

Town of Killingworth, Connecticut

Financial Statements, Supplementary Information and
Independent Auditor's Report

Year Ended June 30, 2015

Town of Killingworth, Connecticut
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Guiding Successful People

Ansonia
158 Main Street, Suite 301
Ansonia, Connecticut 06401
P: 203-732-2311

Killingworth
166 Route 81
Killingworth, Connecticut 06419
P: 860-663-0110

New Haven
900 Chapel Street, Suite 620
New Haven, Connecticut 06510
P: 203-773-0384

Westport
611 Riverside Avenue
Westport, Connecticut 06880
P: 877-839-7423

Principals
Francis H. Michaud Jr. CPA
John A. Accavallo CPA
Sandra M. Woodbridge CPA
Dominic L. Cusano MBA CPA
Darin L. Offerdahl MBA CPA

INDEPENDENT AUDITORS' REPORT

The Board of Finance
Town of Killingworth, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Killingworth, Connecticut, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Killingworth, Connecticut, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-15 and 51-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Killingworth's basic financial statements. The combining and individual nonmajor fund financial statements, report to the property tax collector and statement of changes in fund balance by project are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Connecticut Single Audit Act*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, report to the property tax collector, statement of changes in fund balance by project and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, report to the property tax collector, statement of changes in fund balance by project and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 9, 2015 on our consideration of the Town of Killingworth, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town of Killingworth, Connecticut's internal control over financial reporting and compliance.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
November 9, 2015

Town of Killingworth, Connecticut

Management Discussion and Analysis
June 30, 2015

Town of Killingworth, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2015

This discussion and analysis of the Town of Killingworth, Connecticut's (the Town) financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Government's financial statements.

FINANCIAL HIGHLIGHTS

- On the government-wide basis of accounting, the total net position (Exhibit 2) decreased by \$595,062, or 2.2%, from \$27,572,827 (as restated - see Note 11) to \$26,977,765. Decrease is primarily a result of depreciation of capital assets, and changes to the net pension liability.
- The Town's total liabilities (Table 1) increased \$132,543 primarily due to additions to deferred outflows of resources related to pensions and current year net pension expense (see Note 9).
- At the close of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$8,640,657, which was a decrease of \$40,927 over prior year. Of this amount, \$3,838,892 is unassigned and available for spending at the Town's discretion, which is a decrease of \$173,166 over the prior year. (Exhibit 4)
- The Town's long-term debt decreased by \$175,000 during the current fiscal year due to the principal payment on the general obligation bonds.
- The general fund budget (Supplementary Information) showed a break even between budgeted expenses and actual expenses.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains supplementary information intended to furnish additional details to support the basic financial statements themselves.

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 17-18 of this report.

Town of Killingworth, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Fund Financial Statements

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

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

The Town maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and the Reserve Fund for Capital and Nonrecurring Expenditures which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining fund statements on pages 62-63.

The Town adopts an annual appropriated budget for its General Fund. The schedule of revenues and other financing sources and the schedule of expenditures and other financing uses have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19 and 21 of this report

Fiduciary-Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs.

The Town maintains two different types of fiduciary funds. The Pension trust fund is used to report resources held in trust for retirees and beneficiaries covered by the Municipal Employees' Pension Plan and the Volunteer Fire Company Pension Plan. The Agency fund reports resources held by the Town in a custodial capacity for individuals, private organizations and other governments. The fiduciary fund financial statements can be found on pages 23-24 of this report.

Town of Killingworth, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information found on pages 51-60 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and other schedules are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 62-65 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$26,977,765 as of June 30, 2015.

Table 1

Statement of Net Position

	2015	Change During Year		2014 (as restated- see note 11)
		Dollars	Percent	
Current and other assets	\$ 8,790,516	\$ (73,946)	-0.8%	\$ 8,864,462
Capital assets	24,047,754	(388,573)	-1.6%	24,436,327
Total assets	<u>32,838,270</u>	<u>(462,519)</u>	-1.4%	<u>33,300,789</u>
Deferred outflows of resources	140,441	140,441	100.0%	-
Long-term debt outstanding	5,688,689	32,053	0.6%	5,656,636
Other liabilities	31,375	(39,951)	-56.0%	71,326
Total liabilities	<u>5,860,505</u>	<u>132,543</u>	2.3%	<u>5,727,962</u>
Net assets:				
Invested in capital assets, net of related debt	19,932,754	(213,573)	-1.1%	20,146,327
Unrestricted	<u>7,045,011</u>	<u>(381,489)</u>	-5.1%	<u>7,426,500</u>
Total net position	<u>\$ 26,977,765</u>	<u>\$ (595,062)</u>	-2.2%	<u>\$ 27,572,827</u>

By far the largest portion of the Town's net position (73.9%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles and infrastructure), less any related outstanding debt that was used to acquire those assets. The Town uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Killingworth, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The remaining balance of \$7,045,011 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all reported categories of net position. The same held true for the prior fiscal year.

Table 2

Changes in Net Position

	2015	Change During Year		2014
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 347,332	\$ 48,331	16.16%	\$ 299,001
Operating grants and contributions	2,603,074	68,724	2.71%	2,534,350
Capital grants and contributions	416,797	227,897	120.64%	188,900
General revenues:				
Property taxes	17,810,313	231,396	1.32%	17,578,917
Grants and contributions	18,280	(182,103)	-90.88%	200,383
Interest and investment earnings	10,256	(3,798)	-27.02%	14,054
Other general revenues	43,177	(47,924)	-52.61%	91,101
Total revenues	21,249,229	342,523	1.64%	20,906,706
Expenses				
Program expenses				
General Government	1,669,763	239,371	16.73%	1,430,392
Public safety	556,360	(32,008)	-5.44%	588,368
Highway	2,495,834	65,216	2.68%	2,430,618
Sanitation and health	262,827	(6,393)	-2.37%	269,220
Conservation and land use	70,309	2,522	3.72%	67,787
Recreation	183,416	48,941	36.39%	134,475
Community services	469,189	9,028	1.96%	460,161
Welfare	9,474	(813)	-7.90%	10,287
Capital outlays	56,670	(107,389)	-65.46%	164,059
Education	15,957,890	180,466	1.14%	15,777,424
Interest on long-term debt	112,559	22,050	24.36%	90,509
Total expenses	21,844,291	420,991	1.97%	21,423,300
Increase (decrease) in net position	\$ (595,062)	\$ (78,468)	15.19%	\$ (516,594)

- Capital grants and contributions increased by \$227,897 (120.64%) due to the Sheldon Park STEAP grant received.
- Property taxes increased by \$231,396 (1.32%) due to an increase in the mill rate and higher than anticipated collection rate.
- General government program expense increased by \$239,371 (16.73%) due to the pension expense recorded under new governmental accounting standards GASB 67 and GASB 68.

Town of Killingworth, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2015

- Recreation program expenses increased by \$48,941 (36.39%) primarily due to depreciation.
- Education expenses increased by \$180,466 due to an increase in the Regional School District No. 17 budget.
- Interest on long-term debt increased by \$22,050 (24.36%) due to the new bond issue that took place on June 30, 2014.

Governmental Activities

Table 3 presents the cost of each of the Town's programs, as well as each program's net cost (total cost less revenues generated by the activities). Net cost shows the burden that was placed on the Town's taxpayers by each of the functions.

Table 3

Governmental Type Activities

	Total Cost of Services		Incr. Decr.	Net Cost of Services		Incr. Decr.
	2015	2014		2015	2014	
Governmental Activities						
General Government	\$ 1,669,763	\$ 1,430,392	\$ 239,371	\$ 1,355,766	\$ 1,146,105	\$ 209,661
Public safety	556,360	588,368	(32,008)	543,248	577,125	(33,877)
Highway	2,495,834	2,430,618	65,216	2,230,933	2,177,516	53,417
Sanitation and health	262,827	269,220	(6,393)	248,780	269,220	(20,440)
Conservation and land use	70,309	67,787	2,522	70,309	61,674	8,635
Recreation	183,416	134,475	48,941	(239,160)	(54,425)	(184,735)
Community services	469,189	460,161	9,028	375,825	423,438	(47,613)
Welfare	9,474	10,287	(813)	9,474	10,287	(813)
Capital outlays	56,670	164,059	(107,389)	56,670	164,059	(107,389)
Education	15,957,890	15,777,424	180,466	13,712,684	13,535,541	177,143
Interest on long-term debt	112,559	90,509	22,050	112,559	90,509	22,050
Totals	\$ 21,844,291	\$ 21,423,300	\$ 420,991	\$ 18,477,088	\$ 18,401,049	\$ 76,039

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Killingworth Town Meeting.

As of June 30, 2015, the Town's governmental funds reported combined fund balances of \$8,640,657, a decrease of \$40,927 in comparison with the prior year. Approximately 44.4% of this amount (\$3,838,892) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either restricted, or assigned to indicate that it is 1) restricted or committed for particular purposes (\$3,224,257), or 2) assigned for particular purposes (\$1,557,508).

Town of Killingworth, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year unassigned fund balance of the general fund was \$3,838,892. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance and total fund balance represent 18.2% of total general fund expenditures and transfers out.

The fund balance of the Town's general fund decreased by \$173,166 during the current fiscal year.

The capital projects funds, a major fund, had a \$132,968 increase in fund balance during the current fiscal year, while the other governmental funds had a slight decrease of \$729.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget

Overall variance between the original budget and the final budget was \$233. There were changes to the original budget that reallocated appropriations among departments. Generally, the movement of the appropriations was not significant.

Final budget compared to actual results

Below is a summarized view of the final budget and actual results for the General Fund:

Table 4

General Fund - Budget Summary

Revenues	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Property Taxes	17,521,785	17,689,778	\$ 167,993
Intergovernmental	2,654,958	2,757,662	102,704
Licenses, fees and permits	125,000	131,677	6,677
Charges for goods and services	115,000	182,320	67,320
Interest and investment income	10,000	7,534	(2,466)
Appropriation of prior year fund balance	125,000	-	(125,000)
Other revenues	<u>100,000</u>	<u>123,635</u>	<u>23,635</u>
Total Revenues	<u>20,651,743</u>	<u>20,892,606</u>	<u>240,863</u>

Town of Killingworth, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Expenditures	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Government	1,813,288	1,813,288	-
Public Safety	449,064	449,064	-
Highway	1,066,797	1,066,797	-
Sanitation and Health	249,150	249,150	-
Conservation and Land Use	70,308	70,308	-
Recreation	134,246	134,246	-
Community Service	430,542	430,542	-
Welfare	9,475	9,475	-
Debt and lease obligation	287,559	287,559	-
Education	<u>15,957,890</u>	<u>15,957,890</u>	<u>-</u>
	<u>20,468,319</u>	<u>20,468,319</u>	<u>-</u>
 Excess (Deficiencies) of Revenues Over Expenditures	 <u>\$ 183,424</u>	 <u>\$ 424,287</u>	 <u>\$ 240,863</u>

General property taxes -property tax revenue was \$167,993 higher than budgeted due primarily to higher than anticipated overall tax collections. Intergovernmental revenue -grant revenues were \$102,704 higher than budgeted primarily due to receipt of higher than expected amount related to the PILOT, in lieu of tax program related to state owned land. Also, tax relief programs that can vary year over year had monies received that were not budgeted for. Interest and investment income fell short of budgetary estimates as interest rates being paid on Town's deposits remained at historic lows.

Most of the Town's departments maintained spending within the budgetary limits. Overall, budgeted expenditures were consistent with actual expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the Town had a net amount of \$24,047,754, invested in a broad range of capital assets, including land, buildings, vehicles and equipment and infrastructure. This represents a net decrease (including additions and deductions) of \$388,574 from the prior year. During the current fiscal year, the Town completed Sheldon Park Improvement and Parmelee facilities improvement. Overall decrease in net capital assets was a result of depreciation taken during the year.

