Homes.....	Apartment Building	11,131,780	0.63%
Wal-Mart.....	Retail	8,543,780	0.48%
Ansonia Acquisitions 1 LLC.....	Apartment Building	8,231,850	0.47%
Mancinone, John/Mancinone, John Trust...	Shopping Plaza	7,560,000	0.43%
Bridge Street Shopping Center LTD.....	Shopping Plaza	7,486,530	0.42%
Southwood Gardens LLC	Apartment Building	6,728,080	0.38%
Ion Bank.....	Financial Services	5,914,020	0.34%
Total.....		\$ 131,750,030	7.46%

¹ Based on the October 1, 2020 Net Taxable Grand List of \$1,765,030,683.

Source: Assessor's Office, Borough of Naugatuck

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V. Debt Summary
Principal Amount of Bonded Indebtedness ¹
As of August 18, 2021
(Pro-Forma)

Long-Term Debt			Amount of		Fiscal Year
Date	Purpose	Rate %	Original Issue	Outstanding Debt	of Final Maturity
10/23/03	Pension Obligation.....	1.35 - 5.91	\$ 49,265,000	\$ 29,385,000	2033
06/01/06	Employment Benefits Reserve Fund....	3.00 - 5.00	4,560,000	1,705,000	2026
12/14/07	Clean Water Fund ²	3.00 - 5.00	472,000	158,274	2027
11/10/15	General Purpose.....	2.00 - 5.00	9,235,000	5,980,000	2036
11/10/15	Schools.....	2.00 - 5.00	8,000,000	5,200,000	2036
03/09/16	General Purpose.....	3.00 - 5.00	2,463,000	1,193,000	2031
03/09/16	Schools.....	3.00 - 5.00	1,897,000	1,257,000	2031
10/24/16	Schools.....	2.00 - 4.00	8,000,000	6,000,000	2037
05/24/17	Series A - General Purpose.....	3.00 - 5.00	6,500,000	6,500,000	2037
05/24/17	Series B - General Purpose.....	2.00 - 2.75	2,000,000	300,000	2022
12/15/20	Schools.....	1.00 - 4.00	9,260,000	9,260,000	2041
04/07/21	General Purpose.....	0.20 - 2.70	1,008,000	1,008,000	2036
04/07/21	Schools.....	0.20 - 2.70	1,302,000	1,302,000	2036
Total All Bonds.....			\$ 103,962,000	\$ 69,248,274	

¹ Excludes refunded bonds.

² Permanent Loan Obligations issued in conjunction with State of Connecticut, Clean Water Fund Program. Principal & interest are paid in equal monthly installments. See "Clean Water Fund Program" herein.

Short-Term Debt
As of August 18, 2021
(Pro-Forma)

The Borough will have no outstanding short term debt as of the date of issuance of the Bonds.

Annual Bonded Debt Maturity Schedule
As of August 18, 2021
(Pro-Forma)

Fiscal Year Ended	Principal	Interest	Total	Total Principal	Cumulative Principal Retired
2022 ¹	\$ 3,268,313	\$ 2,909,317	\$ 6,177,630	\$ 3,268,313	4.72%
2023	4,430,924	2,792,497	7,223,421	4,430,924	11.12%
2024	5,216,448	2,577,066	7,793,514	5,216,448	18.65%
2025	5,361,981	2,342,019	7,704,001	5,361,981	26.39%
2026	5,512,526	2,100,206	7,612,732	5,512,526	34.35%
2027	4,968,082	1,860,056	6,828,138	4,968,082	41.53%
2028	5,080,000	1,643,870	6,723,870	5,080,000	48.87%
2029	5,230,000	1,417,824	6,647,824	5,230,000	56.42%
2030	5,390,000	1,182,634	6,572,634	5,390,000	64.20%
2031	5,545,000	948,929	6,493,929	5,545,000	72.21%
2032	5,565,000	712,998	6,277,998	5,565,000	80.24%
2033	5,740,000	465,958	6,205,958	5,740,000	88.53%
2034	2,430,000	206,636	2,636,636	2,430,000	92.04%
2035	1,985,000	143,579	2,128,579	1,985,000	94.91%
2036	1,990,000	81,385	2,071,385	1,990,000	97.78%
2037	970,000	34,981	1,004,981	970,000	99.18%
2038	145,000	9,850	154,850	145,000	99.39%
2039	140,000	7,000	147,000	140,000	99.60%
2040	140,000	4,200	144,200	140,000	99.80%
2041	140,000	1,400	141,400	140,000	100.00%
Total.....	\$ 69,248,274	\$ 21,442,405	\$ 90,690,679	\$ 69,248,274	

¹ Excludes \$432,098 in principal payments and \$66,667 in interest payments from July 1, 2021 through August 18, 2021.

Note: The Borough is planning to issue approximately \$60 million of taxable pension obligation bonds in the Summer of 2021.

Overlapping/Underlying Debt

The Borough of Naugatuck does not have any overlapping or underlying debt.

Debt Statement ¹
As of August 18, 2021
(Pro-Forma)

Long-Term Debt Outstanding:

General Purpose	\$ 16,686,000
Schools	23,019,000
Sewers	158,274
Pension Bonds	29,385,000
Total Long-Term Debt	69,248,274
Total Short-Term Debt	-
Total Overall Debt	69,248,274
Less: School Construction Grants Receivable (As of June 30, 2020) ²	-
Total Overall Net Debt	\$ 69,248,274

¹ Excludes capital leases

² The State of Connecticut will reimburse the Borough for eligible principal and interest costs over the life of bonds issued for school construction projects authorized by the General Assembly prior to July 1, 1996. School construction grants receivable stated above are for principal reimbursement only.

Note: The Borough is planning to issue approximately \$60 million of taxable pension obligation bonds in the Summer of 2021.

Current Debt Ratios
As of August 18, 2021
(Pro-Forma)

Population ¹	31,347
Net Taxable Grand List (10/1/20)	\$ 1,765,030,683
Estimated Full Value	\$ 2,521,472,404
Equalized Grand List (10/1/18) ²	\$ 2,698,945,311
Money Income per Capita (2019) ¹	\$ 36,465

	Total Overall Debt	Total Overall Net Debt
Per Capita.....	\$2,209.09	\$2,209.09
Ratio to Net Taxable Grand List.....	3.92%	3.92%
Ratio to Estimated Full Value.....	2.75%	2.75%
Ratio to Equalized Grand List.....	2.57%	2.57%
Debt per Capita to Money Income per Capita.....	6.06%	6.06%

¹ American community Survey, 2015-2019

² Office of Policy and Management, State of Connecticut.

Authority to Incur Debt

The authorization to issue bonds or notes must be recommended by the Board of Finance and approved by the Board of Mayor and Burgesses and the Board of Mayor and Burgesses and Board of Finance acting jointly. A referendum must be held on any resolution authorizing the issuance of bonds or notes for a capital project. The authorization to issue refunding bonds must be approved only by the Board of Mayor and Burgesses.

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

Temporary notes must be permanently funded no later than ten years from 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 notes from time to time in terms not to exceed six months until such time that the final grant payments are received (CGS Sec. 7-378b).

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

Limitation of Indebtedness

Municipalities shall not incur indebtedness through the issuance of bonds 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 Past Pension Purposes:	3.00 times annual receipts from taxation

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

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of subways for cables, wires and pipes; for the construction of underground conduits for cables, wires and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement and for indebtedness issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds. The statutes also provide for exclusion from the debt limitation any debt to be paid from a funded sinking fund.

**Statement of Statutory Debt Limitation
As of August 18, 2021
(Pro-Forma)**

Total Tax Collections (including interest and lien fees)

Received by the Treasurer for the year ended June 30, 2020..... \$ 81,699,514

Reimbursement For Revenue Loss:

Tax relief for elderly -

Base for Debt Limitation Computation..... \$ 81,699,514

	General Purpose	Schools	Sewers	Urban Renewal	Unfunded Pension
Debt Limitation:					
2 1/4 times base.....	\$ 183,823,906	-	-	-	-
4 1/2 times base.....	-	\$ 367,647,812	-	-	-
3 3/4 times base.....	-	-	\$ 306,373,177	-	-
3 1/4 times base.....	-	-	-	\$ 265,523,420	-
3 times base.....	-	-	-	-	\$ 245,098,542
Total Debt Limitation	\$ 183,823,906	\$ 367,647,812	\$ 306,373,177	\$ 265,523,420	\$ 245,098,542
Indebtedness:					
Bonds Outstanding.....	\$ 16,686,000	\$ 23,019,000	\$ -	\$ -	\$ 69,248,274
CWF Project Loan Obligation (PLO).....	-	-	158,274	-	-
Debt Authorized But Unissued ¹	-	14,127,460	-	-	65,000,000
Total Indebtedness	\$ 16,686,000	\$ 37,146,460	\$ 158,274	\$ -	\$ 134,248,274
Less:					
State School Grants Receivable	-	-	-	-	-
Total Net Indebtedness	16,686,000	37,146,460	158,274	-	134,248,274
DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS ...					
	\$ 167,137,906	\$ 330,501,352	\$ 306,214,903	\$ 265,523,420	\$ 110,850,268

¹ The Borough does not expect to issue any more debt for the Naugatuck High School Renovations.

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation or \$571,896,597.

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

**Authorized but Unissued Debt
As of August 18, 2021
(Pro-Forma)**

Project	Authorization	Bonds Previously Issued	Grants Received	Authorized But Unissued
Pension Bonds	\$ 65,000,000	\$ -	\$ -	\$ 65,000,000
Naugatuck H.S. Renovations ¹ ...	81,000,000	28,885,000	37,987,540	14,127,460
Total	\$146,000,000	\$ 28,885,000	\$ 37,987,540	\$ 79,127,460

¹ The Borough does not expect to issue any more debt for the High School.

Note: The Borough is working with Veolia, the Manager of the Wastewater & Incinerator Plants to issue approximately \$22 million of Certificates of Participation (COPs) in the summer of 2021. The existing COPs originally issued in 2002 are scheduled to mature June of 2022.

**Principal Amount of Outstanding General Fund Debt
Last Five Fiscal Years Ending June 30**

Long-Term Debt ¹	2020	2019	2018	2017
Bonds	\$ 71,765,000	\$ 76,430,000	\$ 80,995,000	\$ 85,645,000
Clean Water Fund	185,280	209,697	233,630	303,223
Sub-Total	71,950,280	76,639,697	81,228,630	85,948,223
Short-Term Debt				
Bond Anticipation Notes ...	3,000,000	5,455,000	-	-
Grand Total	\$ 74,950,280	\$ 82,094,697	\$ 81,228,630	\$ 85,948,223

¹ Excludes certificates of participation.

**Ratios of Annual Long-Term General Fund Debt Service Expenditures
To Total General Fund Expenditures**

Fiscal Year Ended 6/30	Total Debt Service	Total General Fund Expenditures ¹	Ratio of General Fund Debt Service To Total General Fund Expenditures (%)
2021 ²	\$ 12,355,329	\$ 134,766,231	9.17%
2020	13,352,405	130,864,298	10.20%
2019	11,806,171	128,215,696	9.21%
2018	9,629,680	128,980,021	7.47%
2017	11,672,330	126,801,335	9.21%
2016	10,026,517	119,846,531	8.37%
2015	9,485,035	116,976,608	8.11%
2014	6,694,794	116,296,464	5.76%
2013	6,700,435	113,307,485	5.91%
2012	6,265,416	110,612,407	5.66%

¹ GAAP basis of accounting. Includes Transfers out.

² Budgetary basis of accounting; subject to audit

VI. Financial Administration

Fiscal Year

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

Basis of Accounting

The financial statements of the Borough have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The statement established a new reporting model for governments that is substantially different from prior reporting standards. The government-wide financial statements report information on all of the non-fiduciary activities of the Borough. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The Borough has established separate funds for governmental functions under General Fund, Special Revenue Funds, and Capital Projects Funds. The Borough's accounting records for Governmental Funds follow the modified accrual basis of accounting; that is, revenues are recognized in the accounting period in which they become both measurable and available to finance operations of the fiscal period. The major source of revenue that is recognized under the modified accrual basis are funds received from the State of Connecticut and the Federal government. Expenditures are recognized in the accounting period in which the fund liability is incurred. The accrual basis of accounting is used for Agency and Pension Trust Funds. Revenues are recognized when earned and expenses are recognized when incurred. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

See "Notes to Financial Statements" in Appendix B herein for more information.

Budget Procedure

The budget for the General Fund is adopted annually at a joint meeting of the Board of Finance and Board of Mayor and Burgesses. The Borough follows these procedures in the budget-making process:

1. Budget requests and estimates are compiled by the Controller and submitted to the Board of Finance and the Board of Mayor and Burgesses.
2. Not later than 15 days before the end of the fiscal year the Board of Finance and the Board of Mayor and Burgesses, meeting jointly, submit the proposed operating budget for the fiscal year to a public hearing.
3. Not later than five days following the public hearing, the final budget is adopted at a joint meeting of the Board of Finance and Board of Mayor and Burgesses, and the tax rate is set by the Board of Mayor and Burgesses.

For Fiscal Year 2021 the Borough did not use any executive orders regarding the adoption process. The Borough used video conferencing and followed the normal procedures.

All transfers from contingency or interdepartmental transfers in excess of \$1,500 must be approved by the joint Board of Finance and Board of Mayor and Burgesses. Generally, all unencumbered appropriations lapse at the end of the fiscal year, except those for capital projects and the special revenue capital reserve fund which are continued until completion of the applicable projects.

Section 4-661 creates certain disincentives on increasing adopted budget expenditures for municipalities in Connecticut. Beginning in Fiscal Year 2018, the Office of Policy and Management ("OPM") must reduce the amount of the municipal revenue sharing grant for those municipalities whose increase in its adopted budget expenditures, with certain exceptions, exceed the spending limit specified in the general statutes. The reduction to the municipal revenue sharing grant will generally equal 50 cents for every dollar by which the municipality's adopted budget exceeds the expenditure cap. A municipality whose population increased from the previous fiscal year, as determined by OPM, may increase its adopted budget expenditures over the expenditure cap by an amount proportionate to its population growth. Section 4-661 requires each municipality to annually certify to the Secretary of OPM whether the municipality has exceeded the spending limit, and if so, the amount by which the limit was exceeded.

Under Section 4-661, municipal spending does not include expenditures: (i) for debt service, special education, or costs to implement court orders or arbitration awards; (ii) associated with a major disaster or emergency declaration by the President or disaster emergency declaration by the Governor under the civil preparedness law; (iii) for any municipal revenue sharing grant the municipality disburses to a district; or (iv) budgeting for an audited deficit, non-recurring grants, capital expenditures or payments of unfunded pension liabilities.

Annual Audit

The Borough of Naugatuck, in accordance with the provisions of Chapter 111 of the Connecticut General Statutes, employs the services of an independent CPA firm to audit its financial records annually. The annual audits are conducted in compliance with Public Act 77-611 and contain the financial statements of the Borough and the auditor's opinion thereon, in addition to specific comments and recommendations. The auditor has not been asked to nor has it consented to the inclusion of the Borough's financial statements in this Official Statement.

Risk Management

The Borough is exposed to various risks of loss related to public official liability, police liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Borough purchases commercial insurance for risks of loss, including blanket and umbrella policies. Except for the purchase of commercial insurance coverage for all Borough buildings (flood, fire and casualty), errors and omissions, general liability, and workers' compensation excess policy with a retention limit of \$500,000 per incident, the Borough is exposed to various risks for which it has retained the risk of loss including torts; theft of, damage to and destruction of assets; natural disaster; workers' compensation; and employee and post-retiree group workers' compensation and dental coverage. Settled claims have not exceeded commercial coverage in any of the past three years, and there has not been any significant reductions in insurance coverage from amounts held in prior years.

The Borough utilizes a risk management fund (the Internal Service Fund) to account for and finance its uninsured risks of loss for workers' compensation and dental claims. The fund records all claim expenses and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The Borough and Board of Education are charged premiums by the Internal Service Fund, which are included in expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Claims liabilities include an estimate of claims incurred but not reported and are the Borough's best estimate based on available information.

The claims liability reported in the Internal Service Fund is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

The Borough has comprehensive cyber liability insurance with an aggregate coverage limit of up to \$1,000,000. The Borough also works closely with its information technology vendor and auditor to help mitigation cyber risk. The Borough utilizes a firewall application for external traffic and uses a VPN for remote connectivity. The Borough is also in the process of providing cybersecurity training to all of its users and will be scheduling a simulated cyber-attack to check for vulnerabilities.

See Appendix B – "Audited Financial Statements of the Borough of Naugatuck, Connecticut" herein.

Compensated Absences

Employees are paid by a prescribed formula for absences due to vacation or sickness. The obligation for vacation pay vests when earned. Unused sick leave may be accumulated for future absences in accordance with employee contracts and employment policies but does not vest until the employee reaches retirement age. Sick leave and vacation leave expenditures are recognized in the governmental funds in the current year to the extent they are paid during the year or expected to be paid with available resources. The liability for the remainder of the vacation and sick leave, including an estimate of the nonvested portion, expected to be paid in the future from governmental funds, is accounted for within the liabilities section of the government-wide financial statements. The vesting method using historical data was used to calculate the liability.

Capital Improvement Plan

Proposed Projects	Fiscal 2020-21	Fiscal 2021-22	Fiscal 2022-23	Fiscal 2023-24	Fiscal 2024-25	Total
Education.....	\$ -	\$ 1,960,000	\$ 2,655,000	\$ 1,580,000	\$ -	\$ 6,195,000
Sewers	120,000	123,000	126,000	129,000	133,000	631,000
Fire	82,000	53,000	17,000	17,000	25,000	194,000
Police.....	-	-	-	-	-	-
Roads/Drainage.....	875,000	1,100,000	1,250,000	1,475,000	1,700,000	6,400,000
Bridges.....	-	50,000	50,000	-	-	100,000
Buildings.....	173,000	195,000	100,000	50,000	30,000	548,000
Recreation.....	205,000	225,000	175,000	25,000	25,000	655,000
Total.....	\$ 1,455,000	\$ 3,706,000	\$ 4,373,000	\$ 3,276,000	\$ 1,913,000	\$ 14,723,000
Proposed Funding						
Pay-As-You-Go.....	\$ 1,455,000	\$ 3,706,000	\$ 4,373,000	\$ 3,276,000	\$ 1,913,000	\$ 14,723,000
Bonds.....	-	-	-	-	-	-
Total.....	\$ 1,455,000	\$ 3,706,000	\$ 4,373,000	\$ 3,276,000	\$ 1,913,000	\$ 14,723,000

Note: The proposed projects reflect what is being submitted for approval for each fiscal year. The proposed funding does not reflect the amount of bonds that will be issued in each fiscal year.

Pensions

All Borough employees hired before January 1, 2010 or until their contract was modified, except certified members of the Board of Education, participate in one of two single-employer defined benefit pension plans – the Borough Employees Retirement Plan and the Fire Retirement Plan. Each plan provides retirement, disability, death benefits, and cost-of-living adjustments to plan members and beneficiaries. The Charter provides the authority to establish and amend benefit provisions. The Plans are considered to be part of the Borough's financial reporting entity and are included in the Borough's financial reports as pension trust funds. In October 2003, the Borough issued \$49,265,000 of pension obligation bonds to fund an unfunded past benefit obligation, as determined by an actuarial valuation. The funded ratio as of July 1, 2019, the date of the latest actuarial valuation, was 78.6% for the Borough Employees Retirement Plan and 84.9% for the Fire Retirement Plan. The Borough is planning to issue approximately \$60 million of taxable pension obligation bonds in the Summer of 2021 contingent upon legislation known as SB 967 authorized by the Connecticut legislature and signed into law by the Governor.

Plan members are required to contribute 2 to 8 percent of their annual covered salary, depending on the group and plan. The Borough is required to contribute an amount based on an actuarially determined rate.

The Borough has negotiated a change in pension plans for all of the bargaining units. Effective January 1, 2010, all new non-union hires have been enrolled in a defined contribution plan. New hires in the following bargaining units are no longer eligible for the employee defined benefit pension plans: UPSEU Local 424, Unit 15-B (911 Dispatchers); AFSCME, AFL-CIO, Local 1303 (Public Works); C.S.E.A., Inc. Chapter 90 (Supervisors); and UPSEU Local 424, Unit 15 (White Collar Employees). All new police officers hired after September 1, 2011, and all new firefighters hired after July 1, 2012, are no longer eligible for the employee defined benefit pension plans.

Teachers are covered by the State of Connecticut Teachers Retirement Fund System, to which they are required to contribute 7% of salary. Neither the Borough nor the Board of Education is required to make any contribution to this fund.

See Appendix B – “Audited Financial Statements of the Borough of Naugatuck, Connecticut” herein.

Schedule of Contributions

Employee Plan

	2021 ¹	2020 ²	2019	2018	2017
Actuarially Determined Employer Contribution (ADEC)....	\$ 4,920,900	\$ 4,735,000	\$ 4,477,400	\$ 4,523,400	\$ 4,607,900
Contributions in Relation to the ADEC.....	4,920,900	4,735,000	4,477,400	5,155,791	3,516,640
Contribution Deficiency (Excess).....	\$ -	\$ -	\$ -	\$ (632,391)	\$ 1,091,260
Covered Employee Payroll.....	\$ 10,995,700	\$ 11,203,325	\$ 11,603,989	\$ 18,862,747	\$ 17,137,256
Contributions as a Percentage of Covered Employee Payroll.....	44.75%	42.26%	38.59%	27.33%	20.52%

Fire Plan

	2021 ¹	2020 ²	2019	2018	2017
Actuarially Determined Employer Contribution (ADEC)....	\$ 1,032,700	\$ 965,336	\$ 878,174	\$ 878,174	\$ 922,351
Contributions in Relation to the ADEC.....	1,032,700	965,336	878,174	952,351	1,036,600
Contribution Deficiency (Excess).....	\$ -	\$ -	\$ -	\$ (74,177)	\$ (114,249)
Covered Employee Payroll.....	\$ 1,616,427	\$ 1,440,950	\$ 1,678,659	\$ 2,379,853	\$ 2,288,320
Contributions as a Percentage of Covered Employee Payroll.....	63.89%	66.99%	52.31%	40.02%	45.30%

¹ Budgeted

² Subject to audit.

Pension Liability

Employee Plan

Total Pension Liability.....	\$ 144,722,456
Plan Fiduciary Net Position.....	109,924,770
Borough Net Pension Liability.....	\$ 34,797,686
Plan Fiduciary Net Position as % of Total Pension Liability.....	75.96%

Fire Plan

Total Pension Liability.....	\$ 44,259,578
Plan Fiduciary Net Position.....	37,117,838
Borough Net Pension Liability.....	\$ 7,141,740
Plan Fiduciary Net Position as % of Total Pension Liability.....	83.86%

Other Post-Employment Benefits (OPEB)

In addition to providing pension benefits, the Borough provides, in accordance with its Charter and union contracts, post-retirement health care benefits to most Borough retirees, including employees of the following unions: the Board of Education; Police; Fire; Chapter 89 White Collar; Chapter 90 Supervisory; and A.F.S.C.M.E. (Public Works). Full medical insurance premiums are paid by the Borough for each retired employee and his/her dependents according to the following classification: under age 65 all health benefits are provided, except for life insurance which is reduced to 25 percent of the standard amount allowed at retirement of the employee; over age 65 all health insurance benefit payments which are supplemental to Medicare.

Nonunion employees who have contributed to the pension plan prior to September 26, 1988 or who are retired prior to that date receive the same benefits as union employees described above. Non-union employees whose initial participation in the pension plan is after the effective date of September 26, 1988 are eligible for continuation of health benefits after retirement in accordance with Federal and State law. Below is a breakout of active and retirees as of June 30, 2019.

Group	Active	Retirees	Total
Police.....	42	52	94
Fire.....	31	38	69
Borough.....	118	122	240
BOE Certified.....	365	235	600
BOE Non Certified.....	224	111	335
Total.....	780	558	1338

The Borough has complied with the requirements of Governmental Accounting Standards Board (“GASB”) Statements 43 and 45, which require municipalities and other governmental entities to undertake an actuarial evaluation of their other post-employment benefit (“OPEB”) plans and include information concerning the valuation of such plans in their financial statements. In fiscal year 2010–11, the Borough established an OPEB Trust Fund.

The Borough’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is presented on the following page.

Schedule of Employer Contributions

	2020 ¹	2019	2018	2017	2016
Actuarially Determined Employer Contribution (ADEC)....	\$ 12,750,000	\$ 12,679,000	\$ 12,576,000	\$ 13,498,000	\$ 13,287,000
Contributions in Relation to the ADEC.....	6,800,000	6,687,959	7,350,378	7,585,727	8,471,200
Contribution Deficiency (Excess).....	\$ 5,950,000	\$ 5,991,041	\$ 5,225,622	\$ 5,912,273	\$ 4,815,800
Covered Employee Payroll.....	\$ 42,500,000	\$ 42,929,422	\$ 49,189,795	\$ 47,873,280	\$ 54,406,000
Contributions as a Percentage of					
Covered Employee Payroll.....	16.00%	15.58%	14.94%	15.85%	15.57%

¹ Budgeted

Schedule of Funding Progress

Total OPEB Liability.....	\$ 187,268,830
Plan Fiduciary Net Position.....	9,862,740
Borough Net OPEB Liability.....	\$ 177,406,090
Plan Fiduciary Net Position	
as % of Total OPEB Liability.....	5.27%

Investment Practices

Investments other than pension funds are governed by Connecticut General Statutes Section 7-400, as amended by Public Act 94-190, and the Borough’s investment policy, adopted in March 2006 to address credit risk. The Borough may invest its general funds in certificate of deposits, repurchase agreements, municipal notes, bonds, obligations of the United States of America, including joint and several obligations of the Federal Home Loan Mortgage Association, the Federal Savings and Loan Insurance Corporation, obligations of the United States Postal Service, all of the federal home loan banks, all federal land banks, the Tennessee Valley Authority, or any other agency of the United States government, mutual funds and money market mutual funds.

The Borough’s investment practices for funds other than pension funds have been to invest in certificates of deposit, repurchase agreements, U.S. Treasury bonds, bills and notes, demand accounts, the State of Connecticut Short Term Investment Fund (“STIF”), MBIA Class Investment Fund and the State Tax-Exempt Proceeds Fund. The Borough does not invest in derivative-based products.

The Borough’s investment policy for its pension funds has the following objectives: the achievement of growth in principal value while maintaining a level of stability and liquidity sufficient to ensure the timely payment of the fund’s obligation; a target rate of return of eight percent per year over a full market’s cycle entailing approximately three to seven years; and comprehensive and active risk management, using diversification as the principal tool to reduce risk. The policy also contains requirements for the types of securities allowed and unallowed.

General Fund Balance Sheet
Five Year Summary of Assets, Liabilities,
and General Fund Equity

	Actual 6/30/2020	Actual 6/30/2019	Actual 6/30/2018	Actual 6/30/2017	Actual 6/30/2016
Assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 8,406,371	\$ 6,824,418	\$ 7,768,044
Investments	22,019,133	32,265,792	11,968,571	11,439,498	1,955,195
Receivables, net	9,628,878	8,817,629	10,248,585	14,937,600	14,913,244
Due from other funds	1,113,031	4,995,903	15,084,983	13,676,982	12,173,421
Other	-	-	-	-	565,260
Total Assets	32,761,042	46,079,324	45,708,510	46,878,498	37,375,164
Liabilities:					
Accounts payable and accrued expenses	3,023,102	3,542,635	2,266,706	2,350,352	2,750,872
Cash overdraft	-	764,081	-	-	-
Due to other funds	462,122	17,027,519	16,950,288	16,098,911	8,462,707
Other Liabilities	245,305	208,617	426,749	436,852	441,510
Performance Bonds	235,085	202,561	125,565	128,061	137,746
Deferred Revenue	22,995	-	-	-	-
Total Liabilities	3,988,609	21,745,413	19,769,308	19,014,176	11,792,835
Deferred Inflows of Resources:					
Unavailable Revenue	12,734,266	8,506,567	10,790,929	15,186,663	13,353,603
Total Deferred Inflows of Resources	12,734,266	8,506,567	10,790,929	15,186,663	13,353,603
Fund Balances:					
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	3,342,812	4,242,070	3,104,809	1,399,564	3,356,651
Unassigned	12,695,355	11,585,274	12,043,464	11,278,095	8,872,075
Total Fund Balances	16,038,167	15,827,344	15,148,273	12,677,659	12,228,726
Total Liabilities, Equity & Other Credits ..	\$ 32,761,042	\$ 46,079,324	\$ 45,708,510	\$ 46,878,498	\$ 37,375,164
Operating revenues	\$ 128,894,767	\$ 129,882,348	\$ 125,496,449	\$ 113,299,625	\$ 113,299,625
Fund balance as percent of					
operating revenues	12.44%	12.19%	12.07%	11.19%	10.79%
Unassigned/Undesignated fund balance as					
percent of operating revenues	9.85%	8.92%	9.60%	9.95%	7.83%

General Fund Revenues and Expenditures
Four Year Summary of Audited Revenues and Expenditures (GAAP Basis),
Estimated Actuals, and Current Year Budget (Budgetary Basis)

	Adopted Budget ¹ 6/30/2022	Estimated Actual ² 6/30/2021	Actual 6/30/2020	Actual 6/30/2019	Actual 6/30/2018	Actual 6/30/2017
Revenues:						
Property Taxes.....	\$ 85,279,598	\$ 83,771,711	\$ 82,471,189	\$ 80,323,791	\$ 79,236,973	\$ 76,511,539
Intergovernmental.....	41,088,881	40,528,596	40,784,119	41,116,248	43,224,128	43,233,350
Charges for Services.....	10,723,725	8,720,132	6,594,646	6,418,179	7,020,629	5,537,503
Investment Income.....	150,000	200,000	669,383	736,919	140,686	88,625
Other.....	2,433,012	1,645,812	479,729	299,630	259,932	125,432
Total.....	139,675,216	134,866,251	130,999,066	128,894,767	129,882,348	125,496,449
Expenditures:						
General Government.....	6,259,172	6,219,428	5,511,785	3,393,858	3,185,289	3,328,020
Public Safety.....	12,229,125	11,667,000	11,327,330	11,548,105	11,590,953	10,937,365
Health & Welfare.....	1,500,568	1,454,773	1,380,716	10,295,699	1,391,596	1,404,362
Public Works.....	11,570,712	10,474,022	9,912,071	1,303,754	11,755,954	8,941,997
Recreation and Leisure.....	-	-	-	-	-	-
Nondepartmental.....	16,977,693	18,096,391	15,441,049	16,531,889	16,914,299	17,195,568
Education.....	73,943,761	72,560,589	71,320,536	71,127,474	72,819,498	70,427,642
Debt Service.....	15,581,340	12,355,329	13,352,405	11,806,171	9,629,680	11,672,330
Capital Outlay.....	1,612,845	1,938,699	-	-	-	-
Total.....	139,675,216	134,766,231	128,245,892	126,006,950	127,287,269	123,907,284
Excess (Deficiency) of Revenues Over Expenditures.....	139,675,216	-	2,753,174	2,887,817	2,595,079	1,589,165
Other Financing Sources (Uses):						
Financing Proceeds.....	-	-	-	-	-	-
Financing Payments.....	-	-	-	-	-	-
Sale of Borough Capital Assets.....	-	-	76,055	-	243,186	269,480
Operating Transfers In.....	-	-	-	-	1,325,101	1,484,339
Operating transfers out.....	-	-	(2,618,406)	(2,208,746)	(1,692,752)	(2,894,051)
Net Other Financing Sources (Uses).....	-	-	(2,542,351)	(2,208,746)	(124,465)	(1,140,232)
Excess (Deficiency) Of Revenues And Other Financing Sources Over Expenditures and Other Financing Uses.....	-	100,020	210,823	679,071	2,470,614	448,933
Fund Equity, Beginning of Year.....	16,038,167	15,827,344	15,827,344	15,148,273	12,677,659	12,228,726
Fund Equity, End of Year.....	\$ 16,038,167	\$ 15,927,364	\$ 16,038,167	\$ 15,827,344	\$ 15,148,273	\$ 12,677,659

¹ Budgetary basis of accounting; subject to audit

² Unaudited.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE BOROUGH OF NAUGATUCK,
CONNECTICUT FOR THE PERIOD ENDED JUNE 30, 2020**

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Independent Auditors' Report

Board of Mayor and Burgesses and Board of Finance Borough of Naugatuck, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Borough of Naugatuck, Connecticut ("Borough"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Board of Mayor and Burgesses and Board of Finance
Borough of Naugatuck, Connecticut**

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Borough of Naugatuck, Connecticut, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparisons and the pension and other post-employment benefit plan schedules as listed in the table of contents, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We 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 and Other Information

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

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

**Board of Mayor and Burgesses and Board of Finance
Borough of Naugatuck, Connecticut**

Page 3

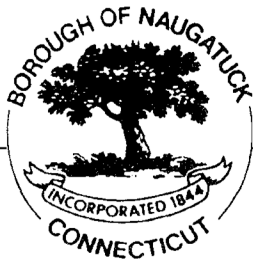
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2021, on our consideration of the Borough'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 Borough'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 Borough's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Wethersfield, Connecticut
April 28, 2021



Management's Discussion and Analysis For the Year Ended June 30, 2020

As management of the Borough of Naugatuck, Connecticut ("Borough"), we offer readers of the Borough's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2020.

Financial Highlights

The liabilities and deferred inflows of resources of the Borough exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$69,361,630 (*net position*). *Unrestricted net position*, the amount that may be used to meet the Borough's ongoing obligations to citizens and creditors, was a deficit balance of \$(252,811,988).

The Borough's total net position increased by \$4,668,261. The increase is due substantially to the following:

- | | |
|--|-------------|
| ➤ positive operations of the general fund of | \$ 210,823 |
| ➤ positive operations of the NHS reconstruction and renovation fund of | 7,905,340 |
| ➤ negative operations of the capital nonrecurring fund of | (5,343,099) |
| ➤ positive operations of the other governmental funds of | 227,738 |
- Conversion to accrual basis on Exhibit E:
- | | |
|---|--------------|
| ➤ capital outlay net of depreciation expense of | 5,355,972 |
| ➤ net principal debt activity of | 3,886,808 |
| ➤ change in net pension liability of | (2,464,815) |
| ➤ change in net OPEB liability of | (50,312,277) |
| ➤ change in pension and OPEB deferred outflows/inflows of resources | 44,905,553 |
| ➤ negative operations of the internal service fund of | (589,568) |
- The Borough's governmental funds reported combined ending fund balances of \$27,585,544 an increase of \$3,000,802 in comparison with the prior year. The change is due to the operating results of each fund noted above and described in further detail in the Financial Analysis of the Borough's Funds section.
 - At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,695,355. The unassigned fund balance represents 10.47% of total budgetary general fund expenditures and transfers out.
 - The Borough's total debt decreased by \$3,886,808 or 4.37% as the result of \$1,668,053 of equipment financing note issuances and \$2,885,000 permanently financed BANs net of scheduled principal payments on outstanding debt of \$8,439,861.
 - Net capital assets increased by \$5,355,972. This increase is largely due to an increase in construction in progress of \$8,793,983 and purchases of police cars and land in excess of depreciation expense.

Overview of the Basic Financial Statements

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

Government-wide financial statements. One of the most important questions asked about the Borough's finances is, "Is the Borough as a whole better off or worse off as a result of the year's activities?" The *statement of net position* and *statement of activities* report information about the Borough as a whole and about its activities in a way that helps answer this question.

These statements include *all* assets, liabilities and deferred outflows/inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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

You will need to consider other nonfinancial factors, however, such as changes in the Borough's property tax base and the condition of the Borough's roads, to assess the overall health of the Borough.

The *statement of activities* presents information showing how the Borough's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present the functions of the Borough that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Borough include general government, public safety, public works, health and welfare and education.

Fund financial statements. The fund financial statements provide detailed information about the most significant funds; not the Borough as a whole. Some funds are required to be established by State law and by bond covenants. However, the Borough establishes many other funds to help it maintain control and manage money that have been segregated for specific activities or objectives. Funds are also established to ensure and demonstrate compliance with finance related legal requirements for using certain grants. All of the funds of the Borough 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 inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Borough's near-term financing requirements.

Management's Discussion and Analysis (continued)

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 Borough's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Borough reports governmental funds separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, NHS Reconstruction and Renovation fund and Capital Nonrecurring fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of combining statements in Schedules 3 and 4 in this report.

Proprietary fund. The Borough maintains one proprietary fund type. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Borough's various functions. The Borough uses internal service funds to account for its self-insured dental benefits, workers compensation benefits and property insurance claims. This activity has been included within governmental activities in the government-wide financial statements.

The data for the internal service funds is provided in Exhibits F, G and H of this report.

Fiduciary funds. The Borough is the trustee, or fiduciary, for its employees' pension and OPEB plans. It is also responsible for other assets that, because of a trust agreement, can be used only for the trust beneficiaries. All of the Borough's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position (Exhibits I and J). We exclude these activities from the Borough's other financial statements because the Borough cannot use these assets to finance its operations. The Borough is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information as follows:

- A budgetary comparison schedule for the General Fund to demonstrate compliance with this budget.
- Schedules to demonstrate the Borough's progress in funding its obligation to provide pension benefits.
- Schedules to demonstrate the Borough's progress in funding its obligation to provide other post-employment benefits.

Other information. The combining statements referred to earlier in connection with other governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found in Schedules 1 through 7 of this report.

Management's Discussion and Analysis (continued)

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Borough's financial position. The Borough's net position increased from a year ago by \$4,668,261 to \$(69,361,630).

By far the largest portion of the Borough's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough'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.

A portion of the Borough's net position represents resources that are subject to external restrictions on how they may be used. When the balance is positive, the remaining balance of unrestricted net position is available to be used to meet the Borough's ongoing obligations to citizens and creditors.

Summary Statement of Net Position June 30

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 55,443,103	\$ 50,777,994
Capital assets (net)	<u>237,443,871</u>	<u>232,087,899</u>
Total assets	<u>292,886,974</u>	<u>282,865,893</u>
Deferred outflows of resources	<u>45,469,754</u>	<u>8,876,930</u>
Current liabilities outstanding	19,631,746	22,544,874
Long-term liabilities outstanding	<u>353,154,488</u>	<u>304,019,993</u>
Total liabilities	<u>372,786,234</u>	<u>326,564,867</u>
Deferred inflows of resources	<u>34,932,124</u>	<u>39,207,847</u>
Net position:		
Net investment in capital assets	181,911,768	171,828,625
Restricted	1,538,590	1,587,881
Unrestricted	<u>(252,811,988)</u>	<u>(247,446,397)</u>
Total net position	<u>\$ (69,361,630)</u>	<u>\$ (74,029,891)</u>

Management's Discussion and Analysis (continued)

Governmental activities. The Borough's net position increased by \$4,668,261 from operations as detailed below:

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

	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 9,203,220	\$ 9,512,023
Operating grants and contributions	50,302,737	50,509,764
Capital grants and contributions	10,732,315	10,807,044
General revenues:		
Property taxes	82,867,166	78,599,861
Grants and contributions not restricted to specific programs	2,055,317	1,305,688
Income from investments	689,428	806,926
Gain on sale of capital assets	16,055	46,995
Other	508,875	328,998
Total revenues	<u>156,375,113</u>	<u>151,917,299</u>
Expenses:		
General government	10,936,384	9,921,541
Public safety	24,839,857	23,797,143
Public works	15,576,643	14,291,700
Health and welfare	3,916,471	3,487,506
Education	91,763,402	85,032,314
Interest	4,674,095	3,784,436
Total expenses	<u>151,706,852</u>	<u>140,314,640</u>
Change in net position	4,668,261	11,602,659
Net position - July 1	<u>(74,029,891)</u>	<u>(85,632,550)</u>
Net position - June 30	<u><u>\$ (69,361,630)</u></u>	<u><u>\$ (74,029,891)</u></u>

Management's Discussion and Analysis (continued)

Key elements of this increase are as follows:

- Property taxes increased by \$4,267,305 due to an increase in the tax levy necessary to support the adopted budget
- The \$1,284,943 increase in public works expense is primarily due to an increase in non-capitalized capital project activity and increase in repairs and maintenance expense.
- The \$6,731,088 increase in education expense was mainly due to an increase of pension and OPEB expense of \$5,153,384.

Financial Analysis of the Borough's Funds

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

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

As of the end of the current fiscal year, the Borough's governmental funds reported combined ending fund balances of \$27,585,544. Fund balance has been classified as:

Nonspendable	\$ 1,000
Restricted	1,537,590
Committed	8,222,476
Assigned	5,129,123
Unassigned	<u>12,695,355</u>
Total	<u>\$ 27,585,544</u>

The total fund balance increased by \$3,000,802 to \$27,585,544. This increase is a result of the following funds activity:

General Fund. The general fund is the operating fund of the Borough. The fund balance of the Borough's general fund increased by \$210,823 due to increases in revenue of \$799,153, appropriation of fund balance to balance the 2020 budget of \$4,242,070 and spending savings of \$3,877,685 which offset \$2,618,406 of transfers out.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$12,695,355. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 10.47% of total general fund budgetary expenditures and transfers out.

Management's Discussion and Analysis (continued)

NHS Reconstruction and Renovation Fund. This fund accounts for financial resources to be used for the \$81,000,000 reconstruction and renovation of the High School project. The primary source of funding is school building grants and bond proceeds. The fund ended the year with an increase in fund balance of \$7,905,340 as a result of the receipt of school construction grant revenue from the State and permanently financed BANs in the amount of \$2,885,000. The fund ended the year with fund balance of \$159,164.

Capital Nonrecurring Fund. This fund accounts for financial resources to be used for the activities associated with major capital improvements and equipment. This fund is funded with grants, debt (equipment financing notes) issuances and transfers from the general fund. The decrease in fund balance of \$5,343,099 is due to grant revenue offset by the current year expenditures related to Maple Street Bridge renovation and Cross Street Renovation and other road projects funded in previous years. The fund balance at fiscal year end was \$7,429,032 which will be expended in future years as projects are completed.

General Fund Budgetary Highlights

The Borough budgeted \$4,242,070 of fund balance to balance the budget.

Significant budget transfers made during the year were as follows:

- \$236,336 from insurance to pension to allow the Borough to contribute the total actuarial determined contributions.

Significant revenues variances from the budget were as follows:

- Intergovernmental revenues were in excess of the amount budgeted by \$189,871 primarily due to receiving FEMA grant of \$90,664 and DOL unemployment insurance grant of \$26,796, which were not budgeted.

Significant departments that were underspent during the year were as follows:

- Insurance was underspent by \$1,406,942 primarily due to a credit from workers compensation of \$640,571 for changes in estimates for claims and savings in health insurance claims of \$759,817.
- Contingency was underspent by \$800,000 as there were no budget transfers for overages necessary during the year.
- Education was underspent by \$440,053 due to cost savings from school closures as a result of the coronavirus pandemic.
- Public works was under spent by \$666,935 as a result of less road and WPCA facility repairs than anticipated.

Capital Assets and Debt Administration

Capital assets. The Borough of Naugatuck's capital assets totaled \$237,443,871, net of accumulated depreciation. This includes land, buildings and improvements, land improvements, machinery and equipment, infrastructure and construction in progress. The net increase in the Borough's capital assets for the current fiscal year was \$5,355,972 or 2.31%. This increase is largely due to an increase in construction in progress of \$8,793,983 for Cross Street, North Main Street and various infrastructure projects \$7,539,758, net with current year depreciation expense.

Capital assets (continued)

Capital Assets
(Net of Accumulated Depreciation)
June 30

	<u>2020</u>	<u>2019</u>
Land	\$ 15,753,532	\$ 15,205,924
Construction in progress	32,225,878	23,431,895
Buildings and improvements	113,486,416	114,702,236
Land improvements	647,588	715,130
Machinery and equipment	5,477,883	5,597,896
Infrastructure	<u>69,852,574</u>	<u>72,434,818</u>
Total	<u>\$ 237,443,871</u>	<u>\$ 232,087,899</u>

Major capital asset events during the current fiscal year included the following:

Construction in progress additions of:

➤ Cross Street reconstruction	\$ 2,616,937
➤ City Hill Middle School roof replacement	1,178,367
➤ North Main Street project	1,895,858
➤ Wastewater treatment plant upgrades	1,848,594

Building additions from construction in progress:

➤ Hillside School roof	406,848
➤ Western School roof	311,978
➤ Hillside Middle School LL ceiling replacement	269,578

Vehicles purchases:

➤ Police cars	378,150
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Land additions of:

➤ 34 Andrew Ave	403,543
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Additional information on the Borough's capital assets can be found in Note III.D.

Management's Discussion and Analysis (continued)

Long-term debt. At the end of the current fiscal year, the Borough had total debt outstanding of \$85,347,613. The decrease of \$3,886,808 from prior year is due to issuance of equipment financing notes of \$1,668,053 and \$2,885,000 permanently financed BANs offset by scheduled debt payments of \$8,439,861. All debt is backed by the full faith and credit of the Borough.

The Borough maintains an "AA-" bond rating from Standard and Poor's and an "Aa3" rating from Moody's Investor Service.

State statutes limit the amount of general obligation debt a governmental entity may issue to 7 times prior year total tax collections including interest and lien fees. The current debt limitation for the Borough is \$559,201,083, which is significantly in excess of the Borough's outstanding general obligation debt.

Long-Term Debt June 30

	<u>2020</u>	<u>2019</u>
General purpose bonds	\$ 9,432,750	\$ 10,309,250
General purpose bonds (taxable)	1,990,000	2,260,000
School bonds	22,072,250	23,595,750
Sewer bonds	6,500,000	6,500,000
Sewer bonds (taxable)	725,000	1,150,000
Pension bonds (taxable)	31,045,000	32,615,000
Bond anticipation notes (permanently financed)	2,885,000	-
Notes payable	7,842,613	8,154,421
Certificates of participation	<u>2,855,000</u>	<u>4,650,000</u>
Total	<u>\$ 85,347,613</u>	<u>\$ 89,234,421</u>

Additional information on the Borough's long-term debt can be found in Note III. G.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Borough is currently 11.9%, which is 7.2% higher than fiscal year 2019. This is higher than the State's average unemployment rate of 10.1%, and the national average of 11.1%. The increases are due to the impact of the coronavirus pandemic.
- Contractual obligations and employee benefit costs continue to rise.
- State funding continues to be reduced.
- As are all local governments, the Borough is responding to the COVID-19 (coronavirus) pandemic. It is expected that the pandemic will have an economic impact on the Borough's 2020 and 2021 budgets, but the extent of impact is currently unknown.
- The potential impact of the pandemic on the local economy, businesses and Borough revenues is being closely monitored. The July 2020 collections were in line with the prior year. Any impact on the property tax revenues is expected to occur with the January 2021 semi-annual payment, if at all. The State of Connecticut through the Governor's executive order, required local governments to offer taxpayers/rate payers one or both of the following programs: interest rate reduction program and/or the payment deferral program through October 1, 2020. The Borough implemented the payment deferral program. For the collection period ended July 31, 2020, collections were in line with the prior year.

All of these factors were considered in preparing the Borough's budget for the 2021 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Borough's finances for all those with an interest in the Borough's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Controller, Borough of Naugatuck, 229 Church Street, Naugatuck, CT 06770.

Basic Financial Statements

Borough of Naugatuck, Connecticut

Statement of Net Position
Governmental Activities
June 30, 2020

Assets

Current assets:	
Cash	\$ 4,870,789
Investments	40,140,682
Receivables (net):	
Property taxes	3,430,401
Intergovernmental	943,157
Assessments	15,342
Loans	14,640
Other	1,745,799
Other	69,097
Total current assets	<u>51,229,907</u>
Noncurrent assets:	
Restricted assets:	
Temporarily restricted:	
Cash	46,135
Investments	622,241
Permanently restricted:	
Cash	<u>1,000</u>
Total restricted assets	<u>669,376</u>
Receivables (net):	
Property taxes	2,868,338
Loans	<u>675,482</u>
Total receivables (net)	<u>3,543,820</u>
Capital assets (net of accumulated depreciation):	
Land	15,753,532
Construction in progress	32,225,878
Buildings and improvements	113,486,416
Land improvements	647,588
Machinery and equipment	5,477,883
Infrastructure	<u>69,852,574</u>
Total capital assets (net of accumulated depreciation)	<u>237,443,871</u>
Total noncurrent assets	<u>241,657,067</u>
Total assets	<u>292,886,974</u>

Deferred Outflows of Resources

Pension related	4,880,026
OPEB related	<u>40,589,728</u>
Total deferred outflows of resources	<u>45,469,754</u>

(Continued)

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

Borough of Naugatuck, Connecticut

Statement of Net Position
Governmental Activities
June 30, 2020

Liabilities

Liabilities:

Current liabilities:

Accounts payable	\$ 5,971,618
Accrued payroll and related liabilities	857,655
Accrued interest payable	349,410
Unearned revenue	40,225
Bond anticipation notes	2,570,000
Other liabilities	245,305
Bonds and notes payable	6,724,494
Certificates of participation	1,720,000
Compensated absences	739,812
Claims payable	413,227
	<hr/>

Total current liabilities	<hr/> 19,631,746 <hr/>
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Noncurrent liabilities:

Performance bonds	235,085
Bonds, notes and related liabilities	76,566,185
Certificates of participation	1,135,000
Compensated absences	2,959,250
Net pension liability	44,404,241
Net OPEB liability	227,718,367
Claims payable	136,360
	<hr/>

Total noncurrent liabilities	<hr/> 353,154,488 <hr/>
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Total liabilities	<hr/> 372,786,234 <hr/>
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Deferred Inflows of Resources

Advance property tax collections	4,429,169
Deferred charge on refunding	576,424
Pension related	1,652,636
OPEB related	28,273,895
	<hr/>

Total deferred inflows of resources	<hr/> 34,932,124 <hr/>
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Net Position

Net investment in capital assets	181,911,768
Restricted for:	
Endowments:	
Nonexpendable	1,000
Expendable	239,713
Community development programs	779,252
Education	518,625
Unrestricted	(252,811,988)
	<hr/>
Total net position	<hr/> \$ (69,361,630) <hr/>

(Concluded)

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

Borough of Naugatuck, Connecticut

Statement of Activities
Governmental Activities
For The Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 10,936,384	\$ 456,734	\$ -	\$ -	\$ (10,479,650)
Public safety	24,839,857	1,696,529	84,480	-	(23,058,848)
Public works	15,576,643	5,953,873	-	5,671,753	(3,951,017)
Health and welfare	3,916,471	658,756	318,614	-	(2,939,101)
Education	91,763,402	437,328	49,899,643	5,060,562	(36,365,869)
Interest	4,674,095	-	-	-	(4,674,095)
Total	<u>\$ 151,706,852</u>	<u>\$ 9,203,220</u>	<u>\$ 50,302,737</u>	<u>\$ 10,732,315</u>	<u>(81,468,580)</u>
General revenues:					
Property taxes					82,867,166
Grants and contributions not restricted to specific programs					2,055,317
Income from investments					689,428
Gain on sale of capital assets					16,055
Other					508,875
Total general revenues					<u>86,136,841</u>
Change in net position					4,668,261
Net position - July 1, 2019					<u>(74,029,891)</u>
Net position - June 30, 2020					<u>\$ (69,361,630)</u>

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

Borough of Naugatuck, Connecticut

Balance Sheet
Governmental Funds
June 30, 2020

	General	NHS Reconstruction and Renovation	Capital Nonrecurring	Other Governmental Funds	Total Governmental Funds
<u>Assets</u>					
Cash	\$ -	\$ 134	\$ 3,608,389	\$ 1,262,266	\$ 4,870,789
Restricted cash	-	-	-	47,135	47,135
Investments	21,784,048	2,729,030	6,683,720	1,890,201	33,086,999
Restricted investments	235,085	-	-	193,578	428,663
Receivables (net):					
Property taxes	8,289,755	-	-	-	8,289,755
Intergovernmental	66,895	-	-	876,262	943,157
Sewer assessments	15,342	-	-	-	15,342
Loans	-	-	-	742,962	742,962
Other	1,256,886	-	-	488,913	1,745,799
Due from other funds	1,113,031	-	-	-	1,113,031
Other	-	-	-	69,097	69,097
Total assets	<u>\$ 32,761,042</u>	<u>\$ 2,729,164</u>	<u>\$ 10,292,109</u>	<u>\$ 5,570,414</u>	<u>\$ 51,352,729</u>
<u>Liabilities</u>					
Accounts payable	\$ 2,249,882	\$ -	\$ 2,863,077	\$ 396,537	\$ 5,509,496
Accrued payroll and related liabilities	773,220	-	-	84,435	857,655
Due to other funds	462,122	-	-	1,113,031	1,575,153
Unearned revenue	22,995	-	-	17,230	40,225
Bond anticipation notes	-	2,570,000	-	-	2,570,000
Performance bonds	235,085	-	-	-	235,085
Other liabilities	245,305	-	-	-	245,305
Total liabilities	<u>3,988,609</u>	<u>2,570,000</u>	<u>2,863,077</u>	<u>1,611,233</u>	<u>11,032,919</u>
<u>Deferred Inflows of Resources</u>					
Unavailable revenue:					
Property taxes	8,289,755	-	-	-	8,289,755
Advance property tax collections	4,429,169	-	-	-	4,429,169
Sewer assessments	15,342	-	-	-	15,342
Total deferred inflows of resources	<u>12,734,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,734,266</u>
<u>Fund Balances</u>					
Nonspendable	-	-	-	1,000	1,000
Restricted	-	-	-	1,537,590	1,537,590
Committed	-	159,164	7,429,032	634,280	8,222,476
Assigned	3,342,812	-	-	1,786,311	5,129,123
Unassigned	12,695,355	-	-	-	12,695,355
Total fund balances	<u>16,038,167</u>	<u>159,164</u>	<u>7,429,032</u>	<u>3,959,181</u>	<u>27,585,544</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 32,761,042</u>	<u>\$ 2,729,164</u>	<u>\$ 10,292,109</u>	<u>\$ 5,570,414</u>	<u>\$ 51,352,729</u>