Town of Killingworth, Connecticut
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Table 5

**Town of Killingworth's Capital Assets (Net of Depreciation)
Governmental Type Activities**

	Governmental Activities	
	2015	2014
Land	\$ 3,821,535	\$ 3,821,535
Construction in progress	130,287	306,961
Land improvements	1,556,579	848,579
Building and improvements	2,134,575	2,077,207
Equipment and vehicles	602,934	766,606
Infrastructure	15,801,844	16,615,439
Total	\$ 24,047,754	\$ 24,436,327

The Town's 2015/2016 budget anticipates no significant capital projects or infrastructure additions other than a self-contained breathing apparatus for the volunteer fire company, paving from Burr to Schnoor to Route 148, and repair, binder, and paving on Dogwood Knoll Road.

Long-Term Debt

As of June 30, 2015, the Town had \$4,115,000 in general obligation bonds outstanding -a decrease of \$175,000 from the prior year -as shown in the analysis below.

Table 6

	Governmental Activities	
	2015	2014
General obligation bonds	\$ 4,115,000	\$ 4,290,000
Total	\$ 4,115,000	\$ 4,290,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's elected and appointed officials considered many factors when setting the fiscal year 2016 budget tax rates. Some of those factors include the economy at the state and local levels, the rate of population growth within the Town, and realized and potential increases and/or reductions in state funding, property values, and interest rates. The fiscal year 2016 budget of \$20,458,629 has an increase of 3% on the Town side and a 10.0% increase for Regional School District No. 17. The mill rate was increased to 25.23 from 24.53.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of Killingworth, 323 Route 81, Killingworth, CT 06419.

Town of Killingworth, Connecticut

Basic Financial Statements
June 30, 2015

Town of Killingworth
Statement of Net Position
June 30, 2015

	Governmental Activities
ASSETS	
Cash and equivalents	\$ 8,600,754
Property taxes and interest receivable, net	180,448
Due from retirement system	9,314
Due from other funds	-
Capital assets	-
Nondepreciable	3,951,822
Depreciable, net of accumulated depreciation	20,095,932
Total Assets	\$ 32,838,270
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	\$ 140,441
LIABILITIES	
Accounts payable	\$ 4,631
Accrued Payroll and related	26,744
Non-current liabilities	
Due within one year	433,155
Due in more than one year	5,255,534
Total Liabilities	5,860,505
NET POSITION	
Invested in capital assets, net of related debt	19,932,754
Restricted	
Expendable	-
Nonexpendable	-
Unrestricted	7,045,011
Total Net Position	\$ 26,977,765

Town of Killingworth, Connecticut
 Statement of Activities
 June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
General government	\$ (1,669,763)	\$ 313,997	\$ -	\$ -	\$ (1,355,766)
Public safety	(556,360)	-	13,112	-	(543,248)
Highway	(2,495,834)	-	252,854	12,047	(2,230,933)
Sanitation and health	(262,827)	14,047	-	-	(248,780)
Conservation and land use	(70,309)	-	-	-	(70,309)
Recreation	(183,416)	-	17,826	404,750	239,160
Community services	(469,189)	19,288	74,076	-	(375,825)
Welfare	(9,474)	-	-	-	(9,474)
Capital outlays	(56,670)	-	-	-	(56,670)
Education	(15,957,890)	-	2,245,206	-	(13,712,684)
Interest on long term debt	(112,559)	-	-	-	(112,559)
Total governmental activities	(21,844,291)	\$ 347,332	\$ 2,603,074	\$ 416,797	(18,477,088)
General Revenues					
					17,810,313
					18,280
					10,256
					43,177
					<u>17,882,026</u>
					(595,062)
					<u>27,572,827</u>
					<u>\$ 26,977,765</u>

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

Town of Killingworth, Connecticut
 Balance Sheet
 Governmental Funds
 Year Ended June 30, 2015

	General Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents	\$ 3,498,393	\$ 5,030,470	\$ 81,205	\$ 8,610,068
Taxes receivable, net of allowance for uncollectible amounts	180,448	-	-	180,448
Due from other funds	309,910	-	-	309,910
 Total Assets	 \$ 3,988,751	 \$ 5,030,470	 \$ 81,205	 \$ 9,100,426
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 4,631	\$ -	\$ -	\$ 4,631
Accrued payroll and related	26,744	-	-	26,744
Due to other funds	-	293,375	16,535	309,910
Unearned revenues	118,484	-	-	118,484
 Total Liabilities	 149,859	 293,375	 16,535	 459,769
 Fund Balances (Deficits)				
Restricted	-	-	64,223	64,223
Committed	-	3,160,034	-	3,160,034
Assigned	-	1,577,061	447	1,577,508
Unassigned	3,838,892	-	-	3,838,892
 Total Fund Balances	 3,838,892	 4,737,095	 64,670	 8,640,657
 Total Liabilities and Fund Balances	 \$ 3,988,751	 \$ 5,030,470	 \$ 81,205	 \$ 9,100,426

Town of Killingworth, Connecticut
 Reconciliation of Governmental Funds Balance Sheet to the
 Government Wide Statement of Net Position - Governmental Activities
 Year Ended June 30, 2015

Fund Balances - Total Governmental Funds	\$	8,640,657
<p>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		24,047,754
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:</p>		
Unearned revenue related to tax collection		118,484
Deferred outflows related to pension		(140,441)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
General obligation bonds		(4,163,155)
Compensated absences		(134,337)
Net pension liability		(1,288,662)
OPEB obligations		<u>(102,535)</u>
Net Position of Governmental Activities	\$	<u>26,977,765</u>

Town of Killingworth, Connecticut
Statement of Revenues, Expenditures and Changes
in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes for general purposes	\$ 17,689,778	\$ -	\$ -	\$ 17,689,778
Intergovernmental	2,757,662	375,869	-	3,133,531
Licenses, permits and fees	131,677	-	-	131,677
Charges for services	182,320	-	28,739	211,059
Interest and investment income	7,534	-	-	7,534
Miscellaneous revenue	123,635	-	600	124,235
Total Revenues	<u>20,892,606</u>	<u>375,869</u>	<u>29,339</u>	<u>21,297,814</u>
EXPENDITURES				
Current				
General government	1,293,288	-	38,647	1,331,935
Public safety	449,064	-	-	449,064
Highway	1,066,797	-	-	1,066,797
Sanitation and health	249,150	-	-	249,150
Conservation and land use	70,309	-	-	70,309
Recreation	134,246	-	-	134,246
Community services	430,542	-	-	430,542
Welfare	9,474	-	-	9,474
Education	15,957,890	-	-	15,957,890
Miscellaneous	55,517	-	-	55,517
Debt Service	287,559	-	-	287,559
Capital expenditures	<u>520,000</u>	<u>776,258</u>	<u>-</u>	<u>1,296,258</u>
Total Expenditures	<u>20,523,836</u>	<u>776,258</u>	<u>38,647</u>	<u>21,338,741</u>
Excess (Deficiency) of Revenues				
Over expenditures	<u>368,770</u>	<u>(400,389)</u>	<u>(9,308)</u>	<u>(40,927)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	622,405	995,400	24,797	1,642,602
Transfers out	<u>(1,164,341)</u>	<u>(462,043)</u>	<u>(16,218)</u>	<u>(1,642,602)</u>
Total Other Financing Sources (Uses)	<u>(541,936)</u>	<u>533,357</u>	<u>8,579</u>	<u>-</u>
Net Change in Fund Balance	(173,166)	132,968	(729)	(40,927)
Fund Balances - Beginning of Year	<u>4,012,058</u>	<u>4,604,127</u>	<u>65,399</u>	<u>8,681,584</u>
Fund Balances - End of Year	<u>\$ 3,838,892</u>	<u>\$ 4,737,095</u>	<u>\$ 64,670</u>	<u>\$ 8,640,657</u>

Town of Killingworth, Connecticut
 Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the
 Government Wide Statement of Activities
 Year Ended June 30, 2015

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Net Change in Fund Balances - Total Governmental Funds \$ (40,927)

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. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay	1,296,258
Depreciation expense	<u>(1,628,161)</u>
	<u>(331,903)</u>

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

Real property taxes and interest accrual basis change	<u>(73,414)</u>
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments on long-term debt	<u>175,000</u>
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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, including the change in

Deferred outflows related to pension	(140,441)
Compensated absences	(55,656)
Pension expense	(104,630)
Other post employment benefits liability	<u>(23,091)</u>
	<u>(183,377)</u>

Change in Net Position of Governmental Activities	<u><u>\$ (595,062)</u></u>
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Town of Killingworth, Connecticut
 Statement of Net Position
 Fiduciary Funds
 June 30, 2015

	Pension Trust Funds	Agency Funds
ASSETS		
Cash	\$ -	\$ 1,224
Investments	3,079,916	-
	\$ 3,079,916	\$ 1,224
 LIABILITIES		
Due to others	\$ -	\$ 1,224
 NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
	\$ 3,079,916	

Town of Killingworth, Connecticut
Statement of Net Position
Fiduciary Funds
June 30, 2015

ADDITIONS

Employer contributions	\$ 206,018
Investment Income	<u>122,492</u>
Total additions	<u>328,510</u>

DEDUCTIONS

Benefits paid	\$ 181,972
Net realized/unrealized loss on investments	101,693
Administration	<u>21,480</u>
Total deductions	<u>305,145</u>

Change in net position 23,365

Net position - beginning 3,056,551

Net position - ending \$ 3,079,916

Town of Killingworth, Connecticut

Notes to Financial Statements

June 30, 2015

Note 1 - Summary of Significant Accounting Policies

The Town of Killingworth, Connecticut (the Town) is a municipal corporation governed by a selectmen town meeting form of government. Under this form of government, the town meeting is the legislative body. A town meeting is required to make appropriations, levy taxes and borrow money. The administrative branch is led by an elected three-member board of selectmen. The selectmen oversee most of the activities not assigned specifically to another body. The elected Board of Finance is the budget making authority and supervises the town financial matters.

The Town provides the following services: public safety; highways and streets; health and welfare; culture-recreation; education; public improvements; planning and zoning; and general administrative services.

The accounting policies conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (the GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the Town's more significant accounting policies:

Financial Reporting Entity

The financial reporting entity consists of: 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 as set forth by GASB.

In evaluating how to define the financial reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in this reporting entity was made by applying the criteria set forth by GASB, including legal standing, fiscal dependency and financial accountability. The criterion has been considered and there are no agencies or entities, which should be presented with this government.

Related Organizations

The Board of Selectmen is responsible for appointing two members to the Library Board of the Town of Killingworth but the Town's accountability does not extend beyond making such appointments. Amounts paid by the Town of Killingworth to the Library in exchange for services rendered amounted to \$233,608 for the year ended June 30, 2015.

The Town has joined the neighboring Town of Haddam, Connecticut in a multi-governmental arrangement established under Connecticut General Statutes to provide services to the residents of the member Towns. Regional School District 17 provides educational services and facilities to the member Towns. The member Towns share proportionately in the operating costs of the school district based upon anticipated enrollment. Although the school district provides services to the citizenry of both governments, it does not meet the definition of a joint venture as the member Towns do not retain an ongoing financial interest in the school district. During the year ended June 30, 2015, the Town of Killingworth recognized expenditures of 15,957,890 for its proportional share of the operating costs of Regional School District 17.

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government as a whole. For the most part, the effect of interfund activity has been removed from these statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities (if any), which rely to a significant extent on fees and charges for support.

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

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

Restricted Net Position -This category consists of net assets whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the Town had no restricted net position.

Unrestricted Net Position -This category consists of net position which does not meet the definition of the two preceding categories.

When both restricted and unrestricted revenue are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are available.

The Statement of Net Position presents the financial position of the Town at the end of its fiscal year. The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is 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 or services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment and 3) interest earned on grants that is required to be used to support a particular program. Taxes and other items not identified as program revenues are reported as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

Fund Financial Statements

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which comprise its assets, liabilities, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column. The Town maintains fiduciary funds, which are

Town of Killingworth, Connecticut

Notes to Financial Statements

June 30, 2015

reported by type. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

Separate financial statements are provided for governmental funds 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

The Town's resources are reflected in the fund financial statements in two broad fund categories, in accordance with generally accepted accounting principles as follows:

Governmental Funds

Governmental Funds are those through which most of the governmental functions are financed.