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

(Continued)

Borough of Naugatuck, Connecticut

**Reconciliation of Fund Balance
to Net Position of Governmental Activities
June 30, 2020**

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

Total fund balance (Exhibit C, Page 1 of 2)	\$ 27,585,544
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Capital assets used in governmental activities are not financial resources and, therefore,
are not reported in the funds:

Beginning capital assets	232,087,899
Current year additions (net of construction in progress)	13,226,492
Depreciation expense	(7,870,520)

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

Property tax interest and lien accrual	3,708,984
Allowance for doubtful accounts	(5,752,840)
Deferred outflows related to pensions	4,880,026
Deferred outflows related to OPEB	40,589,728

Other long-term assets are not available to pay for current period expenditures and, therefore,
are unavailable in the funds:

Property tax and sewer assessments receivable - accrual basis change	8,305,097
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Internal service funds are used by management to charge the cost of
dental insurance and workers' compensation to individual departments:

The assets and liabilities of the internal service funds are included in the statement of net position	6,697,674
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Some liabilities and deferred inflows of resources, including bonds payable, are not due and
payable in the current period and, therefore, are not reported in the funds:

Bonds and notes payable	(82,492,613)
Premium	(798,066)
Certificates of participation	(2,855,000)
Compensated absences	(3,699,062)
Net pension liability	(44,404,241)
Net OPEB liability	(227,718,367)
Accrued interest payable	(349,410)
Deferred charge on refunding	(576,424)
Deferred inflows related to pensions	(1,652,636)
Deferred inflows related to OPEB	(28,273,895)

Net position (Exhibit A)	<u>\$ (69,361,630)</u>
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(Concluded)

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

Borough of Naugatuck, Connecticut

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

	General	NHS Reconstruction and Renovation	Capital Nonrecurring Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 82,471,189	\$ -	\$ -	\$ -	\$ 82,471,189
Intergovernmental	40,784,119	5,060,562	5,203,005	11,325,255	62,372,941
Charges for services	6,594,646	-	426,957	2,181,617	9,203,220
Income from investments	669,383	-	1,312	18,733	689,428
Contributions and rebates	-	-	468,748	248,680	717,428
Other	479,729	-	29,146	-	508,875
Total revenues	<u>130,999,066</u>	<u>5,060,562</u>	<u>6,129,168</u>	<u>13,774,285</u>	<u>155,963,081</u>
Expenditures:					
Current:					
General government	5,511,785	-	-	-	5,511,785
Public safety	11,327,330	-	-	1,846,318	13,173,648
Public works	9,912,071	-	-	-	9,912,071
Health and welfare	1,380,716	-	-	125,430	1,506,146
Nondepartmental	15,441,049	-	-	-	15,441,049
Education	71,320,536	-	-	11,574,799	82,895,335
Debt service	13,352,405	-	-	-	13,352,405
Capital outlay	-	40,222	15,758,726	-	15,798,948
Total expenditures	<u>128,245,892</u>	<u>40,222</u>	<u>15,758,726</u>	<u>13,546,547</u>	<u>157,591,387</u>
Excess (deficiency) of revenues over expenditures	<u>2,753,174</u>	<u>5,020,340</u>	<u>(9,629,558)</u>	<u>227,738</u>	<u>(1,628,306)</u>
Other financing sources (uses):					
Issuance of debt	-	2,885,000	1,668,053	-	4,553,053
Sale of capital assets	76,055	-	-	-	76,055
Transfers in	-	-	2,618,406	-	2,618,406
Transfers out	(2,618,406)	-	-	-	(2,618,406)
Net other financing sources (uses)	<u>(2,542,351)</u>	<u>2,885,000</u>	<u>4,286,459</u>	<u>-</u>	<u>4,629,108</u>
Net change in fund balances	210,823	7,905,340	(5,343,099)	227,738	3,000,802
Fund balances - July 1, 2019	<u>15,827,344</u>	<u>(7,746,176)</u>	<u>12,772,131</u>	<u>3,731,443</u>	<u>24,584,742</u>
Fund balances - June 30, 2020	<u>\$ 16,038,167</u>	<u>\$ 159,164</u>	<u>\$ 7,429,032</u>	<u>\$ 3,959,181</u>	<u>\$ 27,585,544</u>

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

Borough of Naugatuck, Connecticut

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to Statement of Activities
For The Year Ended June 30, 2020**

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

Net change in fund balances - total governmental funds (Exhibit D)	<u>\$ 3,000,802</u>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	13,226,492
Depreciation expense	<u>(7,870,520)</u>
Total	<u>5,355,972</u>

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in property tax and sewer assessments - accrual basis change	24,831
Change in property tax interest and lien revenue	371,146
Change in other long-term receivable	<u>(60,000)</u>
Total	<u>335,977</u>

The issuance of long-term debt (e.g., bonds, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
General obligation bonds and notes	(4,553,053)
Principal repayments:	
General obligation bonds and notes	6,644,861
Certificates of participation	<u>1,795,000</u>
Total	<u>3,886,808</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Amortization of premium	54,501
Change in:	
Compensated absences	311,360
Net pension liability	(2,464,815)
Net OPEB liability	(50,312,277)
Deferred outflows related to pension	(3,686,881)
Deferred inflows related to pension	2,842,053
Deferred outflows related to OPEB	40,279,705
Deferred inflows related to OPEB	5,470,676
Accrued interest payable	18,086
Amortization of deferred charges	<u>165,862</u>
Total	<u>(7,321,730)</u>

The net revenue (expense) of the activities of the internal service funds are reported with governmental activities as they are used by management to charge costs of dental insurance and workers' compensation to individual departments

(589,568)

Change in net position (Exhibit B)	<u><u>\$ 4,668,261</u></u>
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The notes to financial statements are an integral part of this statement.

Borough of Naugatuck, Connecticut

Statement of Net Position
 Proprietary Funds
 June 30, 2020

	<u>Internal Service Funds</u>
<u>Assets</u>	
Investments	<u>\$ 7,247,261</u>
<u>Liabilities</u>	
Current liability:	
Claims payable	413,227
Noncurrent liability:	
Claims payable	<u>136,360</u>
Total liabilities	<u>549,587</u>
<u>Net Position</u>	
Unrestricted	<u><u>\$ 6,697,674</u></u>

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

Borough of Naugatuck, Connecticut

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For The Year Ended June 30, 2020

	<u>Internal Service Funds</u>
Operating revenues:	
Charges for services	<u>\$ 2,015,413</u>
Operating expenses:	
Claims	2,575,153
Administration	<u>29,828</u>
Total operating expenses	<u>2,604,981</u>
Change in net position	(589,568)
Total net position - July 1, 2019	<u>7,287,242</u>
Total net position - June 30, 2020	<u><u>\$ 6,697,674</u></u>

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

Borough of Naugatuck, Connecticut

Statement of Cash Flows
Proprietary Funds
For The Year Ended June 30, 2020

	<u>Internal Service Funds</u>
Cash flows from (used in) operating activities:	
Cash received for charges for services	\$ 6,563,328
Cash paid for benefits and claims	(2,610,459)
Cash paid for administration	<u>(29,828)</u>
Net cash from (used in) operating activities	3,923,041
Cash and cash equivalents - July 1, 2019	<u>3,324,220</u>
Cash and cash equivalents - June 30, 2020	<u><u>\$ 7,247,261</u></u>
Reconciliation to Exhibit F cash:	
Cash and cash equivalents per above	\$ 7,247,261
Cash and cash equivalents reported as investments	<u>(7,247,261)</u>
Cash - Exhibit F	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash from (used in) operating activities:	
Operating income (loss)	\$ (589,568)
Adjustments to reconcile operating income (loss) to net cash from (used in) operating activities:	
(Increase) decrease in:	
Due from other funds	4,547,915
Increase (decrease) in:	
Claims payable	<u>(35,306)</u>
Net cash from (used in) operating activities	<u><u>\$ 3,923,041</u></u>

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

Borough of Naugatuck, Connecticut

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Pension and OPEB Trust Funds	Private- Purpose Trust Fund	Custodial Funds
	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>			
Cash	\$ -	\$ -	\$ 458,718
Investments:			
Certificates of deposit	-	48,019	-
Mutual funds:			
Equity	110,442,366	-	-
Bonds	45,011,258	-	-
Money market	563,606	-	-
	<u>156,017,230</u>	<u>48,019</u>	<u>-</u>
Total investments			
Due from other funds	<u>1,509,343</u>	<u>-</u>	<u>-</u>
Total assets	<u>157,526,573</u>	<u>48,019</u>	<u>458,718</u>
<u>Liabilities</u>			
Accounts payable	-	-	4,180
Due to other funds	<u>1,047,221</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,047,221</u>	<u>-</u>	<u>4,180</u>
<u>Net Position</u>			
Restricted for:			
Pension benefits	145,999,237	-	-
OPEB benefits	10,480,115	-	-
Individuals and events	<u>-</u>	<u>48,019</u>	<u>454,538</u>
Total net position	<u>\$ 156,479,352</u>	<u>\$ 48,019</u>	<u>\$ 454,538</u>

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

Borough of Naugatuck, Connecticut

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For The Year Ended June 30, 2020

	Pension and OPEB Trust Funds	Private- Purpose Trust Fund	Custodial Funds
Additions:			
Contributions:			
Employer	\$ 13,792,663	\$ -	\$ -
Plan members	379,119	-	-
Private	-	3,500	-
Total contributions	14,171,782	3,500	-
Activity fees	-	-	690,803
Investment income (loss):			
Net change in fair value of investments	3,013,519	-	-
Interest and dividends	3,971,360	-	-
Total investment income (loss)	6,984,879	-	-
Less investment expenses	102,818	-	-
Net investment income (loss)	6,882,061	-	-
Total additions	21,053,843	3,500	690,803
Deductions:			
Benefits	21,388,642	-	-
Administration	91,197	-	-
Scholarships	-	1,000	-
Activities and events	-	-	655,538
Total deductions	21,479,839	1,000	655,538
Changes in net position	(425,996)	2,500	35,265
Net position - July 1, 2019	156,905,348	45,519	419,273
Net position - June 30, 2020	\$ 156,479,352	\$ 48,019	\$ 454,538

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

Borough of Naugatuck, Connecticut**Notes to Financial Statements
As of and for the Year Ended June 30, 2020****History and organization**

The Borough of Naugatuck, Connecticut ("Borough") operates under a Charter which became effective in 1893 and was revised in November 1994. The form of government includes an elected mayor and an eight-member Burgesses, which constitutes the Board of Mayor and Burgesses. The Borough also has an elected nine-member Board of Education, eight of which are elected and the ninth member is the Mayor. The Board of Finance is comprised of nine residents and three alternates who are appointed by the Board of Mayor and Burgesses. The Borough provides the following public services as authorized by its charter: public safety, public works, health and welfare, and education.

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

I. Summary of significant accounting policies**A. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Borough. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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

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

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

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

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

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

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

For reimbursement grants, intergovernmental grants, charges for services and interest, the Borough considers revenues to be available if they are collected within one year of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension and OPEB benefits, certain other employee benefits, and certain other long-term liabilities are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Expenditure reimbursement type grants, certain intergovernmental revenues, transfers and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Borough.

The Borough reports the following major governmental funds:

General Fund	Borough's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
NHS Reconstruction and Renovation Fund	Accounts for the reconstruction and renovation of the high school.
Capital Nonrecurring Fund	Accounts for activities associated with major capital improvements and equipment.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

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

Additionally, the Borough reports the following fund types:

Special Revenue Funds	Accounts for and report the proceeds of specific revenue resources that are restricted, committed or assigned to expenditures for specified purposes other than debt.
Debt Service Fund	Accounts for and report resources and expenditures that are assigned for the repayment of debt.
Permanent Fund	Accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Borough's programs.
Internal Service Funds	Accounts for risk financing activities for dental insurance, workers' compensation benefits and property insurance.
Pension Trust Fund	Accounts for the activities of the Naugatuck Employee Retirement System, which accumulates resources for pension benefit payments to qualified employees.
Other Post-Employment Benefit Trust Fund	Accounts for the activities of the Naugatuck Other Post-Employment Benefit Plan, which accumulates resources for retiree medical payments to qualified employees.
Private-Purpose Trust Fund	Accounts for resources legally held in trust for student scholarships. All resources of the fund, including any earnings, may not be used to support Borough activities.
Custodial Funds	Accounts for monies held on behalf of students.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 Borough's internal service funds are charges to Borough Departments for various types of self-insurance. Operating expenses for the internal service funds include the cost of insurance and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Borough of Naugatuck, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2020****B. Measurement focus, basis of accounting and financial statement presentation (continued)**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position of the Borough of Naugatuck's pension and OPEB plans, the Connecticut State Teachers' Retirement System ("TRS") and the Connecticut Retiree Health Insurance Plan ("RHIP") have been determined on the same basis as they are reported by the Borough of Naugatuck pension and OPEB plans, TRS, and RHIP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

C. Assets, liabilities, deferred outflows/inflows of resources and equity**1. Cash and investments****a. Cash**

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

For cash flow purposes the Borough considers cash equivalents money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

b. Investments

In general, State of Connecticut Statutes allow the Borough to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. For the capital and nonrecurring fund, not more than 31% can be invested in equity securities. All investment income is recorded in the general fund except for the debt service fund and permanent fund.

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

The Borough's pension and OPEB plans have adopted a formal investment policy that defines allowable investments, prohibited investments, prohibited transactions, asset allocation guidelines and diversification guidelines and fixed income and cash equivalent guidelines.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

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

The investment guidelines are as follows:

Asset Class	Target Allocation		
	Firemen Plan	Employee Plan	OPEB Plan
Equities	65.00%	62.50%	55.00%
Fixed income	30.00%	32.50%	40.00%
Real estate	5.00%	5.00%	5.00%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

c. Method used to value investments

Investments for the Borough are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Fair value of investments

The Borough measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1	Quoted prices for identical investments in active markets
Level 2	Quoted prices for identical investments in markets that are not active
Level 3	Unobservable inputs

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

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

Interest rate risk	Interest rate risk is the risk that the government will incur losses in fair value caused by changing interest rates. The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
Credit risk	Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Borough has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.
Concentration of credit risk	Concentration of credit risk is the risk attributed to the magnitude of an entity's investments in a single issuer. The Borough follows the limitations specified in the Connecticut General Statutes. Generally, The Borough's deposits cannot be 75% or more of the total capital in any one depository.
Custodial credit risk	Custodial credit risk is the risk that, in the event of the failure of the counterparty, The Borough will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Borough does not have a formal policy with respect to custodial credit risk.
Foreign currency risk	Foreign currency risk is the risk that the value of the investment may be affected by changes in the rate of exchange. The Borough does not have a formal policy with respect to the foreign currency risk.

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

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

b. Property taxes and other receivables

In the government-wide financial statements, property tax and loan receivables are shown net of an allowance for uncollectibles. Allowance percentages range from 2.00% to 60.00% of outstanding receivable balances and are calculated based upon prior collections.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

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

In the fund financial statements, property tax revenues are recognized when they become available. Only taxes collected during the fiscal year have been recorded as revenue. All property taxes receivable, which have not been collected at June 30, have been recorded as deferred inflows of resources, since they are not considered to be available to finance expenditures of the current fiscal year.

Property taxes are assessed on property as of October 1. Taxes are billed in the following July and are due in two installments, July 1 and January 1. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Loans receivable consist of Community Development Block Grant loans. The Borough provides low interest loans for residential rehabilitation as well as loans to local businesses for facility improvements.

3. Restricted assets

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

4. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for machinery and equipment, \$20,000 for improvements and \$100,000 for infrastructure, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	25-50
Land improvements	10-40
Machinery and equipment	5-20
Infrastructure	10-65

Borough of Naugatuck, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2020****C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)****5. Deferred outflows/inflows of resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

Deferred inflows of resources also include deferred inflows relating to advance refunding of debt. These amounts are deferred and are amortized over the life of the debt.

Advance tax collections represent taxes associated with a future period. This amount is recognized during the period in which the revenue is associated.

For governmental funds, the Borough reports unavailable revenue, which arises only under the modified accrual basis of accounting. Accordingly, unavailable revenue is reported only in the governmental funds' balance sheet. The governmental funds report unavailable revenues from several sources: property taxes (including advance collections, if any), and sewer assessment charges. These amounts are recognized as an inflow of resources in the period that the amounts become available.

6. Compensated absences

The Borough allows employees to accumulate earned but unused vacation and sick pay benefits. The rate that these benefits are earned and accumulate varies by bargaining unit. Upon severance from employment with the Borough, employees are paid by a prescribed formula for these accrued 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.

Compensated absences are only reported in governmental funds if they are due and payable to an employee who has resigned or retired before or at fiscal year end.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)**7. Long-term liabilities**

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

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

8. Net position and fund balances

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

Net Investment in Capital Assets	This category presents the net position that reflects capital assets net of only the debt applicable to the acquisition or construction of these assets. Debt issued for non-capital purposes, and unspent bond proceeds, are excluded.
Restricted Net Position	This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).
Unrestricted Net Position	This category presents the net position which is not restricted.

Sometimes the Borough will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, fund balances are classified into the following categories:

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

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

Nonspendable	This category presents amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
Restricted	This category presents amounts that can be spent only for specific purposes because of enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.
Committed	This category presents amounts that can be used only for specific purposes determined by a formal action at the highest level of decision-making authority for the Borough. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Mayor and Burgesses or referendum.
Assigned	This category presents amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Intent is expressed by the passage of a resolution by the Board of Mayor and Burgesses or by the issuance of a properly approved purchase order.
Unassigned	This category presents amounts that do not meet the criteria above and are available for any purpose. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Borough considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the Borough considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the Board of Mayor and Burgesses has provided otherwise in its commitment or assignment actions.

Minimum fund balance policy

The Board of Mayor and Burgesses adopted a minimum fund balance policy for the General Fund. The policy requires the Borough to strive to maintain an unassigned general fund balance of not less than 8.00% nor more than 12.00% of current year budgeted general fund operating expenditures.

Borough of Naugatuck, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2020****C. Assets, liabilities, deferred outflows/inflows of resources and equity (continued)****9. Use of estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities including disclosures of contingent assets and liabilities and reported revenues, expenses and expenditures during the fiscal year. Actual results could differ from those estimates, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the mitigation responses. Any such differences are not expected to be material for the year ended June 30, 2020.

10. Reclassifications

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

II. Stewardship, compliance and accountability**A. Basis of budgeting**

Only the General Fund has a legally adopted annual budget.

The Borough uses the budgetary basis of accounting under which purchase orders for contracts or other commitments are recorded in order to reserve that portion of the applicable appropriation.

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

B. Donor-restricted endowments

The Borough has received certain endowments for the maintenance of the grounds at the Hillside Middle School (formally the high school). The amounts are reflected in net position as restricted for this purpose (education). Investment income is approved for expenditure by the Superintendent of Schools.

The Borough allocates investment income of donor-restricted endowments in accordance with donor restrictions and Connecticut law, which has adopted the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Under UPMIFA, investment income earned on donor-restricted endowment funds is considered to be unrestricted in the absence of explicit donor restrictions. Further, in the absence of explicit donor restrictions regarding investment appreciation, such appreciation is treated the same as the related investment income. Investment losses that reduce the value of endowment investments below the original principal amount serve to reduce restricted net position or unrestricted net position, depending upon the applicable donor's stipulations regarding the treatment of investment income and appreciation.

At year end, there is no appreciation available for appropriation.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Capital projects authorizations

The following is a summary of Capital Projects:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Cumulative Expenditures</u>	<u>Project Balance</u>
Naugatuck treatment plant	\$ 31,750,000	\$ 24,282,766	\$ 7,467,234
Maple Street bridge renovation	6,372,447	6,360,235	12,212
Cross Street reconstruction	5,150,000	3,255,916	1,894,084
Roads and infrastructure	9,025,000	8,981,368	43,632
Financing of judgment	12,430,000	10,989,007	1,440,993
Parcel A, B and C Site	975,000	686,327	288,673
Building 25 Goodyear/Tuttle house	2,006,720	2,003,841	2,879
Hillside School roof	1,569,855	753,538	816,317
Roof replacement project at City Hill Middle School	<u>1,213,000</u>	<u>1,188,828</u>	<u>24,172</u>
Total	<u>\$ 70,492,022</u>	<u>\$ 58,501,826</u>	<u>\$ 11,990,196</u>

III. Detailed notes**A. Cash and investments****1. Deposits – custodial credit risk**

At year end, the Borough's bank balance was \$22,996,563 and was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 15,542,007
Uninsured and collateral held by the pledging bank's trust department, not in the Borough's name	<u>5,680,669</u>
Total amount subject to custodial credit risk	<u>\$ 21,222,676</u>

Financial instruments that potentially subject the Borough to significant concentrations of credit risk consist primarily of cash. From time to time, the Borough's cash account balances exceed the Federal Deposit Insurance Corporation limit. The Borough reduces its credit risk by maintaining its cash deposits with major financial institutions and monitoring their credit ratings.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Cash and investments (continued)**2. Investments**

- a. The Borough's investments consisted of the following types and maturities. Specific identification was used to determine maturities:

Type of Investment	Fair Value	Investment Maturities (In Years)				
		N/A	Less Than 1	1-5 Years	5-10 Years	Over 10 Years
Mutual funds:						
Equity	\$ 110,442,365	\$ 110,442,365	\$ -	\$ -	\$ -	\$ -
Bonds	45,011,258	-	-	537,794	30,617,107	13,856,357
Money market	563,606	-	563,606	-	-	-
Certificates of deposit	20,470,478	-	20,470,478	-	-	-
Pooled fixed income	20,340,465	-	20,340,465	-	-	-
Total	<u>\$ 196,828,172</u>	<u>\$ 110,442,365</u>	<u>\$ 41,374,549</u>	<u>\$ 537,794</u>	<u>\$ 30,617,107</u>	<u>\$ 13,856,357</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Cash and investments (continued)

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

	Amount	Quoted Market Prices in Active Markets Level 1
<u>Investments by fair value level</u>		
Mutual funds:		
Equity	\$110,442,365	\$ 110,442,365
Bonds	45,011,258	45,011,258
Money market	563,606	563,606
Total investments by fair value level	<u>156,017,229</u>	<u>\$ 156,017,229</u>
<u>Other investments not subject to fair value measurement</u>		
Certificates of deposit	20,470,478	
Pooled fixed income	<u>20,340,465</u>	
Total other investments	<u>40,810,943</u>	
Total investments	<u>\$196,828,172</u>	

Level 1: Quoted prices for identical investments in active markets

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

Type of Investment	Ratings				Totals
	AAA	AA	BBB	BB	
Mutual funds:					
Bonds	\$ 537,794	\$ 3,866,007	\$ 27,320,440	\$13,287,017	\$ 45,011,258
Money market	563,606	-	-	-	563,606
Pooled fixed income	20,340,465	-	-	-	20,340,465
Total	<u>\$ 21,441,865</u>	<u>\$ 3,866,007</u>	<u>\$ 27,320,440</u>	<u>\$13,287,017</u>	<u>\$ 65,915,329</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Cash and investments (continued)

- d. Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to \$500,000, including \$250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds.

The Borough has no investments that are subject to custodial credit risk.

B. Receivables

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

	Property Taxes		
	Taxes	Interest and Liens	Total
Current portion	<u>\$ 2,412,318</u>	<u>\$ 1,018,083</u>	<u>\$ 3,430,401</u>
Long term portion	5,877,437	2,690,901	8,568,338
Less allowance for uncollectible	<u>(3,500,000)</u>	<u>(2,200,000)</u>	<u>(5,700,000)</u>
Net receivable	<u>\$ 2,377,437</u>	<u>\$ 490,901</u>	<u>\$ 2,868,338</u>

	Loans and Other Receivables	
	CDBG Loans	Police Outside Services
Current portion	<u>\$ 14,640</u>	<u>\$ 449,928</u>
Long term portion	728,322	-
Less allowance for uncollectible	<u>(52,840)</u>	<u>(10,000)</u>
Net receivable	<u>\$ 675,482</u>	<u>\$ 439,928</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Interfund accounts**1. Interfund payables and receivables**

A summary of interfund balances is as follows:

	<u>Corresponding Fund</u>	<u>Due From</u>	<u>Due To</u>
General fund:			
Police private duty	N/A	\$ 333,392	\$ -
Public safety	N/A	33,694	-
School cafeteria	N/A	181,159	-
Special education grants	N/A	564,786	-
Firemen pension fund	N/A	-	31,044
Employee pension fund	N/A	-	281,078
OPEB trust fund	N/A	-	150,000
		<hr/>	<hr/>
Total general fund		1,113,031	462,122
		<hr/>	<hr/>
Other governmental funds:			
Police private duty	General fund	-	333,392
Public safety	General fund	-	33,694
School cafeteria	General fund	-	181,159
Special education grants	General fund	-	564,786
		<hr/>	<hr/>
Total other governmental funds		-	1,113,031
		<hr/>	<hr/>
Fiduciary funds:			
Firemen pension fund	General fund	31,044	-
Employee pension fund	General fund	281,078	-
Employee pension fund	OPEB trust fund	1,047,221	-
OPEB trust fund	Employee pension fund	-	1,047,221
OPEB trust fund	General fund	150,000	-
		<hr/>	<hr/>
Total fiduciary funds		1,509,343	1,047,221
		<hr/>	<hr/>
Grand total		<u>\$ 2,622,374</u>	<u>\$ 2,622,374</u>

All interfund balances resulted from the time lag between the dates payments occurred between funds for interfund goods, payroll and services provided or in instances where certain funds do not have a cash account.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Interfund accounts (continued)**2. Interfund transfers**

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

	<u>Corresponding Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major funds:			
General fund			
Capital nonrecurring fund	N/A	\$ -	\$ 2,618,406
Capital nonrecurring fund	General fund	<u>2,618,406</u>	<u>-</u>
Grand total		<u>\$ 2,618,406</u>	<u>\$ 2,618,406</u>

Transfers are used to account for the financing by the general fund of various programs and activities in other funds.