General Fund - The General Fund is the primary operating fund of the Town. This fund is used to account for all financial resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services, and interest income.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for capital expenditures or for the acquisition or construction of capital facilities, improvements and/or equipment.

Special Revenue Funds - Special Revenue Funds are used to account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not included in the government-wide statements. The fiduciary funds are as follows:

Pension Trust Funds - The Pension Trust Funds which account for the activities of the Town's pension plans, which accumulate resources for pension benefit payments to qualified Town employees and volunteer fire fighters.

Agency Funds - The Agency Funds account for funds held by the Town of behalf of residents, such as performance bonds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Town of Killingworth, Connecticut

Notes to Financial Statements

June 30, 2015

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. The Agency Fund has no measurement focus and utilizes the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict GASB guidance.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property taxes and certain other revenues are considered available if collected within sixty days of the fiscal year end. Property taxes associated with the current fiscal period, as well as charges for services and intergovernmental revenues are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. If expenditures are the prime factor for determining eligibility, revenues from Federal and State grants are accrued when the expenditure is made.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures, when applicable, related to early retirement incentives, compensated absences, capital leases, post-closure landfill costs, pollution remediation obligations, other post-employment benefit obligations, certain pension obligations and certain claims payable are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Assets, Liabilities and Net Position or Fund Balances

Deposits, Investments and Risk Disclosure

Cash and Equivalents - Cash and equivalents consist of funds deposited in demand deposit accounts, time deposit accounts, certificates of deposit, money market funds, State of Connecticut Treasurer's Short-Term Investment Fund, Tax Exempt Proceeds Funds and treasury bills with original maturities of less than three months.

The Town's custodial credit risk policy is to only allow the Town to use banks that are in the State of Connecticut. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank's risk-based capital ratio.

Investments - The investment policies of the Town conform to the policies as set forth by the State of Connecticut. The Town's policy is to only allow prequalified financial institution broker/dealers and advisors. The Town policy allows investments in the following: (1) obligations of the United States and its agencies; (2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; and (3) shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund and the Tax Exempt Proceeds Fund.

Investments are stated at fair value, based on quoted market prices.

Taxes Receivable - Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed. Interest at the rate of 1.5% per month accrues on all overdue tax balances. Liens are effective on the assessment date are generally continued by filing in May following the due date.

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

Other Receivables - Other receivables include amounts due from other governments and individuals for services provided by the Town. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

Prepaid Expenses/Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods, and are recorded as prepaid items using the consumption method in both the government-wide and fund financial statements. Reported amounts are equally offset by nonspendable fund balance, in the fund financial statements, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

Inventories - Inventories in the governmental funds are valued at cost on a first-in, first-out basis. The cost is recorded as inventory at the time individual items are purchased. The Town uses the consumption method to relieve inventory. In the fund financial statements, reported amounts are equally offset by nonspendable fund balance in governmental funds, which indicates that they do not constitute "available spendable resources" even though they are a component of current assets. Purchases of other inventorable items are recorded as expenditures/expenses at the time of purchase and year-end balances are not material.

Due From/To Other Funds - During the course of its operations, the Town has numerous transactions between funds to finance operations, provide services and construct assets.

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 or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

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.

Land is considered inexhaustible and, therefore, not depreciated. Other capital assets of the Town are depreciated or amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	50
Land improvements	20
Equipment and vehicles	5-20
Infrastructure	20-50

Unearned/Deferred Revenues - Unearned/deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met. Deferred revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts in the fund financial statements have been deemed measurable but not "available" pursuant to generally accepted accounting principles.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. As of June 30, 2015, the government wide financial statements reported \$140,441 as deferred outflows/inflows of resources related to pension.

Compensated Absences - Under the terms of the Town's bargaining agreements, certain Town employees are granted vacation and sick leave in varying amounts. Certain employees may carry over a limited number of unused vacation and sick days to subsequent years and, in the event of termination, are reimbursed for these days based upon various formulas. Accumulated vacation and sick leave is recognized as a liability of the Town in the government-wide financial statements.

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employee for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated as of June 30, 2015 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. Town employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

Town of Killingworth, Connecticut

Notes to Financial Statements

June 30, 2015

Long-Term Liabilities - In the government-wide statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Net Position/Fund Balance

Government-wide Statements

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

- **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- **Unrestricted** - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Net Position Flow Assumption - Sometimes the government 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 government's policy to consider restricted -net position to have been depleted before unrestricted -net position is applied.

Fund Financial Statements

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

- **Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either (a) not in spendable form (e.g., inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact.
- **Restricted Fund Balance** - represents amounts that are constrained for a specific purpose by either (a) external parties, such as grantors, creditors, contributors, or laws and regulation of their governments or (b) imposed by law through constitutional provisions or enabling legislation.

Town of Killingworth, Connecticut

Notes to Financial Statements

June 30, 2015

- **Committed Fund Balance** - represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Killingworth Town Meeting).
- **Assigned Fund Balance** - for all governmental funds other than the General Fund, any remaining positive amounts not classified as nonspendable, restricted or committed. For the General Fund, includes amounts constrained for the intent to be used for a specific purpose by the Board of Finance.
- **Unassigned Fund Balance** - represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

Fund Balance Flow Assumptions-Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The Town does not have a minimum fund balance policy.

Encumbrances

In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 9, 2015.

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

The Town establishes a Town-wide budget in accordance with provisions of its Charter and the Connecticut General Statutes. The Annual Budget Meeting is held on the third Monday in May, in accordance with the Town Charter. At the meeting, the Board of Finance recommends its proposed budget to the Town. The operating budget includes proposed expenditures and the means of financing them.

The Board of Finance, on request by Town agencies or officials, may make special appropriations from surplus revenue or from an approved contingency fund. Such a special appropriation in excess of \$20,000 shall require approval by a vote of Town meeting. Not more than one special appropriation for any Town agency, official, or any department may be made by the Board of Finance in each fiscal year, without approval of Town meeting.

The Board of Finance is also authorized to transfer budgeted amounts up to \$20,000 within and between Town departments. Any transfer over \$20,000 must be approved at Town meeting.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

All unencumbered general fund appropriations lapse at year-end. Section 9-4 of the Town Charter allows the Board of Finance to hold open any portion of an annual appropriation remaining unexpended at the close of the fiscal year.

In accordance with Section 9-7 of the Town Charter, the Town is permitted to hold open unencumbered appropriations, within the Reserve Fund for Capital and Nonrecurring Expenditures, authorizing the construction or permanent improvement of capital assets of the Town for a period of three years. If an encumbered expenditure has been incurred, the appropriation is held open until the completion of the project.

Note 3 - Cash, Cash Equivalents and Investments

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

Town of Killingworth, Connecticut
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June 30, 2015

The following is a summary of cash and cash equivalents at June 30, 2015:

	Government-Wide Statement of Net Position	Fiduciary Funds Statement of Net Position
Statement of Net Assets		
Cash and equivalents	\$ 8,600,754	\$ -
Money market funds	-	160,891
Total cash and cash equivalents	8,600,754	160,891
Investments		
Equity mutual funds	\$ -	\$ 1,765,667
Fixed income mutual funds	-	1,153,358
Total investments	-	2,919,025
Total Cash and Investments	\$ 8,600,754	\$ 3,079,916

As of June 30, 2015, the carrying amount of the Town's deposits, excluding money market funds was \$8,600,754.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy with regards to custodial credit risk for deposits requires that all of the bank balance be covered by Federal depository insurance and/or deposit surety bonds issued by an insurance company to the financial institution on behalf of the Town. Additionally, the Town has an agreement with its primary financial institution whereby one hundred percent of the Town deposits which exceed the FDIC limits are by an irrevocable standby letter of credit issued by the Federal Home Loan Bank of Pittsburgh and identifying the Town as beneficiary. Accordingly, there were no deposit balances which were uninsured and/or uncollateralized at June 30, 2015.

Investments ó Investments are summarized as follows at June 30, 2015:

Type of Investment	Average Credit Rating	Fair Value	Less Than 1 Year	1 - 5 Years	Over 5 Years
U.S. Government Agencies	N/A	\$ -	N/A	N/A	N/A
Equity Mutual Funds		1,765,667			
Fixed Income Mutual Funds		1,153,358			
		\$ 2,919,025			

Interest Rate Risk -The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair values losses arising from increases in interest rates.

Credit risk -The Town has no formal investment policy that would limit its investment choices due to credit risk other than State Statutes. The provisions of State statutes regarding the investment of municipal pension

Town of Killingworth, Connecticut

Notes to Financial Statements

June 30, 2015

funds do not specify permitted investments. Therefore, investment of such funds is generally controlled by the laws applicable to fiduciaries and the provisions of the applicable plan. The Town has no investment policy that would further limit its investment choices beyond those limited by state statute.

Custodial Credit Risk -Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The Town does not have a policy for custodial credit risk. At June 30, 2015, the Town did not have any uninsured and unregistered securities held by the counterparty or by its trust department or agent that were not in the Town's name.

Concentrations of Credit Risk -The Town has no policy limiting the amount the Town may invest in any one issuer

Note 4 – Property Taxes and Other Receivables

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

Receivables:	<u>General Fund</u>
Property taxes	\$ 160,404
Interest	<u>31,555</u>
Gross receivables	191,959
Less: allowance for uncollectible	<u>(11,511)</u>
Net total receivables	<u>\$ 180,448</u>

Note 5 - Interfund Transactions

Interfund Balances

Interfund balances consisted of the following at June 30, 2015, as reported in the fund financial statements:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 309,910	\$ -
Capital fund	-	293,375
Nonmajor governmental funds	-	<u>16,535</u>
	<u>\$ 309,910</u>	<u>\$ 309,910</u>

The primary purpose of the interfund balance is to cover costs in specific funds where revenues were not yet received. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

Interfund Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported in the fund financial statements

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 622,405	\$ 1,164,341
Capital fund	995,400	462,043
Nonmajor governmental funds	<u>24,797</u>	<u>16,218</u>
	<u>\$ 1,642,602</u>	<u>\$ 1,642,602</u>

Note 6 - Capital Assets

Capital asset activities for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 3,821,535	\$ -	\$ -	\$ 3,821,535
Construction in progress	<u>306,961</u>	<u>112,151</u>	<u>(288,825)</u>	<u>130,287</u>
	<u>4,128,496</u>	<u>112,151</u>	<u>(288,825)</u>	<u>3,951,822</u>
Capital assets being depreciated				
Land improvements	1,636,393	795,548	-	2,431,941
Building and improvements	3,484,019	127,322	-	3,611,341
Equipment and vehicles	3,992,562	15,308	-	4,007,870
Infrastructure	<u>42,628,049</u>	<u>478,084</u>	<u>-</u>	<u>43,106,133</u>
	51,741,023	1,416,262	-	53,157,285
Less accumulated depreciation	<u>(31,433,192)</u>	<u>(1,628,161)</u>	<u>-</u>	<u>(33,061,353)</u>
	<u>\$ 24,436,327</u>	<u>\$ (99,748)</u>	<u>\$ -</u>	<u>\$ 24,047,754</u>

Depreciation expense was charged to governmental activities-function/programs as follows:

General Government	\$ 28,981
Public Safety	107,296
Highway	1,429,037
Sanitation and health	13,677
Recreation	<u>49,170</u>
	<u>\$ 1,628,161</u>

Town of Killingworth, Connecticut
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Note 7 - Long-Term Liabilities

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2015:

	Beginning Balance (as restated Note 11)	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 4,290,000	\$ -	\$ (175,000)	\$ 4,115,000	\$ 385,000
Compensated absences	126,836	55,656	-	182,492	48,155
Net pension liability	1,160,356	128,306	-	1,288,662	-
OPEB obligations	79,444	23,091	-	102,535	-
	<u>\$ 5,656,636</u>	<u>\$ 207,053</u>	<u>\$ (175,000)</u>	<u>\$ 5,688,689</u>	<u>\$ 433,155</u>

Each governmental funds liability is liquidated by the respective fund, primarily the General Fund. Interests on these obligations are expensed to the respective fund, primarily the General Fund.

General Obligation Bonds

At June 30, 2015, the Town had general obligation bonds in the amount of \$4,115,000 outstanding. The bonds, dated August 15, 2006 and June 30, 2014, mature serially over a period from 10 to 20 years at rates which vary from 2.35% to 5.5%.

The annual debt service requirements on these general obligation bonds, including interest, are as follows as of June 30, 2015:

Year End	General Obligation Bonds	
	Principal	Interest
2016	\$ 385,000	\$ 124,846
2017	385,000	112,911
2018	385,000	104,976
2019	385,000	89,041
2020	385,000	77,106
Thereafter	<u>2,190,000</u>	<u>218,716</u>
	<u>\$ 4,115,000</u>	<u>\$ 727,596</u>

Interest paid and expensed on general obligation bonds for the year ended June 30, 2015 totaled \$112,559.

Authorized/Unissued Bonds

There are no authorized, unissued bonds at June 30, 2015.

Town of Killingworth, Connecticut
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Legal Debt Limit

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town.

Note 8 - Fund Balances

As discussed in Note 1, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These are summarized below:

	<u>General Fund</u>	<u>Reserve Fund for Capital and Nonrecurring Expenditures</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Fund balances				
Restricted for:				
General government	\$ -	\$ -	\$ 64,223	\$ 64,223
Public safety	-	-	-	-
Community services	-	-	-	-
Welfare	-	-	-	-
Committed to:	-	-	-	-
Capital projects	-	3,160,034	-	3,160,034
Assigned to:	-	-	-	-
Public safety	-	-	447	447
Capital projects	-	1,577,061	-	1,577,061
Unassigned	<u>3,838,892</u>	<u>-</u>	<u>-</u>	<u>3,838,892</u>
Total fund balances	<u>\$ 3,838,892</u>	<u>\$ 4,737,095</u>	<u>\$ 64,670</u>	<u>\$ 8,640,657</u>

Note 9 - Defined Benefit Pension Plan

The Town administers two single-employer defined benefit pension plans, one covering all eligible full time employees and the second covering the volunteer firefighters. The plans are considered to be part of the Town's financial reporting entity and are included in the Town's financial report as Pension Trust Funds. The plans do not issue stand-alone financial reports.

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

A. Municipal Employees

Plan Description

Town of Killingworth is the sponsor and administrator of a single employer retirement system named the "Town of Killingworth Municipal Employees' Pension Plan" (the Plan) which was established to provide pension benefits for employees of the Town. The Plan was adopted September 30, 2003 effective July 1, 2001.

The Plan covers substantially all full-time employees of the Town.

Summary of Significant Accounting Policies

The Plan's financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All plan investments are reported at fair value.

Plan Membership

Membership in the Plan consisted of the following at July 1, 2013, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	9
Terminated plan members entitled to but not yet receiving benefits	1
	<u>13</u>
Active plan members	23

Benefit Provisions

A participant is eligible for normal retirement upon reaching the later of the age of 65 or the completion of 15 years of service. There is no mandatory retirement age. The benefit is equal to the following:

The annual accrued benefit of a member shall be equal to (A) times (B), where:

(A) 1.5% of the average compensation multiplied by the years of benefit service at normal retirement date.

(B) Equals a fraction (not to exceed one), the numerator of which is the actual completed years of benefit service at normal retirement date or earlier termination of employment; and the denominator of which is the years of benefit service which the plan member would have accumulated at normal retirement date.

The Plan contains a provision for early retirement at age 60 with at least 15 years of service. Benefits for early retirement are actuarially determined. The spousal death benefit for the Plan is the actuarial equivalent of the members vested accrued retirement benefit. Participants in the Plan are vested after 15 years.

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

Contributions

Employer contribution rates are established by the Board of Selectmen and approved by the Board of Finance as determined by its actuaries. The Town is required to contribute the remaining amounts necessary to finance the benefits for the participants as determined by its actuaries. The Town's funding policy provides for periodic employer contributions to accumulate sufficient assets to pay benefits when due.

B. Volunteer Fire Company

Plan Description

The Town of Killingworth is the sponsor and administrator of a single employer retirement system named the "Killingworth Volunteer Fire Company Defined Benefit Pension Plan" (the Plan) which was established to provide pension benefits for employees of the Town. The Plan was formally adopted in September, 2005. The Plan was originally effective January 1, 1989 with benefit funding provided exclusively through an insurance program which was paid by the Town.

The Plan covers anyone who is a volunteer fireman or ambulance personnel who is eligible to enter the Plan. Individuals are eligible to enter the Plan as a participant upon reaching age 18 and completing a probationary period of at least 3 months and not more than 3 years.

Summary of Significant Accounting Policies

The Plan's financial statements are prepared using the accrual basis of accounting. Town contributions are recognized when due and the Town has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All plan investments are reported at fair value.

Plan Membership

Membership in the Plan consisted of the following at July 1, 2013, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	16
Terminated plan members entitled to but not yet receiving benefits	11
	<u>70</u>
Active plan members	97

Benefit Provisions

A participant is eligible for normal retirement upon reaching the age of 65. There is no mandatory retirement age. The Plan benefit is determined based upon years of participation. Participants will be credited with a year of plan participation for any plan year in which the participant attends any one of the following: (1) at least 20% of all calls; (2) at least 50% of all meetings; (3) at least 50% of all drills; and (4) at least 50% of all work nights

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

The amount of monthly retirement income benefit of a plan participant will be an amount based upon years of plan participation as set forth in the following table:

Years of Plan Participation	Amount of Monthly Retirement Income
0	\$ -
1-5	\$ 150
6	\$ 200
7	\$ 220
8	\$ 240
9	\$ 260
10	\$ 280
11	\$ 300
12	\$ 320
13	\$ 340
14	\$ 360
15	\$ 380
16	\$ 400
17	\$ 420
18	\$ 440
19	\$ 460
20	\$ 480
21 or more	\$ 500

The normal form of retirement benefit provides for a monthly benefit payment for as long as the participant shall live. Optional forms of distribution are available.

Participants in the Plan are vested according to the following table:

Years of Plan Participation	Vested Percentage
Less than 4	0%
4	40%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

Town of Killingworth, Connecticut
Notes to Financial Statements
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Contributions

Town contribution rates are established by the Board of Selectmen and approved by the Board of Finance as determined by its actuaries. The Town is required to contribute the remaining amounts necessary to finance the benefits for the participants as are actuarially determined. The Town's funding policy provides for periodic employer contributions to accumulate sufficient assets to pay benefits when due.

Investments

Investment policy - The Municipal Employees and Volunteer Fire Company Pension Plans policy in regard to the allocation of invested assets is established and may be amended by the Board of Finance by a majority vote of its members. It is the policy of the Town's Finance Committee 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 as of June 30, 2015:

Asset Class	Municipal Employees Target Allocation	Volunteer Fire Company Target Allocation
Large Cap	22.1%	21.1%
Mid Cap	8.7%	9.8%
Small Cap	5.6%	6.6%
International Equity	13.3%	13.7%
International Emerging Markets	4.2%	5.9%
REITs	2.8%	3.9%
High Yield Bonds	3.9%	8.6%
Short Term Bonds	9.8%	3.8%
Intermediate Term Bonds	24.4%	21.8%
Cash Equivalents	5.2%	4.8%
	100.0%	100.0%

Concentrations

There were no investments in any one organization that represent 5% or more of the pension plans net assets as they relate to each plan.

Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses was .12% for the Municipal Employees Pension Plan and -.33% for the Volunteer Fire Company Pension Plan at June 30, 2015. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

Net pension liability

The components of the net pension liability at June 30, 2015, were as follows:

	<u>Municipal Employees</u>	<u>Volunteer Fire Company</u>
Total pension liability	\$ 2,553,862	\$ 1,814,774
Plan fiduciary net position	2,107,172	972,743
Net pension liability	<u>\$ 446,690</u>	<u>\$ 842,031</u>
Plan fiduciary net position as percentage of the total pension liability	82.5%	53.6%

Actuarial Assumptions

The annual required contribution for the current year was determined as part of the July 1, 2013 actuarial valuation. The actuarial assumptions included:

	<u>Municipal Employees</u>	<u>Volunteer Fire Company</u>
Investment rate of return	7%	7%
Projected salary increase - per year	4%	N/A
includes in inflation at	3%	N/A
Cost of living adjustment	N/A	N/A
Actuarial cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar, closed	Level Dollar, closed
Remaining amortization period	26 years	26 years

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.

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of Jun 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Municipal Employees Long-Term Expected Real Rate of Return	Volunteer Fire Company Long-Term Expected Real Rate of Return
Large Cap	6.8%	6.8%
Mid Cap	8.5%	8.5%
Small Cap	8.7%	8.7%
International Equity	7.1%	7.1%
International Emerging Markets	11.0%	11.0%
REITs	6.1%	6.1%
High Yield Bonds	5.1%	-0.1%
Short Term Bonds	-0.1%	5.1%
Intermediate Term Bonds	1.2%	1.2%
Cash Equivalents	-1.1%	-1.1%

The long term expected rate of return on the Municipal Employees' Pension Plan and the Volunteer Fire Company Pension Plan were both 7% as of June 30, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability, calculated using the discount rate of 7% as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6%) or 1 percentage point higher (8%) than the current rate:

	1% Decrease (6%)	Current Discount (7%)	1% Increase (8%)
Municipal Employees	\$ 728,677	\$ 446,690	\$ 204,077
Volunteer Fire Company	\$ 1,049,485	\$ 842,031	\$ 665,242

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

Pension Expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2015, the Town recognized pension expense of \$115,134 for the Municipal Employees Pension Plan and \$116,303 for the Volunteer Fire Company Pension Plan. The Town reported deferred outflows of resources related to pensions from the following sources:

	Municipal Employees	Volunteer Fire Company
Differences between expected and actual experience	\$ -	\$ (75,026)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	144,884	70,583
Total	\$ 144,884	\$ (4,443)

Actual experience below (or above) projected experience is amortized over 13.4 years. Actual investment earnings below (or above) projected earnings are amortized over 5 years. Changes of assumptions and experience losses (gains) are amortized over the average remaining service period of actives and inactive, which was also 5 years.

Amounts reported as deferred outflows (inflows) of resources related to pension expense from the recognition of differences between projected and actual earning on pension plan investments will be recognized in pension expense as follows:

	Municipal Employees	Volunteer Fire Company
Year Ending June 30:		
2016	\$ 28,977	\$ 14,117
2017	28,977	14,117
2018	28,977	14,117
2019	28,976	14,115
	\$ 115,907	\$ 56,466

Town of Killingworth, Connecticut
Notes to Financial Statements
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Amounts reported as deferred outflows (inflows) of resources related to pension expense from the recognition of differences between expected and actual experience will be recognized in pension expense as follows:

Year Ending June 30:	Volunteer Fire <u>Company</u>
2016	\$ (5,599)
2017	(5,599)
2018	(5,599)
2019	(5,599)
Thereafter	<u>(47,031)</u>
	<u>\$ (69,427)</u>

Note 10 - Other Post-Employment Benefits (OPEB)

Plan Description

The Town provides post-retirement medical benefits to eligible retirees and their spouses through a single-employer, contributory, defined benefit OPEB plan. A tri-annual actuarial valuation is made to determine whether the contributions are sufficient to meet plan obligations. The latest valuation was made July 1, 2014. The OPEB plan does not issue a separate, stand-alone, financial report.

Benefit Provisions

Employees of the Town are eligible for medical coverage based upon the following criteria:

- Normal retirement at age 62 and 15 years of service.
- For UPSEU and AFSCME union retirees:
Benefits are continued for 3 years or until the retiree or spouse turns 65.