D. Capital assets

Capital asset activity was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<u>Capital assets, not being depreciated:</u>				
Land	\$ 15,205,924	\$ 547,608	\$ -	\$ 15,753,532
Construction in progress	23,431,895	9,782,387	988,404	32,225,878
Total capital assets, not being depreciated	38,637,819	10,329,995	988,404	47,979,410
<u>Capital assets, being depreciated:</u>				
Buildings and improvements	154,999,114	1,510,892	-	156,510,006
Land improvements	4,424,108	14,123	-	4,438,231
Machinery and equipment	21,783,968	965,357	-	22,749,325
Infrastructure	196,966,718	1,394,529	-	198,361,247
Total capital assets, being depreciated	378,173,908	3,884,901	-	382,058,809
Total capital assets	416,811,727	14,214,896	988,404	430,038,219
<u>Less accumulated depreciation for:</u>				
Buildings and improvements	40,296,878	2,726,712	-	43,023,590
Land improvements	3,708,978	81,665	-	3,790,643
Machinery and equipment	16,186,072	1,085,370	-	17,271,442
Infrastructure	124,531,900	3,976,773	-	128,508,673
Total accumulated depreciation	184,723,828	7,870,520	-	192,594,348
Total capital assets being depreciated, net	193,450,080	(3,985,619)	-	189,464,461
Governmental activities capital assets, net	<u>\$ 232,087,899</u>	<u>\$ 6,344,376</u>	<u>\$ 988,404</u>	<u>\$ 237,443,871</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

D. Capital assets (continued)

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

General government	\$ 3,910,551
Education	2,621,981
Public safety	472,231
Health and welfare	393,526
Public works	<u>472,231</u>
Total depreciation expense	<u>\$ 7,870,520</u>

E. Construction commitments

The Borough has the following construction commitments:

North Main Street Reconstruction	<u>\$ 91,384</u>
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F. Short-term obligations - bond anticipation notes

The Borough uses bond anticipation notes during the construction period of various public projects prior to the issuance of the bonds at the completion of the project.

Short-term obligation activity for the year was as follows:

Type of Obligation	Maturity Date	Coupon Rate	Balance July 1, 2019	Additions	Reductions	Permanently Financed	Balance June 30, 2020
Schools	2/20/2020	2.25%	\$ 5,455,000	\$ -	\$ 5,455,000	\$ -	\$ -
Schools	8/20/2020	2.00%	-	5,455,000	-	(2,885,000)	2,570,000
Total			<u>\$ 5,455,000</u>	<u>\$ 5,455,000</u>	<u>\$ 5,455,000</u>	<u>\$ (2,885,000)</u>	<u>\$ 2,570,000</u>

In February 2020, the Borough issued \$5,455,000 of bond anticipation notes that mature in August 2020, and carry a coupon interest rate of 2.00% and a true interest cost of 1.20%.

In August 2020, the Borough issued \$3,000,000 of bond anticipation notes that mature in December 2020, and carry a coupon interest rate of 1.25% and a true interest cost of 0.25%.

In December 2020, the Borough issued \$9,260,000 of general obligation bonds and refunding bonds that mature in September 2040, and carry a coupon interest rate of 1.00% - 4.00%. \$6,375,000 of this amount refunds the debt issuance from 2014, while the remaining \$2,885,000 was used for Naugatuck High School renovations.

In March 2021, the Borough issued \$2,310,000 of general obligation refunding bonds that mature in 2035, and carry a coupon interest rate of 0.20% - 2.70%. This amount refunds debt issuances from 2015 and 2016.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Changes in long-term obligations**1. Summary of changes**

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

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion	Long-Term Portion
Bonds:										
General Purpose:										
Improvement	\$ 4,200,000	07/15/02	02/15/21	5.875%	\$ 470,000	\$ -	\$ 230,000	\$ 240,000	\$ 240,000	\$ -
Loss reserve (taxable)	4,560,000	06/01/06	06/01/26	5.43%-5.93%	2,260,000	-	270,000	1,990,000	285,000	1,705,000
Refunding bonds	4,360,000	03/24/16	08/01/30	3.00%-5.00%	1,999,250	-	181,500	1,817,750	214,625	1,603,125
Improvement	9,235,000	09/24/15	09/15/35	3.00%-5.00%	7,840,000	-	465,000	7,375,000	465,000	6,910,000
Total general purpose	22,355,000				12,569,250	-	1,146,500	11,422,750	1,204,625	10,218,125
School bonds:										
NHS cafeteria project	800,000	07/15/02	02/15/21	5.875%	80,000	-	45,000	35,000	35,000	-
Refunding bonds	4,360,000	03/24/16	08/01/30	3.00%-5.00%	1,635,750	-	148,500	1,487,250	210,375	1,276,875
NHS addition and renovation	10,000,000	03/18/14	03/15/34	2.00%-5.00%	7,880,000	-	530,000	7,350,000	525,000	6,825,000
NHS addition and renovation	8,000,000	09/24/15	09/15/35	2.00%-5.00%	6,800,000	-	400,000	6,400,000	400,000	6,000,000
NHS renovation	8,000,000	10/24/16	06/30/37	2.00%-5.00%	7,200,000	-	400,000	6,800,000	400,000	6,400,000
Total school bonds	31,160,000				23,595,750	-	1,523,500	22,072,250	1,570,375	20,501,875
Sewer bonds:										
Improvement Series A	6,500,000	05/24/17	06/30/37	3.00%-5.00%	6,500,000	-	-	6,500,000	-	6,500,000
Improvement Series B (taxable)	2,000,000	05/24/17	06/30/22	2.00%-2.75%	1,150,000	-	425,000	725,000	425,000	300,000
Total sewer bonds	8,500,000				7,650,000	-	425,000	7,225,000	425,000	6,800,000
Pension bonds:										
2003 (taxable)	49,265,000	10/23/03	06/01/33	1.35% - 5.91%	32,615,000	-	1,570,000	31,045,000	1,660,000	29,385,000
Total bonds	111,280,000				76,430,000	-	4,665,000	71,765,000	4,860,000	66,905,000
Bond anticipation notes - permanently financed					-	2,885,000	-	2,885,000	-	2,885,000

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Changes in long-term obligations (continued)

Description	Original Amount	Date of Issue	Date of Maturity	Interest Rate	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion	Long-Term Portion
Notes:										
Direct borrowings:										
Equipment financing notes:										
School improvements	\$ 2,585,000	7/15/2009	7/15/2019	4.54%	\$ 243,020	\$ -	\$ 243,020	\$ -	\$ -	\$ -
Education copiers	598,350	12/1/2014	12/1/2019	4.00%	59,835	-	59,835	-	-	-
Town copiers	35,625	1/1/2015	1/15/2020	3.25%-6.50%	3,724	-	3,724	-	-	-
Police vehicles	140,701	8/2/2017	8/2/2019	5.25%	46,859	-	46,859	-	-	-
Town vehicles	451,052	4/1/2018	4/1/2020	3.25%-6.50%	150,351	-	150,351	-	-	-
Building	2,000,000	4/16/2013	7/1/2022	3.25%	800,000	-	-	800,000	-	800,000
Street lighting	1,089,875	9/26/2017	8/24/2024	3.23%	872,892	-	147,494	725,398	152,292	573,106
Vehicles	1,340,304	12/11/2015	8/1/2023	3.25%-6.50%	1,107,497	-	201,643	905,854	363,306	542,548
Equipment	12,139,676	7/29/2008	7/29/2023	3.25%-6.52%	4,660,546	169,068	1,102,519	3,727,095	1,196,476	2,530,619
Fire truck	1,498,985	4/30/2020	6/1/2030	2.96%	-	1,498,985	-	1,498,985	127,511	1,371,474
Clean Water:										
CWF 175-CSL	472,000	06/30/08	06/30/27	2.00%	209,697	-	24,416	185,281	24,909	160,372
Total notes	22,351,568				8,154,421	1,668,053	1,979,861	7,842,613	1,864,494	5,978,119
Total bonds/notes	133,631,568				84,584,421	4,553,053	6,644,861	82,492,613	6,724,494	75,768,119
Premium					852,567	-	54,501	798,066	-	798,066
Total bonds/notes and related liabilities					85,436,988	4,553,053	6,699,362	83,290,679	6,724,494	76,566,185
Certificates of participation:										
Wastewater	1,490,000	05/05/14	06/30/22	2.00%-5.00%	565,000	-	210,000	355,000	220,000	135,000
Incinerator A	10,545,000	05/05/14	06/30/22	5.00%	4,085,000	-	1,585,000	2,500,000	1,500,000	1,000,000
Total certificates of participation	12,035,000				4,650,000	-	1,795,000	2,855,000	1,720,000	1,135,000
Compensated absences					4,010,422	1,614,948	1,926,308	3,699,062	739,812	2,959,250
Net pension liability					41,939,426	15,181,439	12,716,624	44,404,241	-	44,404,241
Net OPEB liability					177,406,090	59,346,245	9,033,968	227,718,367	-	227,718,367
Claims payable					514,002	1,852,863	1,912,331	454,534	318,174	136,360
Total long-term obligations					\$ 313,956,928	\$ 82,548,548	\$ 34,083,593	\$ 362,421,883	\$ 9,502,480	\$ 352,919,403

All long-term liabilities listed above are generally liquidated by the General Fund.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Changes in long-term obligations (continued)

The following is a summary of bond and note maturities:

Year Ending June 30,	Bond Principal	Notes Principal	Certificates of Participation	Total Interest
2021	\$ 4,860,000	\$ 1,864,494	\$ 1,720,000	\$ 3,622,999
2022	4,700,000	1,901,996	1,135,000	3,211,029
2023	4,825,000	1,928,575	-	2,855,139
2024	4,950,000	676,107	-	2,581,291
2025	5,090,000	605,771	-	2,340,046
2026	5,240,000	179,482	-	2,103,499
2027	4,690,000	184,536	-	1,870,361
2028	4,820,000	161,084	-	1,660,962
2029	4,965,000	165,852	-	1,441,515
2030	5,120,000	174,716	-	1,208,683
2031	5,285,000	-	-	1,649,830
2032	5,315,000	-	-	720,051
2033	5,500,000	-	-	462,633
2034	2,210,000	-	-	193,544
2035	1,685,000	-	-	118,694
2036	1,685,000	-	-	63,575
2037	825,000	-	-	22,232
Totals	<u>\$ 71,765,000</u>	<u>\$ 7,842,613</u>	<u>\$ 2,855,000</u>	<u>\$ 26,126,083</u>

2. Assets pledged as collateral

The Town's outstanding equipment financing notes are secured with collateral of the equipment purchased of \$7,657,332.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Changes in long-term obligations (continued)**3. Statutory debt limitations**

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

Category	Debit Limit	Net Indebtedness	Balance
General purpose	\$ 179,743,205	\$ 11,422,750	\$ 168,320,455
Schools	359,486,411	27,527,250	331,959,161
Sewers	299,572,009	10,265,281	289,306,728
Urban renewal	259,629,074	-	259,629,074
Pension deficit	239,657,607	31,045,000	208,612,607

The total overall statutory debt limit for the Borough is equal to seven times prior year annual receipts from taxation, \$559,201,083.

The indebtedness reflected above includes bonds outstanding in addition to the amount of bonds authorized and unissued against which bond anticipation notes are issued and outstanding.

4. Authorized/unissued bonds

The amount of authorized, unissued bonds for schools is as follows:

<u>Purpose of Bonds</u>	<u>Amount</u>
High school	<u>\$ 55,000,000</u>

The Borough has received \$37,987,540 in school construction grants reducing the amount of bonds issued for this project.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

H. Fund balances and restricted net position

Fund Balance Component	General	NHS Reconstruction and Renovation	Capital Nonrecurring	Other Governmental Funds	Total
Nonspendable:					
Trust fund principal	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
Restricted:					
Health and welfare:					
Community programs	-	-	-	779,252	779,252
Education:					
Food services program	-	-	-	927	927
School repairs and maintenance	-	-	-	239,713	239,713
Various education programs	-	-	-	517,698	517,698
Total restricted	-	-	-	1,537,590	1,537,590
Committed:					
Public safety programs	-	-	-	316,962	316,962
Community programs	-	-	-	143,661	143,661
Education and recreation programs	-	-	-	173,657	173,657
Construction and capital replacement	-	159,164	7,429,032	-	7,588,196
Total committed	-	159,164	7,429,032	634,280	8,222,476
Assigned:					
Subsequent year's budget	3,342,812	-	-	-	3,342,812
Youth services programs	-	-	-	314	314
School repairs and maintenance	-	-	-	134,613	134,613
Debt service	-	-	-	1,651,384	1,651,384
Total assigned	3,342,812	-	-	1,786,311	5,129,123
Unassigned:	12,695,355	-	-	-	12,695,355
Total	<u>\$16,038,167</u>	<u>\$ 159,164</u>	<u>\$ 7,429,032</u>	<u>\$ 3,959,181</u>	<u>\$27,585,544</u>

The amount of restricted net position, which was restricted by enabling legislation, totaled \$927.

Borough of Naugatuck, Connecticut**Notes to Financial Statements
As of and for the Year Ended June 30, 2020****IV. Other information****A. Risk management**

The Borough is exposed to various risks of loss related to public official liability, police liability, Board of Education legal liability, theft or impairment of assets, errors and omissions, injury to employees and natural disasters. The Borough purchases commercial insurance for risks of loss, including blanket and umbrella policies. Except for the purchase of commercial insurance coverage for all Borough buildings (flood, fire and casualty), errors and omissions, general liability, and workers' compensation excess policy with a retention limit of \$500,000 per incident, the Borough is exposed to various risks for which it has retained the risk of loss including torts; theft of, damage to and destruction of assets; natural disaster; workers' compensation; and employee and post-retiree group workers' compensation and dental coverage. Settled claims have not exceeded commercial coverage in any of the past three years, and there has not been any significant reductions in insurance coverage from amounts held in prior years.

The Borough utilizes risk management funds (the Internal Service Funds) to account for and finance its uninsured risks of loss for workers' compensation, dental claims and property deductible and insurance proceeds. The fund records all claim expenses and liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The Borough and Board of Education are charged premiums by the Internal Service Fund, which are included in expenditures, to cover the estimated cost of claims payment based on historical cost estimates of the amounts needed to pay prior and current year claims. Claims liabilities include an estimate of claims incurred but not reported and are the Borough's best estimate based on available information.

The claims liability reported in the Internal Service Fund is based on the requirements of GASB Statements No. 10 and 30, which require that a liability for estimated claims incurred but not reported be recorded. The amount of claim accrual is based on the ultimate costs of settling the claim, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claim accrual does not include other allocated or unallocated claims adjustment expenses.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Risk management (continued)

The following is a summary of changes in the claims liabilities:

	Claims Payable July 1	Current year Claims and Changes in Estimates	Claims Paid	Claims Payable June 30	Current Portion	Long-Term Portion
<u>Workers Compensation:</u>						
2018-2019	\$ 1,184,586	\$ 1,089,685	\$ 1,760,269	\$ 514,002	\$ 359,801	\$ 154,201
2019-2020	514,002	1,852,863	1,912,331	454,534	318,174	136,360
<u>Property Insurance:</u>						
2019-2020	-	15,767	15,767	-	-	-
<u>Dental insurance:</u>						
General government						
2018-2019	18,000	291,472	281,685	27,787	27,787	-
2019-2020	27,787	219,020	215,531	31,276	31,276	-
Education						
2018-2019	36,200	542,529	535,625	43,104	43,104	-
2019-2020	43,104	487,503	466,830	63,777	63,777	-
<u>Subtotal</u>						
2018-2019	54,200	834,001	817,310	70,891	70,891	-
2019-2020	70,891	706,523	682,361	95,053	95,053	-
<u>Totals</u>						
2018-2019	\$ 1,238,786	\$ 1,923,686	\$ 2,577,579	\$ 584,893	\$ 430,692	\$ 154,201
2019-2020	\$ 584,893	\$ 2,575,153	\$ 2,610,459	\$ 549,587	\$ 413,227	\$ 136,360

B. Commitments and litigation

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Borough expects such amounts, if any, to be immaterial.

The Borough is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable. In the opinion of the Borough attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Borough.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Contingencies*Coronavirus*

In March 2020, the United States declared the outbreak of Coronavirus a national emergency. Similarly, the Governor of the State of Connecticut declared a state of emergency and has since issued over 70 executive orders regarding the pandemic. One of the most significant executive orders required local governments to offer taxpayers/rate payers one or both of the following programs: interest rate reduction program and payment deferral program. The interest rate reduction program reduced the interest rate charged on delinquent taxes/user fees from 18% to 3% for the period April 1, 2020 through October 1, 2020. The payment deferral program also was effective April 1, 2020 for local governments with quarterly payments and July 1, 2020 for those with semi-annual payments. This program allowed taxpayers/rate payers to defer payment of amounts due without incurring any penalty interest until October 1, 2020. The Borough implemented the payment deferral program. The impact of this program on property tax and user fee revenues and delinquent interest collections was not significant during this period.

The state of emergency has had a negative impact on the Borough's economically sensitive revenues such as park and recreation program fees, interest earnings and certain other charges for services for the last quarter of the fiscal year and the impact continues into the 2021 fiscal year. On the expenditure side, expenditures for health and safety measures, including additional personnel costs, technology and supplies are expected to increase and may exceed adopted budgets. There continues to be uncertainty related to the duration, possible reemergence and future severity of the pandemic, as well as to what actions may be taken by the Federal government, the State of Connecticut and health care authorities to contain or mitigate its effects. This includes the nature and extent of any financial support.

The Borough is continuously monitoring its financial condition and will take proactive measures as necessary to maintain operations and meet its obligations. Given this level of uncertainty, management cannot reasonably estimate the complete impact on the Borough's future financial position at this time.

V. Pensions and other post-employment benefit ("OPEB") plans**A. Borough pension plans****1. Plan description****a. Plan administration**

The Borough administers two single-employer defined benefit plans: the Employee Pension Fund and the Firemen Pension Fund that provide pension benefits for eligible employees of the Borough. The pension plans grant the authority to establish and amend the benefit terms to the Board of Mayor and Burgesses. The plans are considered to be a part of the Borough's financial reporting entity and are included in the Borough's financial statements as a pension trust fund. The plans do not issue stand-alone financial statements.

Management of the plans is vested in the Pension Board, which consists of one member from the Board of Mayor and Burgesses, one member from the Board of Finance, one member from the Board of Education, and three electors from the Borough of Naugatuck. The Comptroller of the Borough and/or the Chief Personnel Officer shall be advisory members of the Pension Board, without vote.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Borough pension plans (continued)**b. Plan membership**

At July 1, 2018 for the Firemen plan and Employee plan, pension plan membership consisted of the following:

	<u>Firemen</u>	<u>Employee</u>
Retirees and beneficiaries receiving benefits	54	470
Inactive with vested benefits	1	65
Active plan members	<u>15</u>	<u>236</u>
Total	<u><u>70</u></u>	<u><u>771</u></u>

The plans were closed to employees hired after January 2010. At that time, employees became eligible for participation in one of the Borough's defined contribution plans.

2. Benefit provisions

Normal retirement	<p>Firemen: The earlier of age 55 with 10 years of service or 20 years of service</p> <p>Police: The earlier of age 55 with 10 years of service or 20 years of service</p> <p>All other employees: Age 60 with 15 years of service</p>
Benefit calculation	<p>Firemen: Maximum of 75% of the eligible participant's average gross pay earned by the participant in the three calendar years during which the participant earned his highest gross pay excluding private duty, uniform allowance, and tuition reimbursement. Overtime pay is included in the calculation of benefits, capped at 60%</p> <p>Police: Retirement benefits are paid based on a formula that combines age and years of service. The benefit is calculated based upon a percentage of the average three highest years gross pay up to a maximum of 75%. For Local 1303-50 and nonunion participants, the benefit is calculated based upon a percentage of average three highest years gross pay up to a maximum of 60%</p> <p>All other employees: Benefits are calculated based upon benefit percentages ranging from 1.66% to 1.75% times the number of years of service up to a maximum of 65% or 75% of final average earnings</p>

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Borough pension plans (continued)

Early retirement service requirement	<p>Firemen: All plan members with 10 or more years of service, who have contributed to the plan for 10 or more years, and became unable to perform the duties as a firefighter</p> <p>Police and all other employees: A member who terminates employment, and who does not elect a refund of his contributions with interest credited thereon, shall be vested in his accrued pension benefit payable at normal retirement date. A member who elects to refund contributions with interest credited shall forfeit all rights to benefits under the plan</p>
Early retirement amount	Firemen: 2% of the highest three year average salary multiplied by years of credited service
Service connected disability amount	<p>Firemen: 1/2 of the average monthly pay received during the three calendar years that they earned their highest gross pay</p> <p>Police and all other employees: 1/2 of the employee's covered earnings to a maximum of \$5,000 per month</p>
Vesting	10 years of continuous service
Pre-retirement and post-retirement death benefit amount	1/2 of the pension benefits that are being paid or would have been paid to the participant if he had retired in accordance with the terms of the pension fund
Cost of living increases	<p>Firemen: 1.125% to 2.25% annually</p> <p>Police: For officers retired after April 1992, the cost of living increase is based upon 25% of the active employee's increase in pay, with a maximum of 100% of final average earnings</p> <p>All other employees: Provided on an ad hoc basis by formal action of the Borough Retirement Board</p>

3. Contributions

	Firemen Plan	Employee Plan
Firemen	8.00%	N/A
Employees	N/A	3.00% - 4.00% based upon bargaining group
Police	N/A	8.00%
Average active member contribution	8.00% of the annual base compensation	5.00% of the annual base compensation
Average Borough contribution	55.37% of annual payroll	41.34% of annual payroll

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Borough pension plans (continued)**4. Investments****a. Investment policy**

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Borough's Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy:

Asset Class	Target Allocation	
	Firemen Plan	Employee Plan
Core fixed income	24.00%	26.00%
High yield fixed income	6.00%	6.50%
Domestic large cap	40.75%	39.00%
Domestic small cap	3.00%	3.00%
International equity	17.25%	16.50%
Emerging markets equity	4.00%	4.00%
Real estate	5.00%	5.00%
Total	<u>100.00%</u>	<u>100.00%</u>

b. Concentrations

There were no investments in any one organization that represents 5.00% or more of the pension plan's net position.

c. Rate of return

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

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Borough pension plans (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	Firemen Plan	Employee Plan
Core fixed income	1.60%	1.60%
High yield fixed income	3.00%	3.00%
Domestic large cap	5.00%	5.00%
Domestic small cap	5.55%	5.55%
International developed equity	5.35%	5.35%
Emerging markets equity	6.30%	6.30%
Real estate	3.95%	3.95%
Long-term inflation expectation	2.50%	2.50%

d. Annual money-weighted rate of return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows:

	<u>Firemen Plan</u>	<u>Employee Plan</u>
Rate of return	4.22%	4.53%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

5. Net pension liability

The components of the net pension liability were as follows:

	<u>Firemen Plan</u>	<u>Employee Plan</u>
Total pension liability	\$ 44,371,808	\$ 146,031,670
Plan fiduciary net position	<u>36,374,187</u>	<u>109,625,050</u>
Net pension liability	<u>\$ 7,997,621</u>	<u>\$ 36,406,620</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81.98%</u>	<u>75.07%</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Borough pension plans (continued)**6. Actuarial methods and significant assumptions**

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Firemen Plan	Employee Plan
Actuarial valuation date	July 1, 2018	July 1, 2018
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent	Level percent
Amortization period	15 years, closed	15 years, closed
Asset valuation method	5 year smoothed	5 year smoothed
Investment rate of return	7.125%	7.125%
Inflation	2.60%	2.60%
Salary increases	3.85%	3.60%
Cost of living adjustments	Plan A: 1.9250% Plan C: 0.9625%	0.90%
Mortality rates	RP-2014 adjusted to 2006 Blue Collar Mortality Table projected to valuation date with Scale MP-2018	RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2018

7. Changes from prior year**a. Changes in assumptions**

There were no changes in assumptions.

b. Changes in benefit terms

There were no changes in benefit terms.

8. Discount rate

The discount rate used to measure the total pension liability was 7.125% for the Firemen's plan and the Employee's plan. 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 Borough contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Borough pension plans (continued)**9. Changes in the net pension liability**

The Borough's net pension liability was measured at June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018 for the Firemen's pension plan and the Employee's plan. The changes in net pension liability for each plan for the fiscal year were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Firemen Plan			
Balance at July 1, 2019	<u>\$ 44,259,578</u>	<u>\$ 37,117,838</u>	<u>\$ 7,141,740</u>
Service cost	376,590	-	376,590
Interest	3,063,800	-	3,063,800
Contributions - employer	-	965,336	(965,336)
Contributions - member	-	98,041	(98,041)
Net investment income (loss)	-	1,533,098	(1,533,098)
Benefit payments, including refunds of member contributions	(3,328,160)	(3,328,160)	-
Administration expenses	<u>-</u>	<u>(11,966)</u>	<u>11,966</u>
Net change	<u>112,230</u>	<u>(743,651)</u>	<u>855,881</u>
Balance at June 30, 2020	<u><u>\$ 44,371,808</u></u>	<u><u>\$ 36,374,187</u></u>	<u><u>\$ 7,997,621</u></u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Borough pension plans (continued)

<u>Employee Plan</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability</u> <u>(a) - (b)</u>
Balance at July 1, 2019	<u>\$ 144,722,456</u>	<u>\$ 109,924,770</u>	<u>\$ 34,797,686</u>
Service cost	1,622,824	-	1,622,824
Interest	10,063,767	-	10,063,767
Contributions - employer	-	4,969,222	(4,969,222)
Contributions - member	-	281,078	(281,078)
Net investment income (loss)	-	4,869,849	(4,869,849)
Benefit payments, including refunds of member contributions	(10,377,377)	(10,377,377)	-
Administration expenses	<u>-</u>	<u>(42,492)</u>	<u>42,492</u>
Net change	<u>1,309,214</u>	<u>(299,720)</u>	<u>1,608,934</u>
Balance at June 30, 2020	<u><u>\$ 146,031,670</u></u>	<u><u>\$ 109,625,050</u></u>	<u><u>\$ 36,406,620</u></u>

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

The following presents the net pension liability, calculated using the discount rate as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>Net pension liability</u>	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Firemen	<u>\$ 13,022,514</u>	<u>\$ 7,997,621</u>	<u>\$ 3,790,137</u>
Employee	<u>\$ 52,887,495</u>	<u>\$ 36,406,620</u>	<u>\$ 22,623,324</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Borough pension plans (continued)**11. Pension expense and deferred outflows and inflows of resources related to pensions**

During the year, the Borough recognized pension expense of \$9,024,595. The Borough reported deferred outflows and inflows of resources related to pensions from the following sources:

Firemen Plan	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Description of Outflows/Inflows			
Differences between expected and actual experience	\$ 105,834	\$ -	\$ 105,834
Changes in assumptions	-	(9,361)	(9,361)
Net difference between projected and actual earnings on pension plan investments	580,775	-	580,775
Totals	<u>\$ 686,609</u>	<u>\$ (9,361)</u>	<u>\$ 677,248</u>

Employee Plan	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Description of Outflows/Inflows			
Differences between expected and actual experience	\$ 958,308	\$ (1,643,275)	\$ (684,967)
Changes in assumptions	1,719,995	-	1,719,995
Net difference between projected and actual earnings on pension plan investments	1,515,114	-	1,515,114
Totals	<u>\$ 4,193,417</u>	<u>\$ (1,643,275)</u>	<u>\$ 2,550,142</u>

Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive for each of the following plans:

Plan	Years
Firemen Plan	2.10
Employee Plan	2.90

Actual investment earnings below (or above) projected earnings are amortized over the next 5 years.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

A. Borough pension plans (continued)

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

	<u>Fireman Plan</u>	<u>Employee Plan</u>
2021	\$ (137,003)	\$ 431,679
2022	247,202	616,052
2023	360,683	946,256
2024	<u>206,366</u>	<u>556,155</u>
Total	<u>\$ 677,248</u>	<u>\$ 2,550,142</u>

B. Defined contribution pension plans

The Borough administers four separate single-employer defined contribution pension plans. The Board of Mayor and Burgesses has authority to establish and amend the plans. Employee contribution percentages are defined in the union contracts. For police and fire, employees are required to contribute a minimum of 3.75% of wages and the Borough contribution is a maximum of 3.75% of wages. For Plan A and Plan B, employees are required to contribute a minimum of 3% of wages and the Borough contribution is a maximum of 3% of wages. Pension expense and employee contributions made for the fiscal year are as follows:

<u>Plan</u>	<u>Pension Expense</u>	<u>Employee Contributions</u>
Police	\$ 250,461	\$ 329,897
Fire	129,724	203,834
Plan A	56,941	169,873
Plan B	<u>82,796</u>	<u>165,250</u>
Total	<u>\$ 519,922</u>	<u>\$ 868,854</u>

C. Connecticut state teachers' retirement system**1. Plan description**

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

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Connecticut state teachers' retirement system (continued)**2. Benefit provisions**

Normal retirement	Age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut
Benefit calculation	2.00% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary)
Early retirement	25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service
Early retirement amount	Benefit amounts are reduced by 6.00% per year for the first 5 years preceding normal retirement age and 4.00% per year for the next 5 years preceding the normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.00% per year by which retirement precedes normal retirement date
Service connected disability amount	2.00% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of social security benefits and workers' compensation cannot exceed 75% of annual average salary
Non-service connected disability service requirement	Five years of credited service
Vesting - service	10 years of service
Vesting - amount	100%
Pre-retirement death benefit amount	Lump-sum return of contributions with interest or surviving spouse benefit depending on length of service

3. Contributions**State of Connecticut**

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

Employer (school districts)

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

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Connecticut state teachers' retirement system (continued)**Employees**

Each teacher is required to contribute 7.00% of their salary for the pension benefit.