Spousal medical benefits are provided to the spouse of a retiree eligible for medical benefits and are subject to the same duration of coverage as indicated above

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future when it will be paid. In adoption GASB Statement No. 45 beginning with the year ended Jun 30, 2009, the Town recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability (or asset) from prior years, and provides information useful in assessing potential demands on the Town's cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

The contribution requirement of plan members and the Town are established and may be amended by the Town. The Town currently contributes enough money to the plan to satisfy the current obligations on a pay-as-you go basis.

Benefits for retirees require a contribution of 5% for a single coverage and 10% for two person/family coverage. Effective July 1, 2012, benefits for retirees require a contribution of 13% regardless of coverage.

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

Plan Membership

Membership in the Plan consisted of the following at July 1, 2014, the date of the most recent actuarial valuation:

Active members	7
Retirees	<u>-</u>
	<u><u>7</u></u>

Annual OPEB Cost and Net OPEB Obligations

The annual OPEB cost and net OPEB obligation to the plan as of June 30, 2015 were as follows:

Annual Required Contribution	\$ 24,184
Interest on Net OPEB Obligation	3,575
Adjustment to Annual Required Contribution	<u>(4,668)</u>
Annual OPEB Cost	23,091
Contributions made	<u>-</u>
Increase in net OPEB Obligation	23,091
Net OPEB Obligation - Beginning of the year	<u>79,444</u>
Net OPEB Obligation - End of the year	<u><u>\$ 102,535</u></u>

Three-Year Trend Information

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) three year trend information is presented below:

Year Ended June 30	Annual OPEB Cost	Actual Contributions Made	Percentage Contributed	Net OPEB Obligation
2013	\$ 22,617	\$ -	0.00%	\$ 56,600
2014	\$ 22,844	\$ -	0.00%	\$ 79,444
2015	\$ 23,091	\$ -	0.00%	\$ 102,535

Funding Status and Funding Progress

The funded status of the plan as of June 30, 2015, the most recent actuarial valuation date, is as follows:

Valuation Date	Value of Assets	Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a % of Covered Payroll
June 30, 2014	-	\$ 149,972	\$ 149,972	0.00%	\$ 399,124	38.00%

Town of Killingworth, Connecticut
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Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedules of funding progress and employer contributions, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Assumptions and Methods

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations, will use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets

In the June 30, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% investment rate of return. The annual healthcare cost trend rate is 8.0% initially, reduced by .5% per year to an ultimate rate of 4.5% after five years. The UAAL is being amortized as a level dollar amount over a constant 30 year period.

Other Disclosures

The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Note 11 – Prior Period Restatement

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the Town's fiscal year beginning July 1, 2014. GASB 67 revises existing standards for financial reporting for pension plans by changing the approach to measuring the net pension liability. The net pension liability is measured as the total pension liability, less the amount of the pensions plan's fiduciary net position. GASB 68 revises existing standards for measuring and reporting pension liabilities for pension plans provided by the Town to its employees. The Statement requires recognition of a liability equal to the net pension liability. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits.

Town of Killingworth, Connecticut
Notes to Financial Statements
June 30, 2015

The Town has implemented both GASB Statement Nos. 67 and 68 for the fiscal year ending June 30, 2015 and the government-wide net position for the Town of Killingworth year ended June 30, 2014 will be restated as follows:

Net position, as previously reported as of June 30, 2014	\$ 28,537,350
To remove net pension liability previously recorded	195,833
To record beginning net pension liability (NPL)	<u>(1,160,356)</u>
Net position, as restated as of July 1, 2014	<u>\$ 27,572,827</u>

Note 12 - Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers compensation and natural disasters for which the Town carries commercial insurance. During the year ended June 30, 2015, deductibles paid by the Town were insignificant. Settled claims, for all types of commercial coverage, have not exceeded commercial insurance coverage during any of the past three fiscal years.

Note 13 – Commitments and Contingencies

There are various suits and claims pending against the Town, none of which, individually, or in the aggregate, is believed by legal counsel to be likely to result in a judgment or judgments, which would materially affect the Town's financial position.

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

Town of Killingworth, Connecticut

Required Supplementary Information
June 30, 2015

Town of Killingworth, Connecticut
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and actual (Budgetary Basis) ó General Fund
 June 30, 2015

	<u>Budgeted Amounts</u>			
	<u>Original</u>		<u>Actual</u>	
	<u>Budget</u>	<u>Final Budget</u>	<u>Budgetary Basis</u>	<u>Variance with Final Budget</u>
REVENUES				
Property Taxes				
General tax receipts	\$ 17,491,785	\$ 17,491,785	\$ 17,620,283	\$ 128,498
Other tax collections	<u>30,000</u>	<u>30,000</u>	<u>69,495</u>	<u>39,495</u>
	17,521,785	17,521,785	17,689,778	167,993
Intergovernmental Revenues				
Education equalization	2,245,206	2,245,206	2,245,206	-
Pequot/Mohegan grant	15,089	15,089	18,280	3,191
Town aid roads	253,102	253,102	252,854	(248)
PILOT - State owned property	85,719	85,719	120,535	34,816
Local capital improvement program	51,000	51,000	43,650	(7,350)
Youth services	-	-	18,937	18,937
Tax relief for the elderly	-	-	39,306	39,306
Veterans tax relief	-	-	5,447	5,447
Municipal revenue sharing	4,842	4,842	4,842	-
Other federal, state and local grants	<u>-</u>	<u>-</u>	<u>8,605</u>	<u>8,605</u>
	2,654,958	2,654,958	2,757,662	102,704
Licenses, fees and permits	125,000	125,000	131,677	6,677
Charges for goods and services	115,000	115,000	182,320	67,320
Interest and investment income	10,000	10,000	7,534	(2,466)
Other revenues	100,000	100,000	123,635	23,635
Appropriation of prior year fund balance	<u>125,000</u>	<u>125,000</u>	<u>-</u>	<u>(125,000)</u>
TOTAL REVENUES	<u>\$ 20,651,743</u>	<u>\$ 20,651,743</u>	<u>\$ 20,892,606</u>	<u>\$ 240,863</u>
Budgetary revenues are different from GAAP revenues because:				
Appropriation of prior year fund balance is not recognized as revenue for GAAP purposes			<u>-</u>	
Total revenue and other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds			<u>\$ 20,892,606</u>	

Town of Killingworth, Connecticut
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and actual (Budgetary Basis) ó General Fund
 June 30, 2015

	Original		Actual	Variance with
	Budget	Final Budget	Budgetary	Final Budget
EXPENDITURES				
General Government				
First Selectman - salary	\$ 62,511	\$ 62,511	\$ 62,511	\$ -
First Selectman - meeting expense	750	385	385	-
First Selectman - mileage	1,750	1,303	1,303	-
Finance Director - salary	59,896	59,896	59,896	-
Selectman's secretary - salary	42,587	42,587	42,587	-
Town office building - secretary	13,497	13,497	13,497	-
Office expense	10,400	8,266	8,266	-
Legal notices	5,000	3,985	3,985	-
Selectman's stipend	8,160	8,160	8,160	-
Probate court support	2,130	2,130	2,130	-
Board of Elections - salaries	9,400	8,281	8,281	-
Board of Elections - expenses	21,200	15,935	15,935	-
Board of Finance - expenses	2,450	2,908	2,908	-
Board of Finance - audit	18,500	18,500	18,500	-
Annual capital transfer - to capital reserve	500,000	500,000	500,000	-
Life benefit/KVFC & ambulance	18,000	17,732	17,732	-
Annual capital transfer - sinking fund vacation sick time	20,000	20,000	20,000	-
Contingency	25,000	3,200	3,200	-
Grant writer	1	-	-	-
Assessor - salary	58,129	58,742	58,742	-
Assessor assistant - salary	10,000	8,351	8,351	-
Assessor - expenses	13,650	8,015	8,015	-
Board of assessment appeals - expenses	150	-	-	-
Tax collector - salary	48,519	48,519	48,519	-
Tax collector clerk - salary	20,246	20,246	20,246	-
Tax collector - expenses	5,885	3,404	3,404	-
Treasurer - salary	4,199	4,199	4,199	-
Treasurer - expenses	750	750	750	-
Town Counsel - fees	40,000	16,411	16,411	-
Town Engineer - fees	20,000	6,078	6,078	-
Town Clerk - salary	62,984	62,984	62,984	-
Town Clerk Assistant A - salary	46,446	47,692	47,692	-
Town Clerk Assistant B - salary	14,315	14,840	14,840	-
Town Clerk - expenses	30,240	27,166	27,166	-
Building official - salary	36,000	28,954	28,954	-
Building official - expenses	5,100	4,773	4,773	-
Land use secretary - salary	14,000	14,794	14,794	-
Water testing fees	4,025	2,515	2,515	-
Building and grounds	51,905	29,734	29,734	-
Electricity	25,000	26,594	26,594	-
Duplication expense	2,700	2,192	2,192	-
Postage/meter rental	10,000	8,494	8,494	-
Mapping Machine	1,400	1,065	1,065	-
Telephone expense	8,500	7,831	7,831	-
Town office building - custodian	6,000	4,875	4,875	-
Fire/liability/casualty insurance	62,007	61,237	61,237	-
Unemployment insurance	6,000	-	-	-
Life/disability insurance	7,500	7,827	7,827	-

Town of Killingworth, Connecticut
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and actual (Budgetary Basis) ó General Fund
 June 30, 2015

	Original		Actual	Variance with
	Budget	Final Budget	Budgetary Basis	
Pension plan	\$ 106,018	\$ 106,018	\$ 106,018	\$ -
Actuarial expense	8,125	7,900	7,900	-
Social security/Medicare	80,000	76,817	76,817	-
Medical/dental	228,677	190,467	190,467	-
Workers compensation	43,258	43,256	43,256	-
Computer supplies	6,000	5,424	5,424	-
Computer maintenance and licenses	32,169	29,024	29,024	-
GIS applications	3,500	3,500	3,500	-
Town website	3,000	2,691	2,691	-
IT network support	29,280	29,280	29,280	-
Internet access expense	2,628	1,353	1,353	-
Total General Government	<u>1,979,537</u>	<u>1,813,288</u>	<u>1,813,288</u>	<u>-</u>
Public Safety				
Fire company	118,000	118,000	118,000	-
Ambulance/fire company incentive program	100,000	100,000	100,000	-
Actuarial expense	1,250	2,525	2,525	-
Fire Marshal - salary	5,550	5,550	5,550	-
Fire Marshal - expenses	3,000	2,966	2,966	-
Open burning official - salary	1,000	1,000	1,000	-
Office of emergency management	9,001	2,254	2,254	-
Emergency planning committee	1	0	-	-
Resident State Trooper - salary	123,273	126,688	126,688	-
Resident State Trooper - expenses	25,120	16,340	16,340	-
Valley Shore emergency communications	73,741	73,741	73,741	-
Total Public Safety	<u>459,936</u>	<u>449,064</u>	<u>449,064</u>	<u>-</u>
Highway				
Foreman - salary	77,542	83,156	83,156	-
Mechanic - salary	59,280	59,280	59,280	-
Drive/operator - salary	176,155	176,155	176,155	-
Overtime/special	4,500	8,618	8,618	-
Snow removal	193,000	345,554	345,554	-
Highway - other	356,229	386,301	386,301	-
Groundskeepers/contractors	6,000	3,333	3,333	-
Cemetery care	10,500	4,400	4,400	-
Total Highway	<u>883,206</u>	<u>1,066,797</u>	<u>1,066,797</u>	<u>-</u>

Town of Killingworth, Connecticut
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and actual (Budgetary Basis) ó General Fund
 June 30, 2015

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget
Sanitation and Health				
Compactor - supervisor's salary	\$ 16,996	\$ 16,815	\$ 16,815	\$ -
Compactor - attendant salary	25,755	24,671	24,671	-
Compactor - maintenance and operations	21,950	13,981	13,981	-
Carting and disposal	96,500	80,102	80,102	-
Bulky Waste Disposal	57,000	54,414	54,414	-
Bethke site	1	-	-	-
Mosquito control	1	-	-	-
Hazardous waste collection	16,022	12,177	12,177	-
Health Director	37,440	45,045	45,045	-
Sanitarian - expenses	7,025	1,628	1,628	-
Public health nurse	1,380	225	225	-
Vital statistics	200	92	92	-
Total Sanitation and Health	<u>280,270</u>	<u>249,150</u>	<u>249,150</u>	<u>-</u>
Conservation and Land Use				
Planning and zoning	8,850	4,692	4,692	-
Land use reporting requirement	5,300	4,872	4,872	-
Zoning enforcement officer - salary	31,078	31,078	31,078	-
Zoning enforcement officer - expenses	3,300	3,300	3,300	-
Zoning Board of Appeals	500	-	-	-
Conservation commission	500	400	400	-
Inlands wetlands commission	1,400	460	460	-
Inlands wetlands enforcement office - salary	20,720	20,720	20,720	-
Inlands wetlands enforcement office - expenses	1,000	1,000	1,000	-
Water pollution control	1	-	-	-
Connecticut River conservation district	1,661	1,661	1,661	-
Tree warden	2,500	2,125	2,125	-
Total Conservation and Land Use	<u>76,810</u>	<u>70,308</u>	<u>70,308</u>	<u>-</u>
Recreation				
Killingworth park and recreation commission	59,270	57,555	57,555	-
H-K regional recreation	76,691	76,691	76,691	-
Total Recreation	<u>135,961</u>	<u>134,246</u>	<u>134,246</u>	<u>-</u>

Town of Killingworth, Connecticut
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and actual (Budgetary Basis) ó General Fund
 June 30, 2015

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget
Community Services				
Lower Connecticut River Valley Council of Governments	\$ 8,252	\$ 8,252	\$ 8,252	\$ -
Community Renewal Team	2,500	2,500	2,500	-
Council of Small Towns	825	825	825	-
CT Conference of Municipalities	3,679	3,643	3,643	-
Estuary Council of Senior clubs	19,270	19,270	19,270	-
Killingworth seniors'	1,600	1,600	1,600	-
Library	233,608	233,608	233,608	-
Dog fund support	24,750	24,750	24,750	-
Estuary Transit District	7,647	7,647	7,647	-
Community health center	1,000	-	-	-
Literacy volunteers	450	450	450	-
Regional mental health	289	289	289	-
Killingworth housing partnership	400	-	-	-
H-K Youth and Family Services	70,000	70,000	70,000	-
Middlesex Substance Abuse	475	475	475	-
Municipal Properties Use Committee	1	-	-	-
Parmelee Farm Committee	12,000	11,975	11,975	-
Town Office Building Committee	1	-	-	-
Tax abatements and refunds	25,000	9,832	9,832	-
Miscellaneous grants	1	20,526	20,526	-
Miscellaneous government refunds	1	14,400	14,400	-
Open space subcommittee	1	-	-	-
Open space acquisition	1	-	-	-
The Connection - Eddy Shelter	1,000	-	-	-
The Rushford Center	500	500	500	-
Friendly fund/helping hands	1,000	-	-	-
Total Community Services	<u>414,251</u>	<u>430,542</u>	<u>430,542</u>	<u>-</u>
Welfare				
Social services/municipal agent	10,000	9,208	9,208	-
Administration expenses	100	267	267	-
Total Welfare	<u>10,100</u>	<u>9,475</u>	<u>9,475</u>	<u>-</u>

Town of Killingworth, Connecticut
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and actual (Budgetary Basis) of General Fund
 June 30, 2015

	Original	Final Budget	Actual	Variance with
	Budget	Final Budget	Budgetary	Final Budget
	<u>Budget</u>	<u>Final Budget</u>	<u>Basis</u>	<u>Final Budget</u>
Debt and Lease Obligations				
Bonding	\$ 260,669	\$ 287,559	\$ 287,559	\$ -
Total Debt and Lease Obligations	<u>260,669</u>	<u>287,559</u>	<u>287,559</u>	<u>-</u>
TOTAL OPERATING EXPENDITURES	<u>4,500,740</u>	<u>4,510,429</u>	<u>4,510,429</u>	<u>-</u>
Education	<u>15,957,890</u>	<u>15,957,890</u>	<u>15,957,890</u>	<u>-</u>
TOTAL EXPENDITURES	<u>20,458,630</u>	<u>20,468,319</u>	<u>20,468,319</u>	<u>-</u>
Excess (Deficiency) of Revenues				
Over Expenditures - Budgetary Basis	<u>\$ 193,113</u>	<u>\$ 183,424</u>	<u>\$ 424,287</u>	
Adjustments to Generally Accepted Accounting Principles (GAAP)				
Payments on Behalf of the Town Not Recorded on a Budgetary Basis				
Miscellaneous			<u>55,517</u>	
Excess (Deficiency) of Revenues and Other Financing Sources over				
Expenditures and Other Financing Uses- GAAP Basis			<u>\$ 368,770</u>	

Notes to Required Supplementary Information: A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis).

Town of Killingworth, Connecticut
Schedule of Changes in Net Pension Liability
Municipal Employees Pension Plan
June 30, 2015

	2015	2014
Total pension liability:		
Service cost	\$ 62,886	\$ 60,467
Interest	170,601	162,008
Difference between expected and actual experience	-	-
Changes in assumptions	-	-
Benefit payments, including refund of member contributions	(106,008)	(98,386)
Net change in total pension liability	127,479	124,089
Total pension liability - July 1	2,426,383	2,302,294
Total pension liability - June 30 (a)	2,553,862	2,426,383
Plan fiduciary net position:		
Contributions - employer	106,018	114,426
Net investment income	2,446	246,895
Benefit payments, including refunds of member contributions	(106,008)	(98,386)
Other	-	245
Net change in plan fiduciary net position	2,456	263,180
Plan fiduciary net position - July 1	2,104,716	1,841,536
Plan fiduciary net position - June 30 (b)	2,107,172	2,104,716
Net pension liability (asset) - June 30 (a)-(b)	\$ 446,690	\$ 321,667

Town of Killingworth, Connecticut
 Schedule of Changes in Net Pension Liability
 Volunteer Fire Company Pension Plan
 June 30, 2015

	<u>2015</u>	<u>2014</u>
Total pension liability:		
Service cost	\$ 49,081	\$ 45,082
Interest	126,159	119,901
Difference between expected and actual experience	(75,026)	-
Changes in assumptions	-	-
Benefit payments, including refund of member contributions	<u>(75,964)</u>	<u>(83,100)</u>
Net change in total pension liability	24,250	81,883
Total pension liability - July 1	1,790,524	1,708,641
Total pension liability - June 30 (a)	1,814,774	1,790,524
Plan fiduciary net position:		
Contributions - employer	100,000	83,100
Net investment income	(3,128)	116,461
Benefit payments, including refunds of member contributions	<u>(75,964)</u>	<u>(83,100)</u>
Net change in plan fiduciary net position	20,908	116,461
Plan fiduciary net position - July 1	<u>951,835</u>	<u>835,374</u>
Plan fiduciary net position - June 30 (b)	<u>972,743</u>	<u>951,835</u>
Net pension liability (asset) - June 30 (a)-(b)	<u>\$ 842,031</u>	<u>\$ 838,689</u>

Town of Killingworth, Connecticut
 Schedule of Net Pension Liability
 Town of Killingworth Pension Plans
 June 30, 2015

Municipal Employees' Pension Plan

	<u>2015</u>	<u>2014</u>
Total pension liability	\$2,553,862	\$ 2,426,383
Plan fiduciary net position	<u>2,107,172</u>	<u>2,104,716</u>
Net pension liability	<u>\$ 446,690</u>	<u>\$ 321,667</u>
Plan fiduciary net position as percentage of the total pension liability	82.5%	86.7%
Covered employee payroll	702,696	702,696
Net pension liability as a percentage of covered-employee payroll	63.6%	45.8%

Volunteer Fire Company Pension Plan

	<u>2015</u>	<u>2014</u>
Total pension liability	\$1,814,774	\$ 1,790,524
Plan fiduciary net position	<u>972,743</u>	<u>951,835</u>
Net pension liability	<u>\$ 842,031</u>	<u>\$ 838,689</u>
Plan fiduciary net position as percentage of the total pension liability	53.6%	53.2%
Covered employee payroll	NA	NA
Net pension liability as a percentage of covered-employee payroll	NA	NA

Town of Killingworth, Connecticut
 Schedule of Investment Returns
 Town of Killingworth Pension Plans
 June 30, 2015

Municipal Employees' Pension Plan

	2015	2014
Annual Money Weighted rate of return, net of investment expenses	-0.33%	13.94%

Volunteer Fire Company Pension Plan

	2015	2014
Annual Money Weighted rate of return, net of investment expenses	0.12%	13.35%

Town of Killingworth, Connecticut

Combining Fund Financial Statements
June 30, 2015

Town of Killingworth, Connecticut
 Combining Balance Sheet
 Special Revenue Funds
 June 30, 2015

	Special Revenue										
	Dog Fund	The Atti Fund	Town Clerk Record Preservation	Town Clerk Record Surcharge	Resident State Trooper DARE	Fire Protection Fund	Helping Hands	Friendly Fund	Parmelee Farm	Community Gardens	Total Other Governmental Funds
ASSETS											
Cash and equivalents	\$ 39,794	\$ 3,218	3,817	2,905	\$ 447	\$ 15,149	\$ 4,274	\$ 3,749	\$ 4,788	\$ 3,064	\$ 81,205
Other receivables											
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 39,794</u>	<u>\$ 3,218</u>	<u>\$ 3,817</u>	<u>\$ 2,905</u>	<u>\$ 447</u>	<u>\$ 15,149</u>	<u>\$ 4,274</u>	<u>\$ 3,749</u>	<u>\$ 4,788</u>	<u>\$ 3,064</u>	<u>\$ 81,205</u>
LIABILITIES AND FUND BALANCES											
Liabilities											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	16,535	-	-	-	-	-	-	-	-	-	16,535
Unearned revenues	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>16,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,535</u>
Fund Balances (Deficits)											
Restricted	\$ 23,259	\$ 3,218	\$ 3,817	\$ 2,905	\$ -	\$ 15,149	\$ 4,274	\$ 3,749	\$ 4,788	\$ 3,064	\$ 64,223
Assigned	-	-	-	-	447	-	-	-	-	-	447
Total Fund Balances	<u>23,259</u>	<u>3,218</u>	<u>3,817</u>	<u>2,905</u>	<u>447</u>	<u>15,149</u>	<u>4,274</u>	<u>3,749</u>	<u>4,788</u>	<u>3,064</u>	<u>64,670</u>
Total Liabilities and Fund Balances	<u>\$ 39,794</u>	<u>\$ 3,218</u>	<u>\$ 3,817</u>	<u>\$ 2,905</u>	<u>\$ 447</u>	<u>\$ 15,149</u>	<u>\$ 4,274</u>	<u>\$ 3,749</u>	<u>\$ 4,788</u>	<u>\$ 3,064</u>	<u>\$ 81,205</u>

Town of Killingworth, Connecticut
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Special Revenue Funds
 June 30, 2015