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

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

Borough's proportionate share of the net pension liability	\$ -
State's proportionate share of the net pension liability associated with the Borough	<u>122,944,478</u>
Total	<u>\$ 122,944,478</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Borough has no proportionate share of the net pension liability.

During the year the Borough recognized pension expense and revenue of \$9,306,242 for on-behalf amounts for contributions to the plan by the State.

5. Actuarial assumptions

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

Investment rate of return	6.90%
Inflation	2.50%
Salary increases	3.25-6.50%, including inflation
Mortality rates	Mortality rates were based on the RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Connecticut state teachers' retirement system (continued)

Future cost-of-living increases - For teachers who retired prior to September 1, 1992, pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3.00% and a maximum of 5.00% 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 6.00% per annum. If the return on assets in the previous year was less than 8.50%, the maximum increase is 1.50%. 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 5.00% per annum. If the return on assets in the previous year was less than 11.50%, the maximum increase is 3.00%, and if the return on the assets in the previous year was less than 8.50%, the maximum increase is 1.00%.

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

Changes in assumptions and inputs

- The inflation assumption was decreased from 2.75% to 2.50%.
- The investment rate of return was decreased from 8.00% to 6.90%.

Long-term expected rate of return

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public equity - US equity	20.00%	8.10%
Public equity - international developed equity	11.00%	8.50%
Public equity - emerging markets equity	9.00%	10.40%
Fixed income - core fixed income	16.00%	4.60%
Fixed income - inflation linked bonds	5.00%	3.60%
Fixed income - high yield	6.00%	6.50%
Fixed income - emerging market debt	5.00%	5.20%
Private equity	10.00%	9.80%
Real estate	10.00%	7.00%
Alternative investments - real assets	4.00%	8.20%
Alternative investments - hedge funds	3.00%	5.40%
Liquidity fund	1.00%	2.90%
Total	<u>100.0%</u>	

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

C. Connecticut state teachers' retirement system (continued)**6. Discount rate**

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

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

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

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' Retirement Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2019.

D. Total Pension Plans

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Firemen pension fund	\$ 7,997,621	\$ 686,609	\$ (9,361)	\$ 2,490,536
Employee pension fund	36,406,620	4,193,417	(1,643,275)	6,534,059
Total	<u>\$ 44,404,241</u>	<u>\$ 4,880,026</u>	<u>\$ (1,652,636)</u>	<u>\$ 9,024,595</u>

E. Other post-employment benefit ("OPEB") plan**1. Plan description****a. Plan administration**

The Borough administers one single-employer, post retirement healthcare plan for the Borough and Board of Education through the Borough of Naugatuck Other Post-Employment Benefit ("OPEB") trust fund. The plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. The plan does not issue stand alone financial reports.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

E. Other post-employment benefit plan (OPEB) (continued)**b. Plan membership**

As of July 1, 2018, the following employees are covered by the benefit terms:

Retirees and beneficiaries receiving benefits	907
Active members	<u>681</u>
Total	<u><u>1,588</u></u>

2. Benefit provisions

The Borough plan provides for medical and dental benefits for all eligible retirees and their spouses. Benefits and contributions are established by contract and may be amended by union negotiations. Benefits are provided by a third party insurer and the full cost of benefits is covered by the plan.

3. Contributions

The Borough's contributions are actuarially determined on an annual basis using the projected unit credit method. The Borough's total contribution to the plan was \$7,858,105. There are no required employee contributions.

4. Investments**a. Investment Policy**

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board by a majority vote of its members. It is the policy of the Borough's Retirement Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy for the OPEB plan:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. large cap	25.00%
International developed equity	20.00%
Emerging markets equity	5.00%
U.S. small cap	5.00%
U.S. core fixed income	35.00%
Short duration fixed income	5.00%
REITs	<u>5.00%</u>
Total	<u><u>100.00%</u></u>

b. Concentrations

There were no investments in any one organization that represents 5.00% or more of the OPEB plan's net position.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

E. Other post-employment benefit plan (OPEB) (continued)**c. Rate of return**

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation (see the discussion of the OPEB plan's investment policy) are as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. large cap	4.50%
International developed equity	5.25%
Emerging markets equity	6.25%
U.S. small cap	5.00%
U.S. core fixed income	2.25%
Short duration fixed income	0.25%
REITs	4.50%
 Inflation rate	 2.60%

d. Annual money-weighted rate of return

The annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 4.86% for the Borough OPEB Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

5. Net OPEB Liability

The Borough's net OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2018.

Total OPEB liability	\$ 238,198,482
Plan fiduciary net position	<u>10,480,115</u>
Net OPEB liability	<u>\$ 227,718,367</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>4.40%</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

E. Other post-employment benefit plan (OPEB) (continued)**6. Actuarial methods and significant assumptions**

The net OPEB liability was determined based upon the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2018
Actuarial cost method	Entry age normal
Investment rate of return	3.14%
Salary increases	3.60%
Inflation	2.60%
Healthcare cost trend rates:	
Initial medical trend rate	6.50%
Ultimate medical trend rate	4.60%
Mortality rates	RP-2014 Adjusted to 2006 Total Dataset Mortality projected to valuation date with Scale MP-2019

A blended discount rate was used to discount liabilities. The discount rate used for the unfunded portion is based on the Bond Buyer GO municipal bond 20 year AA index as of June 30, 2020 of 3.14%.

7. Changes from prior year**a. Change in assumptions**

The Borough's plan had the following changes in assumptions:

- The discount rate was decreased from 4.69% to 3.14%.

b. Change in benefit terms

There were no changes in benefit terms.

8. Discount rate

The discount rate used to measure the total OPEB liability was 3.14% for the OPEB plan. 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 Borough contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

E. Other post-employment benefit plan (OPEB) (continued)**9. Changes in the net OPEB liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2019	\$ 187,268,830	\$ 9,862,740	\$ 177,406,090
Service cost	3,372,902	-	3,372,902
Interest	8,762,993	-	8,762,993
Differences between expected and actual experience	(696,749)	-	(696,749)
Changes in assumptions	47,173,611	-	47,173,611
Contributions - employer	-	7,858,105	(7,858,105)
Net investment income	-	479,114	(479,114)
Benefit payments, including refunds of member contributions	(7,683,105)	(7,683,105)	-
Administration expenses	-	(36,739)	36,739
Net change	50,929,652	617,375	50,312,277
Balance at June 30, 2020	<u>\$ 238,198,482</u>	<u>\$ 10,480,115</u>	<u>\$ 227,718,367</u>

10. Sensitivity of the net OPEB liability to changes in the discount rate

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

Discount Rate	1% Decrease	Discount Rate	1% Increase
Borough Employees' OPEB Plan	<u>\$ 268,456,337</u>	<u>\$ 227,718,367</u>	<u>\$ 195,461,345</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

E. Other post-employment benefit plan (OPEB) (continued)**11. Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate**

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current trend rates:

Health Care Trend Rate	1% Decrease	Current Trend Rate	1% Increase
Borough Employees' OPEB Plan	\$ 190,609,561	\$ 227,718,367	\$ 275,518,550

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

For the fiscal year the Borough recognized OPEB expense of \$3,183,947. The Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Differences between expected and actual experience	\$ 252,872	\$ (2,231,193)	\$ (1,978,321)
Changes in assumptions	40,336,856	(25,776,974)	14,559,882
Net difference between projected and actual earnings on OPEB plan investments	-	(265,728)	(265,728)
Total	\$ 40,589,728	\$ (28,273,895)	\$ 12,315,833

Changes in assumptions and differences between expected and actual experience are amortized over 6.9 years. Actual investment earnings below (or above) projected earnings are amortized over 5 years.

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

Year Ending June 30,	
2021	\$ 713,135
2022	808,807
2023	839,585
2024	872,193
2025	3,293,272
Thereafter	5,788,841
Total	\$ 12,315,833

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

F. Connecticut state teachers' retirement board retiree health insurance plan**1. Plan description**

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

2. Benefit provisions

The Plan provides for retiree health insurance benefits. Eligibility is as follows:

Normal retirement	Age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut
Early retirement	25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service
Service connected disability service requirement	No service requirement
Non-service connected disability service requirement	Five years of credited service
Vesting - service	10 years of service

Retiree health care coverage

Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Plan. There are two types of the health care benefits offered through the system. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

F. Connecticut state teachers' retirement board retiree health insurance plan (continued)

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

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

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

Those participants electing vision, hearing, and/or dental are required by the System's funding policy to pay the full cost of coverage for these benefits, and no liability is assumed by the Plan for these benefits.

Survivor health care coverage

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

3. Contributions**State of Connecticut**

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

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

F. Connecticut state teachers' retirement board retiree health insurance plan (continued)**Employer (school districts)**

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

Employees

Each member is required to contribute 1.25% of their annual salary.

4. OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

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

Borough's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Borough	<u>19,173,885</u>
Total	<u>\$ 19,173,885</u>

The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The Borough has no proportionate share of the net OPEB liability.

The Borough recognized OPEB expense and revenue of \$254,347 for on-behalf amounts for contributions to the plan by the State.

5. Actuarial assumptions

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

Investment rate of return	3.00%
Inflation	2.50%
Health care cost trend rate	
Pre-Medicare	5.95% decreasing to 4.75% by 2025
Medicare	5.00% decreasing to 4.75% by 2028
Salary increases	3.25-6.50%, including inflation
Mortality rates	Mortality rates were based on the RP-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale
Year fund net position will be depleted	2020

Borough of Naugatuck, Connecticut

**Notes to Financial Statements
As of and for the Year Ended June 30, 2020****F. Connecticut state teachers' retirement board retiree health insurance plan (continued)**

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

Changes in assumptions and inputs

- The discount rate was decreased from 3.87% to 3.50% to reflect the change in the Municipal Bond Index rate.

Additionally, 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. Further, the expected rate of inflation was decreased and the Real Wage Growth assumption was increased.

Long-term expected rate of return

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

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

6. Discount rate

The discount rate used to measure the total OPEB liability was 3.50%. The Municipal Bond Index Rate was used in the determination in the discount rate. 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 no future employer contributions were assumed to be made.

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

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

8. Plan fiduciary net position

Detailed information about the Connecticut State Teachers' OPEB Plan fiduciary net position is available in the separately issued State of Connecticut Comprehensive Annual Financial Report as of and for the year ended June 30, 2019.

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Pension and other post-employment benefit plan statements

Pension and OPEB Trust Funds
Combining Statement of Fiduciary Net Position
June 30, 2020

	<u>Firemen Pension Fund</u>	<u>Employee Pension Fund</u>	<u>OPEB Trust Fund</u>	<u>Total</u>
<u>Assets</u>				
Investments at fair value:				
Mutual funds:				
Equity	\$ 26,126,418	\$ 77,368,645	\$ 6,947,303	\$ 110,442,366
Bonds	9,839,979	30,767,477	4,403,802	45,011,258
Money market	376,746	160,629	26,231	563,606
	<u>36,343,143</u>	<u>108,296,751</u>	<u>11,377,336</u>	<u>156,017,230</u>
Total investments	36,343,143	108,296,751	11,377,336	156,017,230
Due from other funds	<u>31,044</u>	<u>1,328,299</u>	<u>150,000</u>	<u>1,509,343</u>
Total assets	<u>36,374,187</u>	<u>109,625,050</u>	<u>11,527,336</u>	<u>157,526,573</u>
<u>Liability</u>				
Due to other funds	<u>-</u>	<u>-</u>	<u>1,047,221</u>	<u>1,047,221</u>
<u>Net Position</u>				
Restricted for:				
Pension benefits	36,374,187	109,625,050	-	145,999,237
OPEB benefits	<u>-</u>	<u>-</u>	<u>10,480,115</u>	<u>10,480,115</u>
Total net position	<u>\$ 36,374,187</u>	<u>\$ 109,625,050</u>	<u>\$ 10,480,115</u>	<u>\$ 156,479,352</u>

Borough of Naugatuck, Connecticut

Notes to Financial Statements
As of and for the Year Ended June 30, 2020

G. Pension and other post-employment benefit plan statements (continued)

Pension and OPEB Trust Funds
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2020

	Firemen Pension Fund	Employee Pension Fund	OPEB Trust Fund	Total
Additions:				
Contributions:				
Employer	\$ 965,336	\$ 4,969,222	\$ 7,858,105	\$ 13,792,663
Plan members	98,041	281,078	-	379,119
Total contributions	1,063,377	5,250,300	7,858,105	14,171,782
Investment income (loss):				
Change in fair value of investments	633,496	2,166,742	213,281	3,013,519
Interest and dividends	925,755	2,779,772	265,833	3,971,360
Total investment income (loss)	1,559,251	4,946,514	479,114	6,984,879
Less investment expenses	26,153	76,665	-	102,818
Net investment income (loss)	1,533,098	4,869,849	479,114	6,882,061
Total additions	2,596,475	10,120,149	8,337,219	21,053,843
Deductions:				
Benefits	3,328,160	10,377,377	7,683,105	21,388,642
Administration	11,966	42,492	36,739	91,197
Total deductions	3,340,126	10,419,869	7,719,844	21,479,839
Changes in net position	(743,651)	(299,720)	617,375	(425,996)
Net position - July 1, 2019	37,117,838	109,924,770	9,862,740	156,905,348
Net position - June 30, 2020	<u>\$ 36,374,187</u>	<u>\$ 109,625,050</u>	<u>\$ 10,480,115</u>	<u>\$ 156,479,352</u>

VI. Fund reclassifications

The nonmajor Town Aid Road fund has been reclassified to the Capital and Nonrecurring fund. As a result, the Capital and Nonrecurring fund fund balance has increased and the other governmental funds fund balance decreased by \$40,311.

Required Supplementary Information

Type	Description
Budgetary	Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund
	Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund
	Notes to Required Supplementary Information - Budgets and Budgetary Accounting
<u>Pension Plans</u> Firemen Pension Fund Employee Pension Fund Connecticut State Teachers' Retirement System	Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Investment Returns
	Schedule of Proportionate Share of the Net Pension Liability
	Schedule of Contributions
	Notes to Required Supplementary Information
<u>Other Post-Employment Benefits Plans</u> Borough State Teachers' Retirement Board Retiree Health Insurance Plan	Schedule of Changes in Net OPEB Liability and Related Ratios and Schedule of Investment Returns
	Schedule of Proportionate Share of the Net OPEB Liability
	Schedule of Contributions
	Notes to Required Supplementary Information

Borough of Naugatuck, Connecticut
Required Supplementary Information
General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
For The Year Ended June 30, 2020

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Property taxes:					
Taxes	\$ 70,203,963	\$ -	\$ 70,203,963	\$ 70,195,597	\$ (8,366)
Taxes new construction	60,000	-	60,000	-	(60,000)
Prior year taxes	2,200,000	-	2,200,000	2,635,212	435,212
Interest and lien fees	1,025,000	-	1,025,000	1,488,604	463,604
Motor vehicle tax	8,739,604	-	8,739,604	8,020,423	(719,181)
In lieu of taxes - Housing Authority	92,000	-	92,000	84,930	(7,070)
Telephone access grant	60,000	-	60,000	46,423	(13,577)
Total property taxes	82,380,567	-	82,380,567	82,471,189	90,622
Intergovernmental revenues:					
Borough:					
LOCIP	252,846	-	252,846	252,846	-
Superior court distribution	21,200	(9,200)	12,000	4,138	(7,862)
PILOT - State owned property	46,475	-	46,475	46,475	-
CARES act unemployment insurance	-	-	-	26,796	26,796
Distressed municipalities	-	-	-	26,998	26,998
Municipal revenue sharing	341,656	-	341,656	341,656	-
Municipal transition	737,984	-	737,984	737,984	-
Municipal stabilization grant	283,399	-	283,399	283,399	-
Miscellaneous state grants	-	-	-	136,481	136,481
Pequot grant	147,899	-	147,899	147,899	-
Social security disability	-	-	-	15,381	15,381
Veterans exemption	-	-	-	35,264	35,264
Total Borough	1,831,459	(9,200)	1,822,259	2,055,317	233,058
Education:					
Education cost sharing	29,211,400	-	29,211,400	29,168,213	(43,187)
Total intergovernmental revenues	31,042,859	(9,200)	31,033,659	31,223,530	189,871
Charges for services:					
Assessor's copies	700	-	700	658	(42)
Fire miscellaneous	500	-	500	180	(320)
Probate court	-	9,200	9,200	8,958	(242)
Permits & licenses	2,500	-	2,500	16,855	14,355
Zoning hearing costs	21,000	-	21,000	27,858	6,858
Other costs - Borough clerk	100	-	100	63	(37)
Recording fees	140,000	-	140,000	136,268	(3,732)
Conveyance tax	185,000	-	185,000	273,484	88,484
Vital statistics	30,000	-	30,000	34,273	4,273
Dog licenses	750	-	750	704	(46)
Miscellaneous - Borough clerk	32,000	-	32,000	6,342	(25,658)
Building, plumbing and electrical	325,000	-	325,000	322,873	(2,127)
Parking fines	4,000	-	4,000	5,935	1,935
Sewer connections	9,000	-	9,000	30	(8,970)
Miscellaneous - police	30,000	-	30,000	62,967	32,967
Golf course fees	475,000	-	475,000	429,458	(45,542)
Rental club house	32,100	-	32,100	32,100	-
Tuition other schools	40,000	-	40,000	-	(40,000)

(Continued)

Borough of Naugatuck, Connecticut

Required Supplementary Information

General Fund
Schedule of Revenues and Other Financing Sources -
Budget and Actual
For The Year Ended June 30, 2020

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Charges for services: (continued)					
Interest and lien fees	\$ 2,000	\$ -	\$ 2,000	\$ 4,942	\$ 2,942
Rent - conrad street water tank	24,200	-	24,200	26,136	1,936
Tipping fees	-	-	-	5,012	5,012
Oxford connection	450,000	-	450,000	450,000	-
Rent - cell tower	50,000	-	50,000	27,223	(22,777)
Hopkins park	80	-	80	80	-
Beacon falls / beacon hills east	66,000	-	66,000	71,318	5,318
Prospect connection	9,600	-	9,600	9,625	25
Veolia contract monitoring payment	90,000	-	90,000	89,940	(60)
Veolia base rent element 1	2,307,288	-	2,307,288	2,406,096	98,808
Middlebury connection - contract	314,000	-	314,000	413,403	99,403
Veolia base element 2	1,099,080	-	1,099,080	1,099,348	268
Veolia settlement	500,000	-	500,000	500,000	-
Bulk trash fees	55,000	-	55,000	113,326	58,326
Event center-6 rubber ave	300,000	-	300,000	19,191	(280,809)
Total charges for services	6,594,898	9,200	6,604,098	6,594,646	(9,452)
Income from investments	500,000	-	500,000	669,383	169,383
Other:					
Miscellaneous revenue	118,000	-	118,000	479,729	361,729
Clean water fund bond	3,000	-	3,000	-	(3,000)
Other	121,000	-	121,000	479,729	358,729
Total revenues	120,639,324	-	120,639,324	121,438,477	799,153
Other financing sources:					
Appropriation of fund balance	4,242,070	-	4,242,070	-	(4,242,070)
Sale of capital assets	300,000	-	300,000	76,055	(223,945)
Total other financing sources	4,542,070	-	4,542,070	76,055	(4,466,015)
Total revenues and other financing sources	\$ 125,181,394	\$ -	\$ 125,181,394	\$ 121,514,532	\$ (3,666,862)

(Concluded)

Borough of Naugatuck, Connecticut

Required Supplementary Information

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
For The Year Ended June 30, 2020

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
General government:					
General administration	\$ 273,590	\$ -	\$ 273,590	\$ 271,813	\$ 1,777
Town hall building	126,488	-	126,488	125,818	670
Town wide activity	2,129,767	-	2,129,767	2,053,707	76,060
Department of finance	584,518	-	584,518	583,245	1,273
Probate court	21,795	-	21,795	11,591	10,204
Elections	114,674	-	114,674	69,394	45,280
Tax department	252,109	-	252,109	227,279	24,830
Property assessment	290,750	-	290,750	275,874	14,876
Building inspector	229,118	-	229,118	228,144	974
Information technology	597,528	-	597,528	567,402	30,126
Town clerk	185,344	-	185,344	177,613	7,731
Naugatuck economic development	92,000	-	92,000	92,000	-
Land use	151,760	-	151,760	145,634	6,126
Legal department	315,000	(20,034)	294,966	291,509	3,457
Estimated wage increase	282,003	-	282,003	275,482	6,521
Human resources	97,310	20,034	117,344	115,280	2,064
Total general government	5,743,754	-	5,743,754	5,511,785	231,969
Public safety:					
Police department	7,033,107	-	7,033,107	6,971,923	61,184
Fire department	4,366,261	(1,013)	4,365,248	4,246,139	119,109
Animal control	107,854	-	107,854	76,520	31,334
Emergency management	24,351	-	24,351	22,758	1,593
Eastside fire station	6,900	1,013	7,913	7,271	642
Safety patrol	2,000	-	2,000	1,742	258
Fire police	1,000	-	1,000	977	23
Total public safety	11,541,473	-	11,541,473	11,327,330	214,143
Public works:					
Operation and maintenance	5,379,169	-	5,379,169	5,106,995	272,174
Engineering department	310,284	-	310,284	289,341	20,943
Water Pollution Control Board	4,889,553	-	4,889,553	4,515,735	373,818
Total public works	10,579,006	-	10,579,006	9,912,071	666,935
Health and welfare:					
Social services	30,000	-	30,000	30,000	-
Youth services	29,609	-	29,609	28,125	1,484
Community service	1,277,456	-	1,277,456	1,241,133	36,323
Senior citizens	81,798	-	81,798	81,458	340
Total health and welfare	1,418,863	-	1,418,863	1,380,716	38,147
Nondepartmental:					
Pension	5,314,499	236,336	5,550,835	5,500,604	50,231
Insurance	11,629,878	(367,491)	11,262,387	9,855,445	1,406,942
General	100,500	-	100,500	85,000	15,500
Contingency	800,000	-	800,000	-	800,000
Total nondepartmental	17,844,877	(131,155)	17,713,722	15,441,049	2,272,673

(Continued)

Borough of Naugatuck, Connecticut

Required Supplementary Information

General Fund
Schedule of Expenditures and Other Financing Uses -
Budget and Actual
For The Year Ended June 30, 2020

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance With Final Budget
Education	\$ 62,200,000	\$ -	\$ 62,200,000	\$ 61,759,947	\$ 440,053
Debt service:					
Bond redemption	3,119,416	3	3,119,419	3,119,419	-
Water Pollution Control Board	2,051,916	(10,652)	2,041,264	2,027,500	13,764
Pension obligation bonds	3,484,192	-	3,484,192	3,484,191	1
Interest on bonds	1,528,377	86,452	1,614,829	1,614,829	-
Miscellaneous borrowing cost	20,000	10,649	30,649	30,649	-
Equipment financing notes	3,031,114	44,703	3,075,817	3,075,817	-
Total debt service	13,235,015	131,155	13,366,170	13,352,405	13,765
Total expenditures	122,562,988	-	122,562,988	118,685,303	3,877,685
Other financing uses:					
Transfers out:					
Capital nonrecurring fund	2,618,406	-	2,618,406	2,618,406	-
Total expenditures and other financing uses	\$ 125,181,394	\$ -	\$ 125,181,394	\$ 121,303,709	\$ 3,877,685

(Concluded)

Borough of Naugatuck, Connecticut

Notes to Required Supplementary Information
For The Year Ended June 30, 2020

Budgets and Budgetary Accounting

The Borough adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. The operating budget, which is prepared by function and department, includes proposed expenditures and the means of financing them.

The budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exception:

- The Borough does not recognize as revenue or expenditures payments made for the State Teachers' pension OPEB by the State of Connecticut on the Borough's behalf.

Reconciliation to Exhibit D

	<u>Revenues</u>	<u>Expenditures</u>
Budgetary Basis - RSI-1	\$ 121,438,477	\$ 118,685,303
State Teachers' pension on behalf amount	9,306,242	9,306,242
State Teachers' OPEB on behalf amount	<u>254,347</u>	<u>254,347</u>
GAAP Basis - Exhibit D	<u>\$ 130,999,066</u>	<u>\$ 128,245,892</u>

Formal budgetary integration is employed as a management control device during the year.

Not later than 15 days before the end of the fiscal period, the Board of Finance and Board of Mayor and Burgesses hold a public hearing on the proposed operating budget.

Not later than 5 days following the public hearing at a joint meeting of the Board of Finance and Board of Mayor and Burgesses, the adjusted budget is legally adopted.

The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.

The Board of Finance is authorized to transfer budgeted amounts within departments.

The Board of Finance is also authorized to approve additional appropriations up to \$2,000. Amounts over \$2,000 must be approved jointly by the Board of Finance and Board of Mayor and Burgesses with a 2/3 vote.

There were no additional appropriations approved during the fiscal year.

The Board of Education is authorized under state law to make any transfers required within their budget at their discretion. Additionally, as required by the charter, these transfers must be reported to the Board of Mayor and Burgesses. Any additional appropriations must have Board of Education and Board of Mayor and Burgesses approval.

Borough of Naugatuck, Connecticut
Required Supplementary Information

Firemen Pension Fund
Last Seven Years (1)

	2020	2019	2018	2017	2016	2015	2014
<u>Schedule of Changes in Net Pension Liability and Related Ratios</u>							
Total pension liability:							
Service cost	\$ 376,590	\$ 528,500	\$ 549,640	\$ 859,601	\$ 781,284	\$ 702,150	\$ 671,914
Interest	3,063,800	2,961,057	2,929,430	2,900,555	2,820,903	2,633,972	2,514,224
Differences between expected and actual experience	-	2,222,514	-	(154,462)	-	909,390	-
Changes in assumptions	-	(196,569)	-	1,234,487	1,049,215	1,220,757	-
Benefit payments, including refunds of member contributions	(3,328,160)	(3,085,207)	(2,960,352)	(2,640,423)	(2,273,689)	(1,875,261)	(1,569,689)
Net change in total pension liability	112,230	2,430,295	518,718	2,199,758	2,377,713	3,591,008	1,616,449
Total pension liability - July 1	44,259,578	41,829,283	41,310,565	39,110,807	36,733,094	33,142,086	31,525,637
Total pension liability - June 30 (a)	<u>\$44,371,808</u>	<u>\$44,259,578</u>	<u>\$41,829,283</u>	<u>\$41,310,565</u>	<u>\$39,110,807</u>	<u>\$36,733,094</u>	<u>\$33,142,086</u>
Plan fiduciary net position:							
Contributions - employer	\$ 965,336	\$ 878,174	\$ 952,351	\$ 1,036,600	\$ 1,024,100	\$ 988,400	\$ 1,065,039
Contributions - member	98,041	118,003	125,554	178,934	224,909	253,109	190,130
Net investment income (loss)	1,533,098	1,881,232	3,118,524	4,799,970	(980,071)	980,242	5,512,663
Benefit payments, including refunds of member contributions	(3,328,160)	(3,085,207)	(2,960,352)	(2,640,423)	(2,273,689)	(1,875,261)	(1,569,689)
Administration expenses	(11,966)	(30,876)	(32,629)	(4,090)	(12,718)	(13,235)	(12,375)
Net change in plan fiduciary net position	(743,651)	(238,674)	1,203,448	3,370,991	(2,017,469)	333,255	5,185,768
Plan fiduciary net position - July 1	37,117,838	37,356,512	36,153,064	32,782,073	34,799,542	34,466,287	29,280,519
Plan fiduciary net position - June 30 (b)	<u>\$36,374,187</u>	<u>\$37,117,838</u>	<u>\$37,356,512</u>	<u>\$36,153,064</u>	<u>\$32,782,073</u>	<u>\$34,799,542</u>	<u>\$34,466,287</u>
Net pension liability (asset) - June 30 (a)-(b)	<u>\$ 7,997,621</u>	<u>\$ 7,141,740</u>	<u>\$ 4,472,771</u>	<u>\$ 5,157,501</u>	<u>\$ 6,328,734</u>	<u>\$ 1,933,552</u>	<u>\$ (1,324,201)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81.98%</u>	<u>83.86%</u>	<u>89.31%</u>	<u>87.52%</u>	<u>83.82%</u>	<u>94.74%</u>	<u>104.00%</u>
Covered payroll	<u>\$ 1,743,288</u>	<u>\$ 1,678,659</u>	<u>\$ 2,379,853</u>	<u>\$ 2,288,320</u>	<u>\$ 3,635,130</u>	<u>\$ 3,478,593</u>	<u>\$ 3,544,134</u>
Net pension liability as a percentage of covered payroll	<u>458.77%</u>	<u>425.44%</u>	<u>187.94%</u>	<u>225.38%</u>	<u>174.10%</u>	<u>55.58%</u>	<u>(37.36%)</u>
<u>Schedule of Investment Returns</u>							
Annual money weighted rate of return, net of investment expense	<u>4.22%</u>	<u>5.11%</u>	<u>8.80%</u>	<u>14.81%</u>	<u>(2.83%)</u>	<u>2.86%</u>	<u>18.80%</u>

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

Borough of Naugatuck, Connecticut
Required Supplementary Information

Firemen Pension Fund
Schedule of Contributions
Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions	\$ 965,336	\$ 878,174	\$ 878,174	\$ 922,351	\$ 1,016,600	\$ 925,647	\$ 968,400	\$ 875,900	\$ 655,600	\$ 565,951
Contributions in relation to the actuarially determined contribution	965,336	878,174	952,351	1,036,600	1,024,100	988,400	1,065,039	785,600	738,220	855,900
Contribution excess (deficiency)	\$ -	\$ -	\$ 74,177	\$ 114,249	\$ 7,500	\$ 62,753	\$ 96,639	\$ (90,300)	\$ 82,620	\$ 289,949
Covered payroll	\$ 1,743,288	\$ 1,678,659	\$ 2,379,853	\$ 2,288,320	\$ 3,635,130	\$ 3,478,593	\$ 3,544,134	\$ 3,391,516	\$ 3,245,470	N/A
Contributions as a percentage of covered payroll	55.37%	52.31%	40.02%	45.30%	28.17%	28.41%	30.05%	23.16%	22.75%	N/A

N/A - Not available

Borough of Naugatuck, Connecticut
Notes to Required Supplementary Information

Firemen Pension Fund
Schedule of Contributions
Last Seven Years (1)

	2020	2019	2018	2017	2016	2015	2014
Changes of Benefit Terms	None	None	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	July 1, 2018	July 1, 2017	July 1, 2016	July 1, 2016	July 1, 2014	July 1, 2014	July 1, 2013
Actuarial methods and assumptions used to determine contribution rates:							
Actuarial Cost Method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization Method	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Asset Valuation Method	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing
Inflation	2.60%	2.75%	2.75%	2.75%	3.00%	3.00%	2.25%
Salary Increases	3.85%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.50%, average, including inflation	4.50%, average, including inflation
Investment Rate of Return (net)	7.125%	7.25%	7.25%	7.25%	7.50%	7.75%	8.00%
Mortality Rate	RP-2014 adjusted to 2006 Blue Collar Mortality Table	RP-2000 projected with Scale BB	RP-2000 projected with Scale BB	RP-2000 projected with Scale BB	RP-2000 projected with Scale AA	RP-2000 projected with Scale AA	RP-2000 projected with Scale AA

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

Borough of Naugatuck, Connecticut
Required Supplementary Information

Employee Pension Fund
Last Seven Years (1)

	2020	2019	2018	2017	2016	2015	2014
<u>Schedule of Changes in Net Pension Liability and Related Ratios</u>							
Total pension liability:							
Service cost	\$ 1,622,824	\$ 1,904,078	\$ 2,523,889	\$ 2,426,816	\$ 2,204,399	\$ 2,201,496	\$ 2,127,000
Interest	10,063,767	9,806,366	10,144,867	9,911,060	9,654,950	9,158,335	8,834,440
Changes in benefit terms	-	-	-	-	-	2,267,177	-
Differences between expected and actual experience	-	3,087,882	(9,859,657)	-	-	2,451,313	-
Changes in assumptions	-	1,594,447	7,351,004	-	3,458,280	2,608,643	-
Benefit payments, including refunds of member contributions	(10,377,377)	(9,880,040)	(9,216,140)	(8,589,383)	(8,198,938)	(7,929,977)	(7,109,921)
Net change in total pension liability	1,309,214	6,512,733	943,963	3,748,493	7,118,691	10,756,987	3,851,519
Total pension liability - July 1	144,722,456	138,209,723	137,265,760	133,517,267	126,398,576	115,641,589	111,790,070
Total pension liability - June 30 (a)	\$ 146,031,670	\$ 144,722,456	\$ 138,209,723	\$ 137,265,760	\$ 133,517,267	\$ 126,398,576	\$ 115,641,589
Plan fiduciary net position:							
Contributions - employer	\$ 4,969,222	\$ 4,477,400	\$ 5,155,791	\$ 3,516,640	\$ 4,177,500	\$ 4,557,044	\$ 4,616,760
Contributions - member	281,078	565,678	727,234	663,530	680,554	672,250	646,463
Net investment income (loss)	4,869,849	5,774,561	8,526,731	14,079,745	(2,360,461)	2,721,009	15,323,438
Benefit payments, including refunds of member contributions	(10,377,377)	(9,880,040)	(9,216,140)	(8,589,383)	(8,198,938)	(7,929,977)	(7,190,247)
Administration expenses	(42,492)	(36,101)	(42,926)	(44,775)	(40,035)	(40,939)	(53,218)
Net change in plan fiduciary net position	(299,720)	901,498	5,150,690	9,625,757	(5,741,380)	(20,613)	13,343,196
Plan fiduciary net position - July 1	109,924,770	109,023,272	103,872,582	94,246,825	99,988,205	100,008,818	86,665,622
Plan fiduciary net position - June 30 (b)	\$ 109,625,050	\$ 109,924,770	\$ 109,023,272	\$ 103,872,582	\$ 94,246,825	\$ 99,988,205	\$ 100,008,818
Net pension liability - June 30 (a)-(b)	\$ 36,406,620	\$ 34,797,686	\$ 29,186,451	\$ 33,393,178	\$ 39,270,442	\$ 26,410,371	\$ 15,632,771
Plan fiduciary net position as a percentage of the total pension liability	75.07%	75.96%	78.88%	75.67%	70.59%	79.11%	86.48%
Covered payroll	\$ 12,021,733	\$ 11,603,989	\$ 18,862,747	\$ 18,137,256	\$ 17,439,670	\$ 16,768,913	\$ 18,579,111
Net pension liability as a percentage of covered payroll	302.84%	299.88%	154.73%	184.11%	225.18%	157.50%	84.14%
<u>Schedule of Investment Returns</u>							
Annual money weighted rate of return, net of investment expense	4.53%	5.39%	9.10%	14.02%	(2.38%)	2.74%	17.79%

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

Borough of Naugatuck, Connecticut
Required Supplementary Information

Employee Pension Fund
Schedule of Contributions
Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions	\$ 4,735,000	\$ 4,477,400	\$ 4,523,400	\$ 4,607,900	\$ 4,524,800	\$ 4,304,743	\$ 4,094,700	\$ 3,936,044	\$ 3,424,600	\$ 3,009,841
Contributions in relation to the actuarially determined contribution	4,969,222	4,477,400	5,155,791	3,516,640	4,177,500	4,557,044	4,616,760	4,477,275	3,503,091	3,100,136
Contribution excess (deficiency)	\$ 234,222	\$ -	\$ 632,391	\$ (1,091,260)	\$ (347,300)	\$ 252,301	\$ 522,060	\$ 541,231	\$ 78,491	\$ 90,295
Covered payroll	\$ 12,021,733	\$ 11,603,989	\$ 18,862,747	\$ 18,137,256	\$ 17,439,670	\$ 16,768,913	\$ 18,579,111	\$ 17,779,053	\$ 17,013,448	N/A
Contributions as a percentage of covered payroll	41.34%	38.59%	27.33%	19.39%	23.95%	27.18%	24.85%	25.18%	20.59%	N/A

N/A - Not available

Borough of Naugatuck, Connecticut
Notes to Required Supplementary Information

Employee Pension Fund
Schedule of Contributions
Last Seven Years (1)

	2020	2019	2018	2017	2016	2015	2014
Changes of Benefit Terms	None	None	None	None	None	Benefit calculation changed from last three years gross pay to highest three years gross pay. In addition, benefit formula changed to 70% times final average earnings (FAE) plus 1% for years in excess of 20 years	None
The actuarially determined contribution rates are calculated as of	July 1, 2018	July 1, 2017	July 1, 2016	July 1, 2015	July 1, 2014	July 1, 2014	July 1, 2012

Actuarial methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization Method	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar	Level dollar
Asset Valuation Method	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing
Inflation	2.60%	2.75%	2.75%	3.00%	3.00%	3.00%	2.25%
Salary Increases	3.60%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.00%, average, including inflation	4.50%, average, including inflation
Investment Rate of Return (net)	7.125%	7.25%	7.25%	7.25%	7.50%	7.75%	8.00%
Mortality Rate	RP-2014 adjusted to 2006 Total Dataset Mortality Table	RP-2000 projected with Scale BB	RP-2000 projected with Scale BB	RP-2000 projected with Scale BB	RP-2000 projected with Scale AA	RP-2000 projected with Scale AA	RP-2000 projected with Scale AA

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

Borough of Naugatuck, Connecticut
Required Supplementary Information
Connecticut State Teachers' Retirement System
Last Six Years (3)

	2020	2019	2018	2017	2016	2015
<u>Schedule of Proportionate Share of the Net Pension Liability</u>						
Borough's proportion of the net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Borough's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension liability associated with the Borough	122,944,478	94,797,335	88,718,563	93,598,763	80,183,428	74,113,510
Total	\$ 122,944,478	\$ 94,797,335	\$ 88,718,563	\$ 93,598,763	\$ 80,183,428	\$ 74,113,510
Borough's covered payroll	(2)	(2)	(2)	(2)	(2)	(2)
Borough's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%
<u>Schedule of Contributions</u>						
Contractually required contribution (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Borough's covered payroll	(2)	(2)	(2)	(2)	(2)	(2)
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

(2) Not applicable since 0%, proportional share of the net pension liability.

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

Borough of Naugatuck, Connecticut
Notes to Required Supplementary Information
Connecticut State Teachers' Retirement System
Schedule of Contributions
Last Six Years (1)

	2020	2019	2018	2017	2016	2015
Changes of Benefit Terms	None	Beginning January 1, 2018, member contributions increased from 6% to 7% of salary	None	None	None	None
The actuarially determined contribution rates are calculated as of	June 30, 2018	June 30, 2018	June 30, 2016	June 30, 2016	June 30, 2014	June 30, 2014
Actuarial methods and assumptions used to determine contribution rates:						
Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed	Level percent of salary, closed
Remaining Amortization Period	17.6 years	17.6 years	20.4 years	20.4 years	21.4 years	22.4 years
Asset Valuation Method	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing	4 year smoothing
Inflation	2.50%	2.75%	2.75%	2.75%	3.00%	3.00%
Salary Increases	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.25%-6.50%, average, including inflation	3.75%-7.00%, average, including inflation	3.75%-7.00%, average, including inflation
Investment Rate of Return (net)	6.90%	8.00%	8.00%	8.00%	8.50%	8.50%
Mortality	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2000 Combined Mortality Table projected 19 years using scale AA	RP-2000 Combined Mortality Table projected 19 years using scale AA

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

Borough of Naugatuck, Connecticut

Required Supplementary Information

Other Post-Employment Benefit (OPEB) Plan
Last Four Years (1)

	2020	2019	2018	2017
<u>Schedule of Changes in Net OPEB Liability and Related Ratios</u>				
Total OPEB liability:				
Service cost	\$ 3,372,902	\$ 4,646,045	\$ 4,605,763	\$ 5,908,859
Interest	8,762,993	8,932,280	8,517,397	7,482,937
Differences between expected and actual experience	(696,749)	(2,302,940)	11,825	468,243
Changes of benefit terms	-	(3,814,981)	-	-
Changes of assumptions	47,173,611	(7,192,838)	(5,752,320)	(32,399,364)
Benefit payments, including refunds of member contributions	(7,683,105)	(6,686,429)	(7,025,378)	(7,160,727)
Net change in total OPEB liability	50,929,652	(6,418,863)	357,287	(25,700,052)
Total OPEB liability - July 1	187,268,830	193,687,693	193,330,406	219,030,458
Total OPEB liability - June 30 (a)	<u>\$ 238,198,482</u>	<u>\$ 187,268,830</u>	<u>\$ 193,687,693</u>	<u>\$ 193,330,406</u>
Plan fiduciary net position:				
Contributions - employer	\$ 7,858,105	\$ 6,861,429	\$ 7,350,378	\$ 7,585,727
Net investment income	479,114	584,748	394,011	698,742
Benefit payments, including refunds of member contributions	(7,683,105)	(6,686,429)	(7,025,378)	(7,160,727)
Administration expenses	(36,739)	(35,754)	(5,186)	-
Net change in plan fiduciary net position	617,375	723,994	713,825	1,123,742
Plan fiduciary net position - July 1	9,862,740	9,138,746	8,424,921	7,301,179
Plan fiduciary net position - June 30 (b)	<u>\$ 10,480,115</u>	<u>\$ 9,862,740</u>	<u>\$ 9,138,746</u>	<u>\$ 8,424,921</u>
Net OPEB liability - June 30 (a)-(b)	<u>\$ 227,718,367</u>	<u>\$ 177,406,090</u>	<u>\$ 184,548,947</u>	<u>\$ 184,905,485</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>4.40%</u>	<u>5.27%</u>	<u>4.72%</u>	<u>4.36%</u>
Covered payroll	<u>\$ 44,045,587</u>	<u>\$ 42,929,422</u>	<u>\$ 49,189,795</u>	<u>\$ 47,873,280</u>
Net pension liability as a percentage of covered payroll	<u>517.01%</u>	<u>413.25%</u>	<u>375.18%</u>	<u>386.24%</u>
<u>Schedule of Investment Returns</u>				
Annual money weighted rate of return, net of investment expense	<u>4.86%</u>	<u>6.30%</u>	<u>6.16%</u>	<u>10.00%</u>

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

Borough of Naugatuck, Connecticut
Required Supplementary Information
Other Post-Employment Benefit (OPEB) Plan
Schedule of Contributions
Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contributions	\$ 12,333,000	\$ 12,679,000	\$ 12,576,000	\$ 13,498,000	\$ 13,287,000	\$ 14,636,200	\$ 14,372,300	\$ 14,507,500	\$ 14,238,500	\$ 15,118,900
Contributions in relation to the actuarially determined contribution	7,858,105	6,861,429	7,350,378	7,585,727	8,471,200	6,227,100	5,080,300	5,872,200	6,099,700	3,798,200
Contribution excess (deficiency)	<u>\$ (4,474,895)</u>	<u>\$ (5,817,571)</u>	<u>\$ (5,225,622)</u>	<u>\$ (5,912,273)</u>	<u>\$ (4,815,800)</u>	<u>\$ (8,409,100)</u>	<u>\$ (9,292,000)</u>	<u>\$ (8,635,300)</u>	<u>\$ (8,138,800)</u>	<u>\$ (11,320,700)</u>
Covered payroll	<u>\$ 44,045,587</u>	<u>\$ 42,929,422</u>	<u>\$ 49,189,795</u>	<u>\$ 47,873,280</u>	<u>\$ 54,406,000</u>	<u>\$ 53,905,000</u>	<u>\$ 52,815,200</u>	<u>\$ 49,972,600</u>	<u>N/A</u>	<u>N/A</u>
Contributions as a percentage of covered payroll	<u>17.84%</u>	<u>15.98%</u>	<u>14.94%</u>	<u>15.85%</u>	<u>15.57%</u>	<u>11.55%</u>	<u>9.62%</u>	<u>11.75%</u>	<u>N/A</u>	<u>N/A</u>

N/A - Not available

Borough of Naugatuck, Connecticut
Notes to Required Supplementary Information
Other Post-Employment Benefit (OPEB) Plan
Schedule of Contributions
Last Seven Years (1)

	2020	2019	2018	2017	2016	2015	2014
Changes of Benefit Terms	None	None	None	None	None	None	None
The actuarially determined contribution rates are calculated as of	July 1, 2018	July 1, 2016	July 1, 2016	July 1, 2014	July 1, 2014	July 1, 2012	July 1, 2012
Actuarial methods and assumptions used to determine contribution rates:							
Actuarial Cost Method	Entry age normal	Entry age normal	Entry age normal	Entry age normal	Projected unit credit	Projected unit credit	Projected unit credit
Amortization Method	Level percent	Level percent	Level percent	Level percent	Level dollar	Level dollar	Level dollar
Asset Valuation Method	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing	5 year smoothing
Inflation Rate	2.60%	2.75%	2.75%	2.75%	2.75%	2.25%	2.25%
Salary Increases	3.60%	3.75%	3.75%	N/A	N/A	N/A	N/A
Healthcare Inflation Rate - Initial	6.50%, reducing by 0.2% for each year to a final 4.60% for 2028 and later. Dental 3.60%	7.75%, reducing by 0.5% for each year to a final of 4.75% for 2020 and later. Dental 4.75%	7.75%, reducing by 0.5% for each year to a final of 4.75% for 2020 and later. Dental 4.75%	7.75%, reducing by 0.5% for each year to a final of 4.75% for 2020 and later. Dental 4.75%	7.75%, reducing by 0.5% for each year to a final of 4.75% for 2020 and later. Dental 4.75%	8.00%, reducing by 0.5% for each year to a final of 5.00% for 2020 and later. Dental 5.00%	8.00%, reducing by 0.5% for each year to a final of 5.00% for 2020 and later. Dental 5.00%
Healthcare Inflation Rate - ultimate	4.60%	4.75%	4.75%	4.75%	4.75%	5.00%	5.00%
Investment Rate of Return (net)	6.50%	6.50%	6.50%	4.38%	4.38%	5.00%	5.00%
Mortality Rate	RP-2014 projected with Scale MP-2019	RP-2000 projected with Scale BB	RP-2000 projected with Scale BB	RP-2000 projected with Scale BB	RP-2000 projected with Scale BB	RP-2000 projected with Scale AA	RP-2000 projected with Scale AA

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

N/A - Not available

Borough of Naugatuck, Connecticut

Required Supplementary Information

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

	2020	2019	2018
<u>Schedule of Proportionate Share of the Net OPEB Liability</u>			
Borough's proportion of the net OPEB liability	0.00%	0.00%	0.00%
Borough's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net OPEB liability associated with the Borough	19,173,885	18,950,590	22,835,165
Total	\$ 19,173,885	\$ 18,950,590	\$ 22,835,165
Borough's covered payroll	(2)	(2)	(2)
Borough's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	2.08%	1.49%	1.79%
<u>Schedule of Contributions</u>			
Contractually required contribution (1)	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Borough's covered payroll	(2)	(2)	(2)
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

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

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

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

Borough of Naugatuck, Connecticut

Notes to Required Supplementary Information

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

	2020	2019	2018
Changes of Benefit Terms	None	None	None
The actuarially determined contribution rates are calculated as of	June 30, 2018	June 30, 2018	June 30, 2016
Actuarial methods and assumptions used to determine contribution rates:			
Actuarial Cost Method	Entry age	Entry age	Entry age
Amortization Method	Level percentage, open	Level percentage, open	Level percentage, open
Amortization Period	30 years	30 years	30 years
Asset Valuation Method	Fair value	Fair value	Fair value
Inflation	2.75%	2.75%	2.75%
Healthcare Inflation Rate	Initial 5.95% decreasing to 4.75% (ultimate) by 2025	Initial 5.95% decreasing to 4.75% (ultimate) by 2025	Initial 7.25% decreasing to 5.00% (ultimate) by 2022
Salary Increases	3.25% to 6.50%, including inflation	3.25% to 6.50%, including inflation	3.25% to 6.50%, including inflation
Investment Rate of Return (net)	3.00%	3.00%	4.25%
Mortality Rate	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale	RP-2014 White Collar table projected to the year 2020 using the BB improvement scale

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

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE IFP TRUST AGREEMENT AND THE IFP LEASE

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APPENDIX C

**SUMMARY OF CERTAIN PROVISIONS OF THE IFP TRUST AGREEMENT
AND THE IFP LEASE**

The following is a summary of certain provisions of the IFP Trust Agreement and the IFP Lease. This summary is not a complete recital of the terms of the IFP Trust Agreement and the IFP Lease, and reference is made to the IFP Trust Agreement and the IFP Lease for a complete statement of its terms.

“Base Rent” means Series A Certificates Base Rent and Series B Certificates Base Rent.

“Defeasance Obligations” means (a) direct obligations of (including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America; or obligations the timely payment of principal of and the interest and any premium on which are fully and unconditionally guaranteed by, the United States of America, (b) any certificates or other evidences of ownership interest in obligations of the character described in clause (a) of this defined term or in specified portions thereof, including, without limitation, portions consisting solely of the principal thereof or solely of the interest thereon and (c) obligations of any state of the United States or any political subdivision of any state, provided that: (i) the interest on such obligations shall be excluded from gross income, for federal income tax purposes, if purchased in order to prevent any Certificates from becoming “arbitrage bonds” under Sections 103(b) and 148 or any successor provisions of the Code, and (ii) the payment of such obligations is secured by direct obligations of (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of principal of and the interest and any premium on which are fully and unconditionally guaranteed by the United States of America.

“Interest Payment Date” means February 15 and August 15 of each year, commencing February 15, 2022.

“Lease Payments” means the sum of the Base Rent and Additional Rent due at or during a stated time as hereafter provided.

“Lease Payment Date” means August 1, 2023 and each August 1 thereafter during the Lease Term in which the principal components of Base Rent are due, as set forth in the IFP Lease.

“Lease Payment Interest Date” means February 1, 2022 and each February 1 and August 1 thereafter during the Lease Term.

“Project Costs” means costs incurred directly or indirectly for or in connection with the acquisition, installation, construction, improvement and financing of the Project, including, but not limited to: costs incurred in respect of preliminary planning and studies; fees for legal, engineering, accounting, consulting, supervisory and other services; costs of labor, services and materials; inspection costs; permit fees; filing and recording costs; reproduction and mailing

costs; initial fees and charges of the Trustee; printing, safekeeping and delivery costs relating to the Certificates; and any other costs, expenses, fees and charges properly chargeable to the cost of acquisition, installation, construction, equipping, improvement, or financing of the Project; and for which sufficient moneys are on deposit in the Project Fund.

“Project Site” means the real estate described in Exhibit A to the IFP Lease.

“Series A Certificates” means Series A Certificates of Participation executed and delivered under the IFP Trust Agreement evidencing the proportionate interests of the owners hereof in the principal and interest components of Series A Certificates Base Rent.