	Special Revenue										
	Dog Fund	The Atti Fund	Town Clerk Record Preservation	Town Clerk Record Surcharge	Resident Trooper DARE	Fire Protection Fund	Helping Hands	Friendly Fund	Parmelee Farm	Community Gardens	Total Other Governmental Funds
REVENUES											
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	10,182	660	864	888	-	-	6,287	2,142	6,659	1,057	28,739
Miscellaneous revenue	-	-	-	-	-	-	-	-	600	-	600
Total Revenues	<u>10,182</u>	<u>660</u>	<u>864</u>	<u>888</u>	<u>-</u>	<u>-</u>	<u>6,287</u>	<u>2,142</u>	<u>7,259</u>	<u>1,057</u>	<u>29,339</u>
EXPENDITURES											
General government	16,150	-	178	-	-	7,000	7,670	3,867	3,122	660	38,647
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>16,150</u>	<u>-</u>	<u>178</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>7,670</u>	<u>3,867</u>	<u>3,122</u>	<u>660</u>	<u>38,647</u>
Excess (Deficiency) of Revenues											
Over expenditures	<u>(5,968)</u>	<u>660</u>	<u>686</u>	<u>888</u>	<u>-</u>	<u>(7,000)</u>	<u>(1,383)</u>	<u>(1,725)</u>	<u>4,137</u>	<u>397</u>	<u>(9,308)</u>
OTHER FINANCING SOURCES (USES)											
Transfers in	24,619	-	178	-	-	-	-	-	-	-	24,797
Transfers out	<u>(16,171)</u>	<u>(47)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,218)</u>
Total Other Financing Sources (Uses)	<u>8,448</u>	<u>(47)</u>	<u>178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,579</u>
Net Change in Fund Balance	<u>2,480</u>	<u>613</u>	<u>864</u>	<u>888</u>	<u>-</u>	<u>(7,000)</u>	<u>(1,383)</u>	<u>(1,725)</u>	<u>4,137</u>	<u>397</u>	<u>(729)</u>
Fund Balances - Beginning of Year	<u>20,779</u>	<u>2,605</u>	<u>2,953</u>	<u>2,017</u>	<u>447</u>	<u>22,149</u>	<u>5,657</u>	<u>5,474</u>	<u>651</u>	<u>2,667</u>	<u>65,399</u>
Fund Balances - End of Year	<u>\$ 23,259</u>	<u>\$ 3,218</u>	<u>\$ 3,817</u>	<u>\$ 2,905</u>	<u>\$ 447</u>	<u>\$ 15,149</u>	<u>\$ 4,274</u>	<u>\$ 3,749</u>	<u>\$ 4,788</u>	<u>\$ 3,064</u>	<u>\$ 64,670</u>

Town of Killingworth, Connecticut
Combining Balance Sheet
Agency Funds
June 30, 2015

	<u>Tax Sale Fund</u>	<u>Parmelee Fund</u>	<u>Performance Bonds</u>	<u>Total</u>
ASSETS				
Cash and equivalents	\$ 1,223	\$ 1	\$ -	\$ 1,224
Total Assets	<u>\$ 1,223</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1,224</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other groups	\$ 1,223	\$ -	\$ -	\$ 1,223
Total Liabilities	<u>\$ 1,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,223</u>

Town of Killingworth, Connecticut
Combining Statement of Changes in Assets and Liabilities
Agency Funds
June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
TAX SALE				
ASSETS				
Cash	\$ 866	\$ 1,223	\$ 866	\$ 1,223
Total Assets	<u>\$ 866</u>	<u>\$ 1,223</u>	<u>\$ 866</u>	<u>\$ 1,223</u>
LIABILITIES AND FUND BALANCES				
Due to other groups	\$ 866	\$ 1,223	\$ 866	\$ 1,223
Total Liabilities	<u>\$ 866</u>	<u>\$ 1,223</u>	<u>\$ 866</u>	<u>\$ 1,223</u>
PARMELEE FARM				
ASSETS				
Cash	\$ 5,691	\$ -	\$ 5,690	\$ 1
Total Assets	<u>\$ 5,691</u>	<u>\$ -</u>	<u>\$ 5,690</u>	<u>\$ 1</u>
LIABILITIES AND FUND BALANCES				
Due to other groups	\$ 5,691	\$ -	\$ 5,690	\$ 1
Total Liabilities	<u>\$ 5,691</u>	<u>\$ -</u>	<u>\$ 5,690</u>	<u>\$ 1</u>
PERFORMANCE BONDS				
ASSETS				
Cash	\$ 186,319	\$ -	\$ 186,319	\$ -
Total Assets	<u>\$ 186,319</u>	<u>\$ -</u>	<u>\$ 186,319</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Due to other groups	\$ 186,319	\$ -	\$ 186,319	\$ -
Total Liabilities	<u>\$ 186,319</u>	<u>\$ -</u>	<u>\$ 186,319</u>	<u>\$ -</u>
TOTAL AGENCY FUNDS				
ASSETS				
Cash	\$ 192,876	\$ 1,223	\$ 192,875	\$ 1,224
Total Assets	<u>\$ 192,876</u>	<u>\$ 1,223</u>	<u>\$ 192,875</u>	<u>\$ 1,224</u>
LIABILITIES AND FUND BALANCES				
Due to other groups	\$ 192,876	\$ 1,223	\$ 192,875	\$ 1,224
Total Liabilities	<u>\$ 192,876</u>	<u>\$ 1,223</u>	<u>\$ 192,875</u>	<u>\$ 1,224</u>

Town of Killingworth, Connecticut

Supplementary Schedules
June 30, 2015

Town of Killingworth, Connecticut
 Report of the Property Tax Collector
 June 30, 2015

List Year	Beginning Receivable Balance	Current Year Levy	Lawful Corrections			Net Taxes Collectible	Collections During the Year				Refunds	Net Ending Taxes Receivable Balance
			Lawful Additions	Lawful Corrections	Suspense		Taxes	Interest	Fees & Liens	Total		
2013	\$ -	\$ 17,623,671	\$ 51,434	\$ 35,363	\$ -	\$ 17,639,742	\$ 17,521,592	\$ 49,130	\$ 2,391	\$ 17,573,113	\$ -	\$ 118,150
2012	138,598	-	604	4,659	-	134,543	98,026	15,566	404	113,996	-	36,517
2011	33,147	-	173	2,413	27,566	3,341	3,065	1,906	24	4,995	-	276
2010	3,160	-	196	2,596	-	760	99	-	-	99	-	661
2009	4,064	-	-	3,455	-	609	-	-	-	-	-	609
2008	2,344	-	-	1,735	-	609	-	-	-	-	-	609
2007	610	-	-	-	-	610	-	-	-	-	-	610
2006	616	-	-	-	-	616	-	-	-	-	-	616
2005	1,441	-	-	-	-	1,441	-	-	-	-	-	1,441
	<u>\$ 183,980</u>	<u>\$ 17,623,671</u>	<u>\$ 52,407</u>	<u>\$ 50,221</u>	<u>\$ 27,566</u>	<u>\$ 17,782,271</u>	<u>\$ 17,622,782</u>	<u>\$ 66,602</u>	<u>\$ 2,819</u>	<u>\$ 17,692,203</u>	<u>\$ -</u>	<u>\$ 159,489</u>

Town of Killingworth, Connecticut
Statement of Changes in Fund Balance
Capital Improvement Program
June 30, 2015

	Fund Balance (Deficit) 6/30/2014	Transfers in from the General Fund	Fund Balance Designation	Supplemental Fund Balance	Interest and other Income	Grant Revenue	Expenditures	Proposed Project Close-outs	Fund Balance (Deficit) 6/30/2015
Committed									
Continuing Projects									
Assessor-Revaluation	\$ 53,660	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,660
Open Space Acquisition	8	-	10,000	-	3,000	-	-	-	13,008
Parmelee Facilities Improvements	17,498	-	35,000	-	900	-	(52,509)	-	889
IT Upgrades	10,264	-	25,046	-	-	-	(24,602)	-	10,708
Energy Task Force Recommendations	38,176	-	45,000	-	-	-	-	(83,176)	-
KVFC - Station 1 Training Facility	223,300	-	-	-	-	-	(900)	-	222,400
KVFC - AEDs	1,396	-	-	-	-	-	(1,390)	(6)	-
KVFC - Radio Infrastructure Upgrade	-	-	50,000	-	-	-	-	-	50,000
KVFC - Fire Suppression Tank	-	-	45,000	-	7,000	-	(52,000)	-	-
HW Dept - Truck Refurbishment Alternative	4,766	-	-	-	-	-	(2,645)	-	2,121
HW Dept - Salt Shed Repairs	12,201	-	-	-	-	-	(7,068)	(5,133)	0
HW Dept - Pickup w/Plow	5,338	-	-	-	-	-	(4,101)	(1,237)	(0)
HW Dept - Genset Generator	-	-	18,000	-	-	-	-	-	18,000
HW Dept - Fork Attachment for JD Backhoe	-	-	3,500	-	-	-	(4,043)	543	0
PR - Sheldon Park Improvements	350,000	-	-	38,000	21,500	361,100	(750,966)	(19,634)	-
PR - Parking Barrier Planting at KRP	-	-	6,000	-	-	-	(4,200)	(1,800)	-
PR - AEDs - Rocco, Sheldon & KRP	-	-	10,000	-	-	-	(4,365)	(5,635)	-
PR - Replace Sheldon Flashing Lights w/green sy	-	-	3,000	-	-	-	-	-	3,000
MSW Containers (2) - Transfer Station	24,000	-	-	-	-	-	(24,000)	-	-
Transfer Station - Facilities Upgrade	38,686	-	-	-	-	-	(19,565)	-	19,121
50 Yard Open Top H.D.	11,000	-	-	-	-	-	(11,000)	-	-
50 Yard Closed Top	11,000	-	-	-	-	-	(9,700)	(1,300)	-
TOB - Campus Generator	40,001	-	-	-	-	-	-	-	40,001
Library Building Repairs	48,654	-	-	-	-	-	-	-	48,654
THC - Emergency Operations Center	-	-	-	-	-	500,000	(107,757)	-	392,243
THC - Barn Rehabilitation	100,000	-	-	-	-	-	-	-	100,000
THC - Repairs to Modular	400,000	-	-	-	-	-	-	-	400,000
	1,389,948	-	250,546	38,000	32,400	861,100	(1,080,811)	(117,378)	1,373,805

Town of Killingworth, Connecticut
Statement of Changes in Fund Balance
Capital Improvement Program
June 30, 2015

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	Fund Balance (Deficit) 6/30/2014	Transfers in from the General Fund	Fund Balance Designation	Supplemental Fund Balance	Interest and other Income	Grant Revenue	Expenditures	Proposed Project Close-outs	Fund Balance (Deficit) 6/30/2015
Road Projects									
Bar Gate Trail - Repaving	57,301	-	-	-	-	-	(44,111)	(13,190)	-
Misc. Chip Sealing	80,000	-	-	-	-	-	(31,821)	-	48,179
Parker Hill Rd - Drainage	585,000	-	-	218,000	-	-	(112,151)	-	690,849
Parker Hill Rd & Ext - Paving	375,000	-	-	-	-	-	-	-	375,000
Burr Hill - Widening & Drainage	450,000	-	-	-	-	-	(8,699)	-	441,301
N Chestnut & Beckwith - Triple Chip Sealing	130,500	-	-	-	-	-	-	-	130,500
	1,677,801	-	-	218,000	-	-	(196,781)	(13,190)	1,685,830
Sinking Funds									
6/30/14 GOB Debt Related Expenses	16,478	-	-	-	-	-	-	(16,478)	-
Sick/Vacation Payout at Retirement	63,053	20,000	-	-	-	-	(2,401)	-	80,652
Capital Surcharge Account	17,085	-	-	-	2,662	-	-	-	19,747
MIRMA Assessment	8,062	8,777	-	-	-	-	(16,265)	(574)	-
	104,678	28,777	-	-	2,662	-	(18,666)	(17,052)	100,399
Total Committed Fund Balance	3,172,427	28,777	250,546	256,000	35,062	861,100	(1,296,258)	(147,620)	3,160,034
Assigned Fund Balance	1,431,702	500,000	(250,546)	(256,000)	4,285	-	-	147,620	1,577,061
Total Fund Balance	\$ 4,604,129	\$ 528,777	\$ -	\$ -	\$ 39,347	\$ 861,100	\$ (1,296,258)	\$ -	\$ 4,737,095

Town of Killingworth, Connecticut
 Schedule of Debt Limitation
 June 30, 2015

Total tax collections (including interest and lien fees) for the year - primary government	\$ 17,689,778
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	<u>-</u>
Debt limitation base	<u>\$ 17,689,778</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$ 39,802,001	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	79,604,001	-	-	-
3 3/4 times base	-	-	66,336,668	-	-
3 1/4 times base	-	-	-	57,491,779	-
3 times base	-	-	-	-	53,069,334
Total debt limitation	<u>39,802,001</u>	<u>79,604,001</u>	<u>66,336,668</u>	<u>57,491,779</u>	<u>53,069,334</u>
Indebtedness:					
Regional School District #17 bonds	-	4,751,252	-	-	-
Bonds payable	<u>4,163,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Indebtedness	<u>4,163,155</u>	<u>4,751,252</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of debt outstanding and authorized	<u>\$35,638,846</u>	<u>\$74,852,749</u>	<u>\$66,336,668</u>	<u>\$57,491,779</u>	<u>\$ 53,069,334</u>

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$ 123,828,446

Note: The Town of Killingworth is a member of Regional School District #17 which provides education facilities for grades kindergarten through twelve for the Towns of Haddam and Killingworth. As of June 30, 2015, based on the most current and available information, the indebtedness of the District was \$11,400,000. The Town of Killingworth's share will be 41.67765% of the debt, or \$4,751,252. These are the general obligations of Regional School District #17 and its member towns.