“Series A Certificates Base Rent” means the Interest and Principal Component reflected on Exhibit B-1 entitled “Schedule of Base Rent Series A Certificates Payments,” as it may be adjusted from time to time in accordance with the terms thereof.

“Series A Required Reserve” means that amount, equal to \$1,211,000.

“Series B Certificates” means Series B Certificates of Participation executed and delivered under the IFP Trust Agreement evidencing the proportionate interests of the owners hereof in the principal and interest components of Series B Certificates Base Rent.

“Series B Certificates Base Rent” means the interest and principal component reflected on Exhibit B-2 to the IFP Lease entitled “Schedule of Base Rent Series B Certificates Payments,” as it may be adjusted from time to time in accordance with the terms thereof.

“Series B Required Reserve” means that amount, equal to \$605,500.

“Tax Opinion” means the opinion of nationally recognized bond counsel selected by the Lessee under the IFP Lease, to the effect that the action or event referred to will not result in the interest payable on the Certificates not being excludable from gross income for federal or state income tax purposes for which it is otherwise entitled.

“Trust Estate” means all of the IFP Trust’s right, title and interest in (a) the IFP Lease, (b) the Funds and deposits therein (except for the Rebate Fund), (c) any payments received on the above or investment income with respect to any money in said held Funds (except for the Rebate Fund); and (d) all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered or hypothecated as and for additional security under the Trust Indenture by the Issuer or by anyone on its behalf or with its written consent in favor of the Trustee.

THE IFP TRUST AGREEMENT

The Borough is not a party to the IFP Trust Agreement but is a third-party beneficiary thereof. Certain of the provisions of the IFP Trust Agreement are also described under “THE CERTIFICATES OF PARTICIPATION.”

Security

To secure the Certificate Payments on the Certificates pursuant to the IFP Trust under the provisions of the IFP Trust Agreement (1) absolutely and irrevocably sells, transfers and assigns to the Trustee, and to its successors and assigns, without recourse, all right, title and interest of the IFP Trust in and to the Base Rent and the right to receive payments under the IFP Lease to restore the Series A Debt Service Reserve Fund and Series B Debt Service Reserve Fund, (2) absolutely pledges and assigns to the Trustee and its successors and its assigns, all right and title and interest of the IFP Trust in and to the Trust Estate, and (3) grants to the Trustee a security interest in the Collateral including, but not limited to the Project. The assignment made in (1) immediately above is and is intended to be a true and absolute sale and transfer and not a pledge or grant of a security interest.

Upon any Event of Default under the IFP Trust Agreement (which is not necessarily an Event of Default under the IFP Lease), the Trustee may enforce any and all rights under the IFP Trust Agreement for or on behalf of the Holders of the Certificates (see “Remedies”).

Trust Funds

The IFP Trust Agreement establishes special trust funds with the Trustee, for the benefit of the Holders of the Series A Certificates and Series B Certificates, consisting of the Series A Project Fund and the Series B Project Fund, the Series A Capitalized Interest Fund and the Series B Capitalized Interest Fund, the Series A Certificate Fund and the Series B Certificate Fund, the Series A Debt Service Reserve Fund and the Series B Debt Service Reserve Fund, as well as the Series A Costs of Issuance Fund and the Series B Costs of Issuance Fund. There is also a Rebate Fund established which is not subject to the lien of the IFP Trust Agreement but is held for the benefit of the United States Treasury.

Series A Costs of Issuance Fund

Proceeds received by the Trustee from the sale of the Series A Certificates for costs relating to the original execution and delivery of the Series A Certificates are to be deposited in such fund. Any amounts remaining on deposit on February 15, 2022 are to be transferred to the Series A Project Fund.

Series A Project Fund

Proceeds received by the Trustee from the sale of the Series A Certificates to the Original Purchaser net of amounts deposited to the Series A Costs of Issuance Fund, the Series A Capitalized Interest Fund and the Series A Certificate Fund will be deposited in the Series A Project Fund.

Moneys in the Series A Project Fund will be disbursed by the Trustee in accordance with the provisions of the IFP Trust Agreement to pay the Project Costs.

All disbursements from the Series A Project Fund will be preceded by the Trustee's receipt of a requisition in a specified form. The Trustee must honor all requisitions delivered to it in accordance with the disbursement procedures of the IFP Trust Agreement.

Series A Capitalized Interest Fund

Proceeds received by the Trustee from the sale of the Series A Certificates shall be deposited in the Series A Capitalized Interest Fund which together with proceeds of Eligible Investments and interest earnings transferred from the Project Fund and the Series A Debt Service Reserve Fund shall be used to pay interest on the Series A Certificates through August 15, 2023. Any amounts remaining in the account after such date shall be paid over to the Series A Certificate Fund.

Series A Certificate Fund

Base Rent and amounts from the proceeds of the sale of the Series A Certificates credited as Base Rent, will be deposited in the Series A Certificate Fund. In addition, any moneys derived from the reletting of the Project and any proceeds from insurance or condemnation awards and any other amounts paid to the Trustee as assignee under the IFP Lease, will be immediately deposited by the Trustee in the Series A Certificate Fund.

On each Interest Payment Date, the Trustee is to withdraw from the Series A Certificate Fund an amount equal to the Series A Certificate Payments then due and payable on the Series A Certificates, and apply that amount to those payments.

Series A Debt Service Reserve Fund

The Trustee initially shall deposit in the Series A Debt Service Reserve Fund an amount equal to the Series A Required Reserve on the Series A Certificates. The Lessee is required to restore certain withdrawals from the Series A Debt Service Reserve Fund pursuant to the terms of the IFP Lease.

Monies in the Series A Debt Service Reserve Fund will be applied to cure any deficiency in the Series A Certificate payments when due and payable. In the last year preceding the final maturity date of the Series A Certificates, money in the Series A Debt Service Reserve Fund shall be credited against the payments otherwise due under the Series A Certificates and shall be transferred to the Series A Certificate Fund for such payment, provided that no such transfer shall be made if and to the extent that immediately prior to crediting any transaction the amount on deposit in the Series A Debt Service Reserve Fund is not at least equal to the Series A Required Reserve less the amount previously transferred to the Series A Certificate during such 12 month period.

Series B Costs of Issuance Fund

Proceeds received by the Trustee from the sale of the Series B Certificates for costs relating to the original execution and delivery of the Series B Certificates are to be deposited in such fund. Any amounts remaining on deposit on February 15, 2022 are to be transferred to the Series B Project Fund.

Series B Project Fund

Proceeds received by the Trustee from the sale of the Series B Certificates to the Original Purchaser net of amounts deposited to the Series B Costs of Issuance Fund, the Series B Capitalized Interest Fund and the Series B Certificate Fund will be deposited in the Series B Project Fund.

Moneys in the Series B Project Fund will be disbursed by the Trustee in accordance with the provisions of the IFP Trust Agreement to pay the Project Costs.

All disbursements from the Series B Project Fund will be preceded by the Trustee's receipt of a requisition in a specified form. The Trustee must honor all requisitions delivered to it in accordance with the disbursement procedures of the IFP Trust Agreement.

Series B Capitalized Interest Fund

Proceeds received by the Trustee from the sale of the Series B Certificates shall be deposited in the Series B Capitalized Interest Fund and used to pay interest on the Series B Certificates through August 15, 2023. Any amounts remaining in the fund after such date shall be paid over to the Series B Certificate Fund unless the Trustee is otherwise directed by the Borough.

Series B Certificate Fund

Base Rent and amounts from the proceeds of the sale of the Series B Certificates credited as Base Rent, will be deposited in the Series B Certificate Fund. In addition, any moneys derived from the reletting of the Project and any proceeds from insurance or condemnation awards and any other amounts paid to the Trustee as assignee under the IFP Lease, will be immediately deposited by the Trustee in the Series B Certificate Fund.

On each Interest Payment Date, the Trustee is to withdraw from the Series B Certificate Fund an amount equal to the Series B Certificate Payments then due and payable on the Series B Certificates, and apply that amount to those payments.

Series B Debt Service Reserve Fund

The Trustee initially shall deposit in the Series B Debt Service Reserve Fund an amount equal to the Series B Required Reserve on the Series B Certificates. The Lessee is required to restore certain withdrawals from the Series B Debt Service Reserve Fund pursuant to the terms of the IFP Lease.

Monies in the Series B Debt Service Reserve Fund will be applied to cure any deficiency in the Series B Certificate payments when due and payable. In the last year preceding the final maturity date of the Series B Certificates, money in the Series B Debt Service Reserve Fund shall be credited against the payments otherwise due under the Series B Certificates and shall be transferred to the Series B Certificate Fund for such payment, provided that no such transfer shall be made if and to the extent that immediately prior to crediting any transaction the amount on deposit in the Series B Debt Service Reserve Fund is not at least equal to the Series B Required Reserve less the amount previously transferred to the Series B Certificate during such 12 month period.

Investment of Moneys

Moneys held by the Trustee in the Series A Project Fund and the Series B Project Fund, the Series A Certificates Capitalized Interest Fund and the Series B Certificates Capitalized Interest Fund, the Series A Certificate Fund and the Series B Certificate Fund, the Series A Costs of Issuance Fund and the Series B Costs of Issuance Fund and the Rebate Fund shall be invested in Eligible Investments (as defined in the IFP Trust Agreement).

The Trustee is to invest moneys in Eligible Investments as directed by the Borough, both having due regard for the date on which moneys will be required for the uses and purposes specified in the IFP Trust Agreement, including Series A Certificates Payments and the Series B Certificates Payments and payments of Project Costs from the Series A Project Fund and the Series B Project Fund.

For the Series A Certificates, investment earnings on the Funds, shall be credited as follows: investment income from the investment of the Series A Project Fund and the Series A Costs of Issuance Fund shall be transferred to the Capitalized Interest Fund. Investment income from the investment of the Series A Capitalized Interest Fund shall be retained in the Series A Capitalized Interest Fund and applied for purposes thereof. Investment income from investment of the Series A Certificate Fund shall be retained in the Series A Certificate Fund and credited against the amount of the Base Rent to be paid by the Borough prior to each Interest Payment Date. Investment income from investment of the Series A Debt Service Reserve Fund prior to and including August 15, 2023 shall be transferred to the Capitalized Interest Fund and thereafter shall be transferred to the Series A Certificate Fund to be credited against the Borough's obligations to make Base Rent Payments, and if the Series A Debt Service Reserve Fund is not equal to the Series A Required Reserve, all investment income will be retained in the Series A Debt Service Reserve Fund until it equals the Series A Required Reserve.

For the Series B Certificates, investment earnings on the Funds, shall be credited as follows: investment earnings on the Series B Project Fund shall initially be applied to the payment of Project Costs. Investment income from the investment of the Series B Capitalized Interest Fund and the Series B Costs of Issuance Fund shall be retained in the Series B Capitalized Interest Fund and the Series B Costs of Issuance Fund, respectively, and applied for purposes thereof. Investment income from investment of the Series B Certificate Fund shall be retained in the Series B Certificate Fund, and credited against the amount of the Base Rent to be paid by the Borough prior to each Interest Payment Date. Investment income from investment of the Series B Debt Service Reserve Fund shall be transferred to the Series B Certificate Fund to

be credited against the Borough's obligations to make Base Rent Payments, and if the Series B Debt Service Reserve Fund is not equal to the Series B Required Reserve, all investment income will be retained in the Series B Debt Service Reserve Fund until it equals the Series B Required Reserve.

Events of Default; Remedies

The occurrence of any of the following events constitutes an Event of Default under the IFP Trust Agreement:

- (a) payment of any interest on any Certificate is not made when and as that interest becomes due and payable,
- (b) payment of the principal or Sinking Fund Installment of or any premium on any Certificate is not made when and as that principal, Sinking Fund Installment or premium becomes due and payable, whether at stated maturity, by prepayment or otherwise; or
- (c) the occurrence and continuance of an Event of Default under the IFP Lease.

Upon the occurrence and continuance of an Event of Default under the IFP Trust Agreement, the Trustee may pursue any available remedy to enforce the payment of Certificate Payments or the observance and performance of any other covenant, agreement or obligation under the IFP Trust Agreement, the IFP Lease or any other instrument providing security, directly or indirectly, for the Certificates; provided, however, that there shall be no right under any circumstances to accelerate the maturities of the Certificates or to otherwise declare any Lease Payment not then past due or in default to be immediately due and payable.

If, upon the occurrence and continuance of an Event of Default under the IFP Trust Agreement, the Trustee is requested so to do by the Holders of at least a majority of the aggregate principal amount of Certificates outstanding, the Trustee may exercise any rights and powers conferred by the IFP Trust Agreement.

As the assignee of all right, title and interest of the IFP Trust in and to the IFP Lease, the Trustee is empowered to enforce each remedy, right and power granted to the Lessor under the IFP Lease. In exercising any remedy, right or power under the IFP Lease or under the IFP Trust Agreement, the Trustee may take any action which would best serve the interests of the Holders in the judgment of the Trustee, applying certain standards described in the IFP Trust Agreement.

If an Event of Default under the IFP Trust Agreement has occurred, and the Holders of at least a majority of the aggregate principal amount of the affected Certificates then outstanding so request, the Trustee, upon indemnification by such Holders, must exercise one or more of the remedies as the Trustee, advised by counsel, deems most expedient in the interests of the Holders of those Certificates.

All moneys received under the IFP Trust Agreement by the Trustee upon or after the occurrence of an event of the default under the IFP Trust Agreement will be applied first to the payment of the costs and expenses of the proceedings resulting in the collection of those moneys and of the related expenses, liabilities and advances incurred or made by the Trustee. The

balance of those moneys will be deposited in the respective Certificate Fund and applied to pay the principal or Sinking Fund Installment of and interest on the Certificates in the manner and in the order of priority set forth in the IFP Trust Agreement.

The Trustee may in its discretion waive any Event of Default under the IFP Trust Agreement and its consequences, and will do so upon the written request of the Holders of at least a majority in aggregate principal amount of all the Certificates then outstanding in respect of which any default in the payment of Certificate Payments exists. No Event of Default in the payment of principal or interest is to be waived unless, prior to that Waiver, all arrears of interest, or all arrears of payments of principal when due, as the case may be, and all expenses or the Trustee in connection with that default, have been paid or provided for. In case of any waiver, or in case any proceeding taken by the Trustee on account of any default is discontinued or abandoned or determined adversely to and the Trustee, then the Trustee and the Holders will be restored to their former respective positions and rights under the IFP Trust Agreement. No waiver will extend to any subsequent or other default, or impair any right consequent thereon.

Rights of Certificate Owners

The Holders of at least a majority in aggregate principal amount of the Certificates then outstanding will have the right at any time to direct, by an instrument or instruments in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the IFP Trust Agreement or any other proceedings under the IFP Trust Agreement. This direction must be in accordance with the provisions of law and of the IFP Trust Agreement.

No Holder of any Certificate will have any right to institute any suit action or proceeding for the enforcement of the IFP Trust Agreement for the execution of any trust under the IFP Trust Agreement or for any other remedy under the IFP Trust Agreement, unless an Event of Default has occurred and the Holders of at least a majority of the aggregate principal amount of Certificates then outstanding have made written request to the Trustee and have offered the Trustee indemnity as provided in the IFP Trust Agreement and the Trustee has thereafter failed or refused to exercise its powers under the IFP Trust Agreement or to institute such action, suit or proceedings in its own name.

Nothing in the IFP Trust Agreement affects or impairs the right of any Certificate Holder to enforce the payment of the Certificate Payments on any Certificate owned by such Holder at and after the due date thereof at the time and place, from the sources and in the manner provided in the Certificates.

Amendments of the IFP Trust Agreement

The IFP Trust and the Trustee may, without the consent of or notice to any of the Holders, enter into amendments of the IFP Trust Agreement that are not inconsistent with the terms and provisions of the IFP Trust Agreement for any of the following purposes: (a) to cure any ambiguity, inconsistency or formal defect or omission in the IFP Trust Agreement; (b) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders or the Trustee;

(c) to assign additional revenues to the lien and pledge of the IFP Trust Agreement; (d) to accept additional security and instruments and documents of further assurance with respect to the Project; (e) to add to the covenants, agreements and obligations in the IFP Trust Agreement other covenants, agreements and obligations thereafter to be observed for the protection of the Holders or to surrender or limit any right, power or authority reserved or conferred in the IFP Trust Agreement; (f) to evidence any succession to the Trustee and the assumption by its successor of the covenants, agreements and obligations of the Trustee under the IFP Trust Agreement and the Certificates; (g) to authorize the issuance of Additional Certificates; (h) to permit the Trustee to comply with any obligations imposed upon it by law; (i) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar (as defined in the IFP Trust Agreement) and the Paying Agent (as defined in the IFP Trust Agreement); (j) to achieve compliance with the IFP Trust Agreement and any applicable federal securities or tax law; (k) to make amendments relating to matters under the Code, if, in the opinion of nationally recognized bond counsel approved by the Trustee, those amendments would not cause the interest on the outstanding Certificates to become subject to federal income taxation; and (l) to permit any other amendment which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of such Certificates.

Exclusive of those types of amendments, and subject to the delivery of a tax opinion to the effect that such Supplemental Trust Agreement would not result in a taxable event for the Holders, the Holders of not less than a majority in aggregate principal amount of the Certificates then outstanding will have the right, from time to time, to consent to and approve the execution by the IFP Trust and the Trustee of such other amendments for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the IFP Trust Agreement or in any amendment thereto. However, any amendment that permits or could be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Certificate or a reduction in the principal amount of any Certificate or the rate of interest thereon will require the consent of each Certificate Holder so affected, or (ii) a privilege or priority of any Certificate over any other Certificate, or a reduction in the aggregate principal amount of the Certificates required for consent to such amendment, will require the consent of the Holders of all of the Certificates then outstanding.

Any amendment to the IFP Trust Agreement which affects any rights or obligations of the Borough will not become effective unless and until the Borough consents in writing thereto.

Defeasance

The right, title and interest of the Trustee and the IFP Trust under the IFP Trust Agreement will terminate and become void when the whole amount of principal and any premium and interest payable on all the Certificates is paid or provision has been made as provided in the IFP Trust Agreement for that payment.

Provision will be deemed to have been made for the payment of the Certificates if there has been deposited with the Trustee cash or Defeasance Obligations in an amount sufficient (together with investment earnings thereon) to provide for the payment of the whole amount of the principal and any premium and interest when due payable at maturity or prepayment, as the case may be, and provision is made satisfactory to the Trustee for payment of all related

expenses of the Trustee. Upon defeasance of the IFP Trust Agreement, the Trustee will assign and transfer to or on the order of the Borough all applicable property in excess of the cash or securities required for defeasance then held by the Trustee, including the IFP Lease and all applicable payments and rights under the IFP Lease and all applicable balances in the Trust Funds.

Amendments of IFP Lease

The Trustee may, without the consent of or notice to the Holders, consent to any amendment, change or modification of the IFP Lease required (i) by the provisions of the IFP Lease or the IFP Trust Agreement, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the IFP Lease, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the IFP Trust Agreement, (iv) in connection with refinancing the Project, or (v) in connection with any other change therein which in the judgment of the Trustee's counsel is not to the prejudice of the Trustee or the Holders. The Holders of not less than a majority aggregate amount of the Certificates then outstanding must approve the Trustee's consent to any other at amendment of the IFP Lease. The Trustee's consent to an amendment which would change the amount or time as of which Base Rent is required to be paid under the IFP Lease or a reduction in the aggregate principal amount of the Certificates required for consent to amendments must be approved by the Holders of all then outstanding Certificates.

The Trustee

The Trustee may execute any of its trusts or powers and perform its duties under the IFP Trust Agreement by or through attorneys, agents or receivers. The Trustee may consult with counsel with regard to legal questions and the opinion of such counsel will be full and complete authorization and protection for any action taken or suffered by the Trustee in good faith in accordance with such opinion. The Trustee is not answerable for the default or misconduct of any attorney, agent or receiver selected by it with reasonable care.

THE IFP LEASE

Certain provisions of the IFP Lease are also described under “SECURITY FOR AND SOURCES OF PAYMENT OF THE CERTIFICATES”. The parties identified who will perform the obligations and have the rights of “Lessor” under the IFP Lease are the parties to whom these obligations and rights are assigned under the IFP Trust Agreement.

General

The IFP Lease has been entered into by the IFP Trust as Lessor and the Borough as Lessee. The IFP Lease contains the terms and conditions under which the Project is leased to the Borough. Certain of the Borough’s obligations under the IFP Lease have been delegated to the Manager pursuant to the Management Agreement.

Simultaneously with the execution of the IFP Lease, the IFP Trust will assign its title and interest in the IFP Lease, including, but not limited to the right to receive Lease Payments and exercise such rights and remedies of Lessor as may be necessary to enforce payment of the Base Rent and Additional Rent when due or to otherwise protect the interests of the Holders of the Certificates, to the Trustee pursuant to the IFP Trust Agreement.

At the end of the term of the IFP Lease, or upon the exercise of the purchase option, the IFP Trust will provide, or cause to be provided, an executed bill of sale, and any other documents necessary to convey to the Borough, IFP Trust’s title to the Project. Upon the Borough’s exercise of the purchase option granted under the IFP Lease, the Project will become the property of the Borough and all of Lessor’s right, title and interest in the Project will pass to the Borough. See “Purchase Options”.

IFP Lease Term

The IFP Lease will terminate upon the earlier of (i) August 15, 2041 or (ii) any of the following events:

- (a) In the event of nonpayment of Base Rent because of non-appropriation;
- (b) An Event of Default under the IFP Lease and termination of the IFP Lease as hereinafter described (see “Remedies”); or
- (c) Exercise by the Borough of its option to purchase the Project (see “Options to Purchase”).

The Borough agrees, if the IFP Lease is terminated following an Event of Default or non-appropriation under the IFP Lease, to surrender possession of the Project to the Lessor immediately following such termination.

Rent

The Borough agrees to pay to the Lessor the Base Rent. Base Rent consists of Series A Certificates Base Rent and Series B Certificates Base Rent. The Lease Payments during the Lease Term will be absolute and unconditional in all events and will not be subject to completion or occupancy of the Project under the Management Agreement or to any setoff, defense, counterclaim or recoupment for any reason whatsoever. Lessee agrees to pay as Base Rent to the Trustee five (5) Business Days prior to each Lease Payment Date and Lease Payment Interest Date the Base Rent amounts specified in Exhibit B to the IFP Lease, less the amount of any other money transferred to the Certificate Funds and credited against Base Rent, as set forth in the invoice delivered to the Borough by Trustee. The Borough's obligation to make such Base Rent payments is subject to the availability of lawful appropriation therefor.

The Borough agrees to pay to, or at the direction of the Lessor if and whenever applicable, as Additional Rent, (i) upon demand by Lessor, any costs or expenses which the Borough is obligated to pay under the IFP Lease to allow direct payment of same by the Lessor in the event Lessor shall elect to make such payment in order to protect or preserve its interest under the IFP Lease, and (ii) all reasonable costs and expenses payable to, or incurred or paid by the Lessor or the Trustee under the IFP Lease or the IFP Trust Agreement. The IFP Lease provides that Additional Rent shall include payments to (a) keep the Project in good order and condition, (b) comply with all laws, regulations and insurance he policies to use, maintain, repair and operate the Project, (c) pay all taxes, assessments and related payments levied on the Project, (d) pay premiums for insurance required under the IFP Lease, (e) restore the Series A Debt Service Reserve Fund and the Series B Debt Service Reserve Fund to the Series A Required Amount and the Series B Required Amount, respectively, and (f) payments necessary to maintain the tax-exemption of the Series A Certificates.

The payments of Base Rent are intended to be sufficient, in both time and amount, to pay when due the Certificate Payments.

The Borough may, on or after August 1, 2029 prepay the principal component of Base Rent in whole or in part, in integral multiples of \$5,000, at prepayment prices plus, in each case interest accrued, to the payment date, all in accordance with the provisions of the IFP Lease.

The Base Rent shall further be subject to either mandatory advance payments or extraordinary prepayments, in whole or in part, on any Lease Payment Interest Date, all in accordance with Section 5 of the IFP Lease.

Non-Appropriation; Nonsubstitution

The Borough has covenanted to use its best efforts (i) to take all reasonable steps lawfully within its power necessary to of cause amounts to be appropriated in each Borough annual budget for Lease Payments, (ii) to take all lawful steps within its power to obtain funding in future fiscal years and (iii) to otherwise pursue funds for Lease Payments from all other legally available sources.

Subject to the provisions of the IFP Lease, the IFP Lease will terminate on the first day following the Lease Payment Date on which the last payment of Base Rent can be made in full

from lawfully appropriated funds or other lawfully available funds and, upon the exercise of such right, the Borough will not be obligated to make further Lease Payments under the IFP Lease.

In the event the IFP Lease terminates as a result of non-appropriation of funds for Lease Payments, the Borough will relinquish to the Lessor, all of the Borough's right, title and interest in and to the Project.

In the event the IFP Lease terminates as a result of non-appropriation of funds for Lease Payments, the Borough has covenanted that, for a period of at least one (1) year after the date of such termination, it will refrain from purchasing, leasing, using or renting substitute assets at the Project Site that perform functions, or obtaining services from persons who perform the functions performed by the Project, to the extent permitted by law.

Use, Maintenance and Alterations

Under the IFP Lease, except for matters expressly assumed or to be performed by the IFP Trust under the IFP Lease or Manager under the Management Agreement, the Borough, at its expense, shall promptly comply or cause compliance with all legal requirements and insurance requirements, and shall procure, maintain and comply with all permits, licenses and other authorizations required for any use being made of the Project or any part thereof then being made or anticipated to be made and for the proper operation and maintenance of the Project or any part thereof, and will comply with any instruments of record at the time in force burdening the Project or any part thereof.

Each party thereto may, at its expense and after prior notice to the other party thereto, by any appropriate proceedings diligently prosecuted, contest in good faith any legal requirement and postpone compliance therewith pending the resolution or settlement of such contest, provided that such postponement does not, in the opinion of independent counsel, materially affect the interest created by the IFP Lease as to any part of the Project or subject the Project or any part of the Project to imminent loss or forfeiture.

The Lessor has no responsibility for making repairs or improvements to the Project.

Subject to the terms of the IFP Lease, the Borough, in its discretion and at its expense may make such additions, modifications and improvements to the Project as it may deem to be advisable. Any such changes shall become and be deemed to constitute part of the Project.

Subject to the terms of the IFP Lease, the Borough may remove any item of personal property constituting a part of the Project, provided that the personal property so removed shall not materially impair the operation of or the leasehold value of the Project.

Eminent Domain

Any net proceeds received from any eminent domain award and not used to acquire replacement property constituting part of the Project shall, if received prior to the end of the Lease Term, be paid to and held by the Trustee in accordance with the IFP Trust Agreement. Lessor shall have no obligation to repair or restore the Project following condemnation thereof.

Damage or Destruction

The Borough expressly assumes all risk of damage to or loss or destruction of the Project from any cause whatsoever. In the event of total destruction of the Project, Lessee shall apply insurance proceeds, self-insurance and any other moneys legally available therefor, to the acquisition and installation of replacement facilities to constitute the Project, unless Lessee exercises its option to purchase the Project.

No loss of use, damage to, or defect in, or unfitness or obsolescence of, the Project will relieve the Borough from its obligations under the IFP Lease, including the obligation to pay Base Rent, during the Lease Term.

Property Insurance

The Borough is required to maintain, or cause the Manager to maintain, appropriate property insurance on the Project during the term of the IFP Lease, all in accordance with the terms of the Management Agreement. Upon the termination of the Management Agreement, the Borough is required by the IFP Lease to obtain, or cause to be obtained, appropriate property insurance in the amount of 80% of the replacement cost of the Project but not less than the then outstanding principal amount of the Certificates. Insurance may be provided under a blanket form of insurance policy insuring other Borough buildings with any loss deductible used by the Borough in connection with such blanket policy of insurance.

Options to Purchase

At any time following Final Completion, and if there is not then existing an Event of Default or an event which with notice or a lapse of time, or both, could become an Event of Default, the Borough may purchase the Project by paying to the Lessor or to its assignee the amount necessary to defease the IFP Lease in accordance with its terms (the "Purchase Price"). See "Purchase Options" and "Defeasance".

Upon fulfillment of these purchase conditions, the Project will become the property of, and all right, title and interest in the Project will pass to, the Borough.

Assignment

The Borough may not assign, transfer, pledge, hypothecate or grant any security interest in or otherwise dispose of the IFP Lease or the Project, or any interest in the IFP Lease or the Project without the receipt by the Trustee of a Tax Opinion. Except as provided for in the Management Agreement, the Borough may not sublet the Project or permit it to be operated by anyone other than Borough or employees of or persons authorized by the Borough (except to the extent required of the Borough under the IFP Lease or Management Agreement).

Except as stated otherwise in the IFP Lease, the IFP Trust may not assign without recourse its rights, title and interests and responsibilities and obligations in and to the IFP Lease, the Project and any documents executed with respect to the IFP Lease, and/or grant or assign a security interest in the IFP Lease and its rights to the Project, in whole or in part, without the Trustee's consent.

Events of Default

The following constitute “Events of Default” under the IFP Lease:

- (a) The Borough fails to make, for any reason other than non-appropriation of funds, payment of Base Rent when due in accordance with the terms of the IFP Lease, and such non-payment continues for a period of five (5) days; or
- (b) The Borough fails to make, for any reason other than non-appropriation of funds, any other Lease Payment or any other payment as it becomes due under the IFP Lease and to cure it within five (5) Business Days of receipt of the Lessor’s notice of failure to make payment; or
- (c) The Borough fails to perform or observe any other covenant, condition or agreement to be performed or observed by it under the IFP Lease and the failure is not cured within 60 days after written notice thereof from the Lessor, provided that if the Borough proceeds to take curative action that, if begun and prosecuted with due diligence, cannot be reasonably completed within the 60 day period, that period shall be extended to any extent necessary to enable the Borough to complete the curative action diligently; or
- (d) The discovery by the Lessor that any material statement, representation or warranty made by the Borough in the IFP Lease or in any writing delivered by the Borough pursuant to or in connection with the IFP Lease is false, misleading or erroneous in any material respect, provided, however, it shall not constitute an Event of Default should the Lessor have knowledge at the time of execution and delivery of any material statements, representations or warranties of Lessee to herein be false; or
- (e) The interest of the Trustee in the IFP Lease or Project shall become void or unenforceable.

Notwithstanding the foregoing, if, by reason of Force Majeure (as defined in the IFP Lease), the Borough or the Lessor is unable to perform or observe any agreement, term, or condition of the IFP Lease (other than any obligation to make Lease Payments) the Borough or the Lessor shall not be deemed in default during the continuance of such inability. The Borough will promptly notify the Trustee of any event of Force Majeure and will use its best efforts to remove the effects thereof.

Remedies

Upon the occurrence of an Event of Default under the IFP Lease, and so long as the Event of Default is continuing, the Lessor may, at its option, exercise one or more of the following remedies; provided, however, that there shall be no right under any circumstances to accelerate the maturities of the Base Rent payments or to otherwise declare any Base Rent not then past due or in default to be immediately due and payable:

- (a) By written notice to the Borough, request the Borough to promptly return possession of the Project to the Lessor, or, at the Lessor’s option, the Lessor may enter upon the Project and take immediate possession thereof;

(b) Sublease the Project for the account of the Borough, holding the Borough liable for all Lease Payments and other payment due prior to the effective date of the sublease and for the difference between the rental and other amounts paid by the sublessee pursuant to such sublease and the amounts payable by the Borough pursuant to the IFP Lease during the Lease Term;

(c) Exercise any other right, remedy or privilege under State law or any other applicable law, or proceed by appropriate court action to enforce the terms of the IFP Lease or rescind the IFP Lease or recover damages.

If a court of competent jurisdiction finally adjudicates that the Borough is in default under the IFP Lease, the Borough will remain liable for all covenants and obligations under the IFP Lease, and for all legal fees and other costs and expenses, to the extent permitted by law, incurred by the Lessor with respect to the enforcement of any of the remedies listed above or any other remedy available to the Lessor.

Lease Defeasance

The Base Rent for the Lease Term will be deemed to be paid when: (a) there are irrevocably deposited with or made available to the Trustee in trust and irrevocably set aside exclusively for payment of the Certificate Payments when due, whether by prepayment or at maturity, (i) moneys sufficient to pay those Certificate Payments, or (ii) Defeasance Obligations which mature in such amounts and at such times as will ensure the availability, without being subject to the risk of reinvestment, of sufficient money to pay those Certificate Payments; and (b) all reasonable, necessary and proper fees, compensation and expenses of the Trustee pertaining to the IFP Lease and the IFP Trust Agreement and the Trustee's duties in connection therewith have been paid or the payment thereof is provided for to the Trustee's satisfaction.

When all applicable Base Rent is deemed paid and the Trustee has received a Tax Opinion, the Trustee will be entitled to payment of amounts representing Base Rent solely from such money or Defeasance Obligations and the right, title and interest of the Lessor under the IFP Lease will cease, terminate and become void provided that Lessor shall then convey any remaining interest in the Project to the Borough or its designee pursuant to the IFP Lease.

Principal components of the Base Rent which cannot be prepaid can be defeased. Therefore, the Borough can defease portions of the IFP Lease which cannot otherwise be prepaid.

Tax Covenants

The Lessee and the Lessor, if directed by the Lessee, shall at all times do and perform all acts and things necessary or appropriate under any valid provision of law in order to assure that the interest component of the Certificates shall not be included in gross income for federal income tax purposes under the Code.

The Lessee will not direct or permit any action or inaction, and the Lessor will take no action, which would cause the IFP Lease to be an "arbitrage bond" within the meaning of Section 148 of the Code.

The Lessee shall not use or permit any use of the Project which would cause the IFP Lease to be or become a “private activity bond” within the meaning of Section 141 of the Code and the Lessor shall take no action with respect to, and the Lessee shall not use or permit any use of the proceeds of the Certificates, other amounts or the Project which would cause the IFP Lease to be or become “federally guaranteed” within the meaning of Code Section 149(b) of the Code.

Lease of the Project Site

Since the Project includes additions to the existing building on the Project Site and other improvements to be made on the Project Site, the Borough agrees to lease the Project Site to Lessor and its assigns for a term coterminous with this lease or such longer term, as set forth in the IFP Lease.

The lease of the Project Site grants to the Lessor the exclusive right to all additions which are part and improvements to realty which are part of the Project provided they are not equipment or removable fixtures. The lease of the Project Site shall be nonexclusive and be limited for the following purposes: (i) preserving and protecting the equipment, goods, property, machinery, electrical work, incinerators, and improvements which comprise the Project; (ii) preparing the Project or any components thereof for sale, the sale thereof and any related activity, (iii) the removal of the equipment, goods, property, machinery, electrical work, incinerators and improvements which comprise the project; (iv) exercising its remedies under the IFP Trust Agreement. The Lessor has no obligation to pay rent for consideration for the lease of the Project Site hereunder other than its obligations under the IFP Lease and the IFP Trust Agreement.

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APPENDIX D

FORM OF SPECIAL COUNSEL OPINION

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August 18, 2021

Borough of Naugatuck
227 Church Street
Naugatuck, Connecticut

Re: \$12,110,000 Certificates of Participation (Naugatuck Incineration Facilities Project) Evidencing Proportionate Interests in Base Rent to be Paid by the Borough of Naugatuck, Connecticut, Issue of 2021, Series A (Tax-Exempt) (AMT)

We have acted as special counsel in connection with the issuance of the \$12,110,000 Certificates of Participation (Naugatuck Incineration Facilities Project) Evidencing Proportionate Interests in Base Rent to be Paid by the Borough of Naugatuck, Connecticut, Issue of 2021, Series A (Tax-Exempt) (AMT) (the “Series A Certificates”). The Series A Certificates constitute proportionate interests in the principal and interest components of the Base Rent to be paid by the Borough of Naugatuck, Connecticut (the “Borough”), under a Lease Agreement, dated as of August 1, 2021 (the “IFP Lease”), by and between the Naugatuck IFP Statutory Trust II (the “IFP Trust”) and the Borough, pursuant to which certain capital improvements to the Borough’s incineration facilities which are provided for in the Incineration Facilities Lease Agreement dated July 30, 2021, as amended (the “Management Agreement”) among the Borough, the Water Pollution Control Authority of the Borough, and Naugatuck Environmental Technologies, LLC (the “Incinerator Lessee”), are to be constructed by the Incinerator Lessee, owned by the IFP Trust and leased to the Borough. The Series A Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2021 (the “IFP Trust Agreement”), by and between the IFP Trust and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the IFP Trust Agreement. The Borough is not a party to the Series A Certificates.

The Series A Certificates are dated August 18, 2021 and are issuable only in fully registered form in denominations of \$5,000 or any integral multiple thereof. The terms of the obligations evidenced by the Series A Certificates are set forth therein and in the Trust Agreement. Base Rent payments are comprised of interest and principal components. Interest components are payable on February 15 and August 15. Principal components are payable on August 15.

We have examined executed copies of the IFP Trust Agreement, the IFP Lease, the Declaration of Trust dated as of July 15, 2021 by and between the Borough and the Trustee, and such other documents and records that we determined appropriate to render this opinion. We have also examined an executed copy of the Tax Regulatory Agreement executed by the Borough, dated as of August 18, 2021 (the “Tax Regulatory Agreement”), including the appendices, certificates and attachments thereto. We have examined one of the Series A Certificates as executed.

The federal treatment of the interest component of Base Rent is based on facilities financed by the Series A Certificates as being classified as solid waste disposal facilities. Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") provides generally that interest on certain issues of obligations, the proceeds of which are to be used to provide solid waste disposal facilities within the meaning of Section 142(a)(6) of the Code, is excluded from federal gross income of the holder thereof. The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series A Certificates in order that interest derived from Base Rent under the IFP Lease and paid in respect of the Series A Certificates be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of the gross proceeds of the Series A Certificates (and, thereby, the proportionate interests in Series A Certificates Base Rent), yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds, if any, be rebated to the federal government. Noncompliance with such requirements may cause interest derived from Base Rent under the IFP Lease and paid in respect of the Series A Certificates to become included in gross income for Federal income tax purposes retroactive to the issue date, irrespective of the date on which such noncompliance occurs or is discovered. In connection with the issuance of the Series A Certificates, in the Tax Regulatory Agreement, the Borough has covenanted, partly in reliance on certain covenants made by the IFP Lessee in the Management Agreement and certain certifications of fact, representations and opinions of Kleinfelder ("Kleinfelder"), the Borough Engineer, to comply and cause the IFP Lessee to comply with certain applicable requirements of the Code to assure the exclusion of interest from gross income under Section 103 of the Code. In executing the Tax Regulatory Agreement, the Borough covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest component of Base Rent paid in respect of the Series A Certificates will, for federal income tax purposes, be excluded from gross income. Our opinion below is based upon such representations and compliance by the Borough with the terms of the Tax Regulatory Agreement.

As to questions of fact material to our opinion, we have relied upon representations of the Borough contained in the IFP Lease, the Tax Regulatory Agreement, the record of proceedings and other certifications furnished to us, and certifications by officers of the Borough and the Trustee without undertaking to verify the same by independent investigations. In addition, we have relied upon certifications of fact, representations and opinions of Kleinfelder. In rendering this opinion, we have assumed the power to enter into and perform, and the due authorization, execution and delivery by all parties (other than the Borough) of the documents and agreements to which the Borough is a party.

In rendering the opinions set forth below we have relied on the opinion of Shipman & Goodwin LLP, attorneys for the IFP Trust, as to matters covered thereby and the opinion of general counsel to Trustee for the matters covered thereby. In addition, we assumed the IFP Trust Agreement is and each of the documents are enforceable against each of the other parties (other than the Borough) in accordance with their respective terms.

On the basis of and subject to the foregoing, we are of the opinion that:

1. The IFP Lease and the Tax Regulatory Agreement have been duly authorized, executed and delivered by the Borough and constitute the legally valid and binding obligations of the Borough enforceable against the Borough in accordance with their respective terms.

2. The obligation of the Borough to make Base Rent payments during the term of the IFP Lease is subject to the Borough appropriating sufficient funds on an annual basis therefor, does not constitute a debt of the Borough or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Borough is obligated to levy or pledge any form of taxation or for which the Borough has levied or pledged any form of taxation.

3. The Series A Certificates have been validly authenticated and delivered pursuant to the IFP Trust Agreement and constitute valid and legally binding obligations under the IFP Trust Agreement, payable as to principal, premium, if any, and interest from the funds provided pursuant to the IFP Trust Agreement. The Series A Certificates do not create a debt or pledge of the full faith credit of the Borough.

4. Under existing law, the portion of each Base Rent payment due under the IFP Lease designated as and constituting interest paid by the Borough under the IFP Lease and received by the owners of the Series A Certificates (i) is excluded from gross income for federal income tax purposes, except for any period during which a Series A Certificate is held by a person who is a "substantial user" of the facilities financed with the proceeds of the Series A Certificates (and, thereby, the proportionate interests in Series A Certificates Base Rent) or a "related person" of such a "substantial user," each within the meaning of section 147(a) of the Code, and (ii) is an item of tax preference for purposes of calculating the federal alternative minimum tax under the Code.

5. Based on existing statutes, the interest derived from Base Rent under the IFP Lease and paid in respect of the Series A Certificates 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.

In rendering the opinions set forth in paragraphs 4 and 5 above, 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 IFP Lease and the Tax Regulatory Agreement, and (ii) continuing compliance by the Borough with the covenants set forth in the Tax Regulatory Agreement as to such tax matters. Furthermore, we have assumed compliance with all covenants contained in the IFP Lease and in certain other documents, including, without limitation, those referenced in the preceding paragraphs. Except as stated in such paragraphs, we express no opinion as to any federal, state or local tax consequences with respect to the Series A Certificates or the Base Rent Interest Component therein.

The rights of the owners of the Series A Certificates and the enforceability of the IFP Lease, the IFP Trust Agreement and the Tax Regulatory Agreement may also be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors'

rights generally and by application of equitable principles, whether considered at law or in equity or of public interest or the exercise of the police power.

In addition, we have not made or undertaken to make any investigation of the status or quality of title to any of the property covered by the IFP Lease or securing the IFP Trust Agreement and the Series A Certificates, or the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

Finally, we undertake no responsibility herein for the accuracy, completeness or sufficiency of the Offering Circular or other offering material relating to the sale of the Series A Certificates and express no opinion herein relating thereto.

The foregoing 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 Series A Certificates may affect the tax status of the Base Rent Interest Component of the Series A Certificates.

Respectfully yours,

Pullman & Comley, LLC

August 18, 2021

Borough of Naugatuck
227 Church Street
Naugatuck, Connecticut

**Re: \$6,055,000 Certificates of Participation (Naugatuck Incineration Facilities Project)
Evidencing Proportionate Interests in Base Rent to be Paid by the Borough of
Naugatuck, Connecticut, Issue of 2021, Series B (Taxable)**

We have acted as special counsel in connection with the issuance of the \$6,055,000 Certificates of of Participation (Naugatuck Incineration Facilities Project) Evidencing Proportionate Interests in Base Rent to be Paid by the Borough of Naugatuck, Connecticut, Issue of 2021, Series B (Taxable) (the “Series B Certificates”). The Series B Certificates constitute proportionate interests in the principal and interest components of the Base Rent to be paid by the Borough of Naugatuck, Connecticut (the “Borough”), under a Lease Agreement, dated as of August 1, 2021 (the “IFP Lease”), by and between the Naugatuck IFP Statutory Trust II (the “IFP Trust”) and the Borough, pursuant to which certain capital improvements to the Borough’s incineration facilities which are provided for in the Incineration Facilities Lease Agreement dated July 30, 2021, as amended (the “Management Agreement”) among the Borough, the Water Pollution Control Authority of the Borough, and Naugatuck Environmental Technologies, LLC (the “Incinerator Lessee”), are to be constructed by the Incinerator Lessee, owned by the IFP Trust and leased to the Borough. The Series B Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of August 1, 2021 (the “IFP Trust Agreement”), by and between the IFP Trust and U.S. Bank National Association, as trustee (the “Trustee”). Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the IFP Trust Agreement. The Borough is not a party to the Series B Certificates.

The Series B Certificates are dated August 18, 2021 and are issuable only in fully registered form in denominations of \$5,000 or any integral multiple thereof. The terms of the obligations evidenced by the Series B Certificates are set forth therein and in the Trust Agreement. Base Rent payments are comprised of interest and principal components. Interest components are payable on February 15 and August 15. Principal components are payable on August 15.

We have examined executed copies of the IFP Trust Agreement, the IFP Lease, the Declaration of Trust dated as of July 15, 2021 by and between the Borough and the Trustee, and such other documents and records that we determined appropriate to render this opinion. We have examined one of the Series B Certificates as executed.

As to questions of fact material to our opinion, we have relied upon representations of the Borough contained in the IFP Lease, the record of proceedings and other certifications furnished to us, and certifications by officers of the Borough and the Trustee without undertaking to verify

the same by independent investigations. In rendering this opinion, we have assumed the power to enter into and perform, and the due authorization, execution and delivery by all parties (other than the Borough) of the documents and agreements to which the Borough is a party.

In rendering the opinions set forth below we have relied on the opinion of Shipman & Goodwin LLP, attorneys for the IFP Trust, as to matters covered thereby and the opinion of general counsel to Trustee for the matters covered thereby. In addition, we assumed the IFP Trust Agreement is and each of the documents are enforceable against each of the other parties (other than the Borough) in accordance with their respective terms.

On the basis of and subject to the foregoing, we are of the opinion that:

1. The IFP Lease has been duly authorized, executed and delivered by the Borough and constitutes the legally valid and binding obligation of the Borough enforceable against the Borough in accordance with its terms.

2. The obligation of the Borough to make Base Rent payments during the term of the IFP Lease is subject to the Borough appropriating sufficient funds on an annual basis therefor, does not constitute a debt of the Borough or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the Borough is obligated to levy or pledge any form of taxation or for which the Borough has levied or pledged any form of taxation.

3. The Series B Certificates have been validly authenticated and delivered pursuant to the IFP Trust Agreement and constitute valid and legally binding obligations under the IFP Trust Agreement, payable as to principal, premium, if any, and interest from the funds provided pursuant to the IFP Trust Agreement. The Series B Certificates do not create a debt or pledge of the full faith credit of the Borough.

4. Based on existing statutes, the interest derived from Base Rent under the IFP Lease and paid in respect of the Series B Certificates is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

The rights of the owners of the Series B Certificates and the enforceability of the IFP Lease and the IFP Trust Agreement may also be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by application of equitable principles, whether considered at law or in equity or of public interest or the exercise of the police power.

In addition, we have not made or undertaken to make any investigation of the status or quality of title to any of the property covered by the IFP Lease or securing the IFP Trust Agreement and the Series B Certificates, or the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

Finally, we undertake no responsibility herein for the accuracy, completeness or sufficiency of the Offering Circular or other offering material relating to the sale of the Series B Certificates and express no opinion herein relating thereto.

Respectfully yours,

Pullman & Comley, LLC

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APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (“Agreement”) is executed and delivered as of August 18, 2021 by the Borough of Naugatuck, Connecticut (the “Borough”) acting by its undersigned officer, duly authorized, and U.S. Bank National Association, as trustee (the “Trustee”), in connection with the issuance of the \$12,110,000 Certificates of Participation (Naugatuck Incineration Facilities Project) Evidencing Proportionate Interests in Base Rent to be Paid by the Borough of Naugatuck, Connecticut, Issue of 2021, Series A (Tax-Exempt) (AMT) (the “Series A Certificates”) and the \$6,055,000 Certificates of Participation (Naugatuck Incineration Facilities Project) Evidencing Proportionate Interests in Base Rent to be Paid by the Borough of Naugatuck, Connecticut, Issue of 2021, Series B (Taxable) (the “Series B Certificates”, and together with the Series A Certificates, the “Certificates”). The Certificates are being issued pursuant to the Trust Agreement dated as of August 1, 2021 (the “WSP Trust Agreement”), by and between Naugatuck IFP Statutory Trust II and the Trustee.

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

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

“EMMA” means the Electronic Municipal Market Access System as described in the 1934 Act Release #59062 and maintained by the Municipal Securities Rulemaking Board for the purposes of the Rule and as further described in Section 13 hereof.

“Offering Circular” means the final offering circular, prepared in connection with the Certificates.

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

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

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

“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 Reports.

(a) The Borough shall provide or cause to be provided to the MSRB, in accordance with the provisions of the Rule and of this Agreement, the following annual financial information and operating data regarding the Borough (commencing with the information and data for the fiscal year ending June 30, 2021):

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

date of this Agreement, the Borough is required to prepare audited financial statements of its various funds and accounts. If audited financial statements for any Fiscal Year End are not available to be provided to the MSRB through EMMA by the Deadline (as hereinafter defined in Section 3 hereof), the Borough shall provide to the MSRB through EMMA: i) unaudited financial statements for such Fiscal Year End, and when available; ii) audited financial statements for such Fiscal Year End, as soon as practicable after its receipt thereof.

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

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

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

(c) Subject to the requirements of Section 8 hereof, the Borough reserves the right to modify from time to time the specific types of information or data provided or the format of the presentation of such information or data, to the extent necessary or appropriate; provided that the Borough agrees that any such modification will be done in a manner consistent with the Rule. The Borough also reserves the right to modify the preparation and presentation of financial statements described herein as may be required to conform with changes in Connecticut law

applicable to municipalities or any changes in generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board from time to time.

Section 3. Timing. The Borough shall provide the information and data referenced in Section 2(a) to the MSRB through EMMA not later than eight months after each Fiscal Year End for which such information is being provided (the “Deadline”).

Section 4. Event Notices.

(a) The Borough agrees to provide or cause to be provided to the MSRB, within ten (10) business days of the occurrence of any of the following events with respect to the Certificates, notice of the occurrence of such event:

- (i)** principal and interest payment delinquencies;
- (ii)** unscheduled draws on debt service reserves reflecting financial difficulties;
- (iii)** unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv)** substitution of credit or liquidity providers, or their failure to perform;
- (v)** 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 Certificates, or other events affecting the tax status of the Certificates;
- (vi)** tender offers;
- (vii)** bankruptcy, insolvency, receivership, or a similar proceeding by the Borough;
- (viii)** Certificate defeasances;
- (ix)** rating changes; and
- (x)** default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation* of the Borough, any of which reflect financial difficulties.

***Note:** For the purposes of the events identified in paragraph (x), the term “Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) The Borough agrees to provide or cause to be provided to the MSRB, within ten (10) business days of the occurrence of any of the following events with respect to the Certificates, notice of the occurrence of such event, if material:

- (i)** non-payment related defaults;

- (ii) modifications to rights of Certificate holders;
- (iii) Certificate calls;
- (iv) release, substitution, or sale of property securing repayment of the Certificates;
- (v) consummation of a merger, consolidation, acquisition involving the Borough, other than the ordinary course of business, or the sale of all or substantially all the assets of the Borough, or the entry into a definitive agreement to engage in such a transaction, or a termination of such an agreement, other than in accordance with its terms;
- (vi) appointment of a successor or additional trustee, or the change in the name of the trustee; and
- (vii) incurrence of a Financial Obligation* of the Borough or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation* of the Borough, any of which affect bondholders.

*Note: For the purposes of the events identified in paragraph (vii), the term “Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

In order to assist the Borough in complying with its undertaking in this Section 4, the Trustee agrees to use its reasonable efforts promptly to notify the Borough in writing of the occurrence of any of the events listed in Section 4 as to which any officer in the Corporate Trust Services Department of the Trustee obtains actual knowledge in the course of the performance of the duties of the Trustee under the Indenture; provided, however, that (i) the determination of whether any such occurrence is material shall be a determination to be made by the Borough and not the Trustee pursuant to its responsibilities under this Agreement, and (ii) any failure by the Trustee to provide notice to the Borough as contemplated by this paragraph shall not constitute a default by the Trustee under this Agreement or the Indenture, or give rise to any claim to damages by the Borough or any other party.

Section 5. Notice of Failure. The Borough agrees to provide or cause to be provided, in a timely manner to the MSRB, notice of any failure by the Borough to provide the annual financial information described in Section 2(a) of this Agreement on or before the date set forth in Section 3 hereof.

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

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

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Borough may amend this Agreement, and any provision of this Agreement may be waived, if such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Borough, 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 Certificates and (ii) the Agreement as so amended would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances. A copy of any such amendment will be filed in a timely manner with the MSRB. 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.

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

Section 10. Enforceability. The Borough agrees that its undertaking pursuant to the Rule set forth in this Agreement is intended to be for the benefit of and enforceable by the beneficial owners of the Certificates. In the event the Borough shall fail to perform its duties hereunder, the Borough shall have the option to cure such failure after its receipt of written notice from any beneficial owner of the Certificates of such failure. The present address of the Borough is Borough of Naugatuck, 229 Church Street, Naugatuck, CT 06770, Attn: Controller. In the event the Borough does not cure such failure, the right of any beneficial owner of the Certificates to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Borough's obligations hereunder. No monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute default of the Borough with respect to the Certificates.

Section 11. Governing Law. This Agreement shall be governed by the laws of the State of Connecticut.

Section 12. Method of Filing. To the extent filings are required to be made to the MSRB under this Agreement, the Borough shall transmit such filings or notices in an electronic format to the continuing disclosure service portal provided through MSRB's EMMA as provided at <http://emma.msrb.org/> or any similar system that is acceptable to the SEC.

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

BOROUGH OF NAUGATUCK, CONNECTICUT

By: _____
N. Warren Hess III
Mayor

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title: Vice President