Town of Killingworth, Connecticut

Internal Control and Compliance Reports
June 30, 2015



Guiding Successful People

Ansonia
158 Main Street, Suite 301
Ansonia, Connecticut 06401
P: 203-732-2311

Killingworth
166 Route 81
Killingworth, Connecticut 06419
P: 860-663-0110

New Haven
900 Chapel Street, Suite 620
New Haven, Connecticut 06510
P: 203-773-0384

Westport
611 Riverside Avenue
Westport, Connecticut 06880
P: 877-839-7423

Principals
Francis H. Michaud Jr. CPA
John A. Accavallo CPA
Sandra M. Woodbridge CPA
Dominic L. Cusano MBA CPA
Darin L. Offerdahl MBA CPA

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

The Board of Selectmen
Town of Killingworth, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Killingworth, Connecticut (the Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Killingworth's basic financial statements and have issued our report thereon dated November 9, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003 to be a material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Town of Killingworth, Connecticut's Response to Findings

Town of Killingworth, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Killingworth, Connecticut's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
November 9, 2015

Town of Killingworth, Connecticut

State Single Audit
June 30, 2015



Ansonia
158 Main Street, Suite 301
Ansonia, Connecticut 06401
P: 203-732-2311

Killingworth
166 Route 81
Killingworth, Connecticut 06419
P: 860-663-0110

New Haven
900 Chapel Street, Suite 620
New Haven, Connecticut 06510
P: 203-773-0384

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611 Riverside Avenue
Westport, Connecticut 06880
P: 877-839-7423

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Guiding Successful People

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

Independent Auditor's Report

The Board of Selectmen
Town of Killingworth, Connecticut

Report on Compliance for Each Major State Program

We have audited the Town of Killingworth, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Killingworth, Connecticut's major state programs for the year ended June 30, 2015. The Town of Killingworth, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Town of Killingworth, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

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

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

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

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

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

We have audited the financial statements of the Town of Killingworth, Connecticut, as of and for the year ended June 30, 2015 and have issued our report thereon dated November 9, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the financial statements. Such information is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Michaud Accavallo Woodbridge & Cusano, LLC

Killingworth, Connecticut
November 9, 2015

Town of Killingworth, Connecticut

Schedule of Expenditures of State Financial Assistance
Year Ended June 30, 2015

State Program Pass-Through Grantor Program Title	State Grant Program Core- CT Number	Expenditures
Office of Policy and Management		
PILOT on State Owned Property	11000-OPM20600-17004	120,535
Property Tax Relief for Disability Exemption	11000-OPM20600-17011	335
Property Tax Relief for Elderly and Totally Disabled (CB)	11000-OPM20600-17018	39,306
Property Tax Relief for Veterans	11000-OPM20600-17024	5,447
Department of Transportation		
Town Aid Roads	12001-DOT57131-17036	252,854
Department of Education		
Youth Service Bureau	11000-SDE64370-17052	18,937
Connecticut State Library		
Historic Documents Preservation Grants	12060-CSL66094-35150	-
Department of Public Safety		
Emergency Preparedness	12060-DPS32160-21881	<u>452</u>
Total State Financial Assistance before Exempt Programs		<u>437,866</u>
EXEMPT PROGRAMS		
Department of Education		
Education Cost Sharing	11000-SDE64370-17041	2,245,206
Office of Policy and Management		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	18,280
Municipal Revenue Sharing	12060-OPM20600-35458	43,650
Municipal Grant in Aid	12060-OPM20600-35458	<u>4,842</u>
Total Exempt programs		<u>2,311,978</u>
Total State Financial Assistance		<u><u>\$ 2,749,844</u></u>

Town of Killingworth, Connecticut

Notes to the Schedule of Expenditures of State Financial Assistance Year Ended June 30, 2015

1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Killingworth, Connecticut (öTownö) under programs of the State of Connecticut for the fiscal year ended June 30, 2015. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut.

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

Basis of Accounting

The financial statements for the governmental fund types contained in the Town's basic financial statements are prepared on the modified accrual basis of accounting. The government-wide financial statements are prepared on the full accrual basis of accounting,

- o 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 for the current period,
- o Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as certain other expenditures, when applicable, related to compensated absences, pension obligations, landfill closure costs, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

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

Town of Killingworth, Connecticut

Summary Schedule of Audit Findings
Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

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

State Financial Assistance

Internal control over major programs:

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

Type of report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act?

yes no

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

<u>State Grantor and Program State</u>	<u>Core-CT Number</u>	<u>Expenditures</u>
Department of Transportation Town Aid Road Grant	12001-DOT57131-17036	\$252,854
Dollar threshold used to distinguish between type A and type B programs:	\$200,000	

Town of Killingworth, Connecticut

Summary Schedule of Audit Findings Year Ended June 30, 2015

Section II - Financial Statement Findings

We issued reports dated November 9, 2015, on internal control over financial reporting and on compliance based on an audit of consolidated financial statements performed in accordance with Government Auditing Standards.

Our report on internal control over financial reporting indicated material weakness as items 2015-001, 2015-002 and 2015-003.

2015-001 – Multiple Audit Adjustments Recorded

Criteria:

Material adjustments were required for a significant number of general ledger accounts in order to properly state balances at year end in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition and Context:

During the audit for the year ended June 30, 2015, Michaud Accavallo Woodbridge & Cusano, LLC proposed multiple adjusting journal entries to properly state account balances at year-end. Current year accounts were improperly reported and beginning net assets were incorrectly stated, primarily as a result of the Town not closing the June 30, 2014 year end and recording all prior year proposed audit entries.

In addition, prior to the closing of the Town of Killingworth's financial records, multiple journal entries were proposed and provided to the finance director to input into the Town's financial system in order to correct June 30, 2015 beginning balances and correctly close the June 30, 2015 year end.

Altogether, Michaud Accavallo Woodbridge & Cusano, LLC proposed 21 journal entries, not including the journal entries proposed to close the books prior to the start of the audit. Of these 21 journal entries, 12 were to the General Fund, 6 were to the Capital Projects Fund and 6 were to the Special Revenue Funds.

In addition, as noted in 2015-003, the design of the system is poor which affects the ability of financial personal to properly maintain an adequate set of books utilizing fund accounting.

Cause/Effect:

Based on our observations during the audit, the Town is deficient in relation to the accounting function, which is attributable to the design of the accounting system, design of internal controls and understanding of governmental fund accounting. The effect is that many significant general ledger accounts required adjustment to properly present the financial statements in accordance with Generally Accepted Accounting Principles.

Town of Killingworth, Connecticut

Summary Schedule of Audit Findings Year Ended June 30, 2015

Recommendation:

We recommend that the Town of Killingworth provide the resources to train their current finance director to properly record current activity, develop an annual close process that is effective, and prepare monthly reconciliations of accounts on a consistent and timely basis.

Managements Response:

The Town of Killingworth will provide additional resources and training to further assist the finance director in properly closing and reconciling monthly, quarterly and annually individual accounts and the general ledger. The assistance will include the development of a close process for appropriate periods and structuring the financial system to allow for optimum controls and reconciliation.

2015-002 – Reconciliation of Key Accounts

Criteria:

Key accounts including due to/due from and transfers that are required to be reported on the financial statements were not reconciled prior to audit.

Condition and Context:

During the audit for the year ended June 30, 2015, the Due to/Due from and Transfer accounts were not reconciled by management prior to or during the audit. The reconciliation is critical to governmental financial reporting so that the Town can properly reflect and report all activity between funds.

Cause/Effect:

Based on our observations during the audit, the Town is deficient in relation to the monitoring and reconciliation of the above mentioned key accounts, requiring significant adjustments between funds in order to properly present governmental financial statements

Recommendation:

We recommend that the Town of Killingworth develop a monthly reconciliation process related to these accounts to ensure they properly roll-forward year monthly balances, record current activity and properly report ending balances in each fund.

Managements Response:

As stated in response to finding 2015-001, Management will engage outside help to assist in developing reconciliation processes that will properly record current activity and properly report ending balances.

Town of Killingworth, Connecticut

Summary Schedule of Audit Findings Year Ended June 30, 2015

2015-003 – Activity for all Funds maintained in one General Ledger

Criteria:

The town is currently required to report under four fund types, a general fund for general operations, a capital projects fund for recording and tracking capital expenditures, assets and related debt, special revenue funds and agency funds. Other possible funds types are fiduciary funds and permanent funds, which currently do not apply to the town.

Condition and Context:

During the audit for the year ended June 30, 2015, Michaud Accavallo Woodbridge & Cusano, LLC noted that all funds were accounted for in one large company file or general ledger, not allowing for adequate separation and reporting of funds. To maintain proper fund accounting, each separate major fund should be accounted for separately, and reconciled accordingly.

Cause/Effect:

A fund is a self-balancing set of accounts, segregated for specific purposes in accordance with laws and regulations / special restrictions and limitations. By combining funds into one company file, and not performing careful reconciliations to ensure each fund has been properly accounted for, creates a high risk that fund balances are not properly stated and allows for controls surrounding fraud to break down.

Recommendation:

We recommend that the Town of Killingworth create separate company files for the three major funds that will allow each fund to have its activity run through a separate and distinct general ledger and assist financial personnel to ensure all accounting is done properly including due to/due from and transfers.

Managements Response:

The accounting system will be updated to reflect three separate and distinct funds. Outside consultants will be engaged to assist with this. After the funds are separated to their respective files, the town will develop with the help of consultants, a chart of accounts that reflects governmental fund accounting and allow for budgetary accounting and reporting as well.

Section III _ State Financial Assistance Findings and Questioned Costs

There are no state financial assistance findings or questioned costs.

Town of Killingworth, Connecticut

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2015

There are no audit findings from the prior year ended June 30, 2014.

Town of Killingworth, Connecticut

Fiscal Year 2014-2015 Operating Data

Fiscal year 2014-2015 Operating data not included in the audited financial statements for fiscal year 2014-2015 is as follows:

October 1, 2013 Grand List	\$720,929,442	
October 1, 2013 Net Taxable Grand List	\$718,731,799	
Annual Property Tax Levy	\$ 17,639,743	
Collection	\$ 17,530,200	99.4%

<u>Ten largest taxpayers</u>	<u>Net Assessment</u>
CONNECTICUT LIGHT AND POWER	\$6,624,160
JENSENS RESIDENTIAL COMMUNITIES	\$5,460,000
CONNECTICUT WATER COMPANY	\$3,592,130
M&M REALTY HOLDING LLC	\$2,280,180
DEER LAKE II LLC	\$1,562,650
ANDERSON NORMA R TRUSTEE	\$1,290,170
KTV COSTFAM LIMITED PARTNERSHIP	\$1,248,560
GARGUILO EUGENE & CATHERINE	\$1,142,270
MOORE DEBORAH L	\$1,109,870
PATTACONK FARM LLC	\$1,069,990

Population	6,512
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Total Direct Debt	\$ 4,115,000
Total Direct Net Debt	\$ 4,115,000
Total Overall Net Debt	\$ 8,866,252

Total Direct Debt / Capita	\$ 632
Total Direct Net Debt / Capita	\$ 632
Total Overall Debt / Capita	\$1,362

Total Direct Debt / Net Taxable Grand list	0.57%
Total Overall Net Debt / Net Taxable Grand List	1.23%