

# **Town of Killingworth, Connecticut**

Financial Statements, Supplementary Information and  
Independent Auditor's Report

Year Ended June 30, 2017

Town of Killingworth, Connecticut  
Table of Contents  
Year Ended June 30, 2017

	<u>Page No.</u>
Independent Auditors' Report .....	4
Management's Discussion and Analysis.....	8
 <b>Basic Financial Statements</b>	
Government-Wide Financial Statements	
Statement of Net Position .....	17
Statement of Activities .....	18
Fund Financial Statements	
Balance Sheet - Governmental Funds .....	19
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position - Governmental Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	22
Statement of Fiduciary Net Position - Fiduciary Funds .....	23
Notes to the Financial Statements .....	25
 <b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Changes in Budgetary Fund Balance – Budgetary Basis – Budget and Actual – General Fund .....	48
Schedule of Changes in Net Pension Liability – Municipal Employees Pension Plan.....	54
Schedule of Changes in Net Pension Liability – Volunteer Fire Company Pension Plan .....	55
Schedule of Net Pension Liability .....	56
Schedule of Investment Returns on Pension Plans .....	57
 <b>Combining Fund Financial Statements</b>	
Special Revenue Funds	
Combining Balance Sheet .....	59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	60
Agency Funds	
Combining Statement of Net Position .....	61
Combining Statement of Changes in Assets and Liabilities.....	62
 <b>Supplementary Schedules</b>	
Report of the Property Tax Collector .....	64
Statement of Changes in Fund Balance by Project – Capital Nonrecurring Expenditures.....	65
Schedule of Debt Limitation .....	67

**Internal Controls and Compliance Reports**

**Government Auditing Standards Report** .....69

**State Single Audit**

State Single Audit Report ..... 72  
Schedule of Expenditures of State Financial Assistance ..... 75  
Notes to the Schedule of Expenditures of State Financial Assistance ..... 76  
Schedule of Findings and Questioned Costs ..... 77  
Summary Schedule of Current Audit Findings ..... 78  
Summary Schedule of Prior Audit Findings ..... 80

**Other Data**

Fiscal Year 2016-2017 Operating Data ..... 81



Guiding Successful People

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## 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, 2017, 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, 2017, 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, budgetary comparison information, and other schedules on pages 8-15 and 51-60 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.

#### ***Supplemental and 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 Uniform Guidance, *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 October 26, 2017 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  
October 26, 2017

# **Town of Killingworth, Connecticut**

Management's Discussion and Analysis  
June 30, 2017

**Town of Killingworth, Connecticut**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

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, 2017. 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) increased by \$169,275 or .63%, from \$26,892,889 to \$27,062,164.
- The Town's total liabilities (Table 1) decreased \$378,372 primarily due to the reduction in the long-term debt outstanding.
- At the close of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$7,517,686 which was a decrease of \$520,980 over prior year. Of this amount, \$4,917,653 is unassigned and available for spending at the Town's discretion, which is an increase of \$213,439 over the prior year unassigned fund balance. (Exhibit 4)
- The Town's long-term liabilities decreased by \$425,909 during the current fiscal year primarily due to the refinancing of the debt and lower principal payment of \$315,000.
- 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, 2017

**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, 2017**

**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 \$27,062,164 as of June 30, 2017.

**Table 1**

**Statement of Net Position**

	2017	Change During Year		2016
		Dollars	Percent	
Current and other assets	\$ 7,805,394	\$ (421,164)	-5.1%	\$ 8,226,558
Capital assets	24,340,990	24,039	0.1%	24,316,951
Deferred outflows of resources	188,028	188,028	100.0%	-
Total assets	<u>32,334,412</u>	<u>(397,125)</u>	-1.2%	<u>32,543,509</u>
Deferred inflows of resources	129,133	(64,506)	100.0%	193,639
Long-term debt outstanding	4,990,320	(425,909)	-7.9%	5,416,229
Other liabilities	152,795	112,043	274.9%	40,752
Total liabilities	<u>5,272,248</u>	<u>(378,372)</u>	-6.7%	<u>5,650,620</u>
Net assets:				
Invested in capital assets, net of related debt	20,925,990	339,039	1.6%	20,586,951
Unrestricted	6,136,174	(169,764)	-2.7%	6,305,938
Total net position	<u>\$ 27,062,164</u>	<u>\$ 169,275</u>	0.6%	<u>\$ 26,892,889</u>

By far the largest portion of the Town's net position (77.3%) 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, 2017

The remaining balance of \$6,136,174 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**

	2017	Change During Year		2016
		Dollars	Percent	
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 381,419	\$ 39,502	11.55%	\$ 341,917
Operating grants and contributions	2,628,296	32,719	1.26%	2,595,577
Capital grants and contributions	222,997	(168,605)	-43.06%	391,602
General revenues:				
Property taxes	18,921,860	539,337	2.93%	18,382,523
Grants and contributions	15,190	(1,588)	-9.46%	16,778
Interest and investment earnings	13,328	(556)	-4.00%	13,884
Other general revenues	128,107	66,186	106.89%	61,921
<b>Total revenues</b>	<b>22,311,197</b>	<b>506,995</b>	<b>2.33%</b>	<b>21,804,202</b>
<b>Expenses</b>				
Program expenses				
General Government	1,129,290	(385,703)	-25.46%	1,514,993
Public safety	660,714	10,810	1.66%	649,904
Highway	2,267,381	50,061	2.26%	2,217,320
Sanitation and health	293,946	27,852	10.47%	266,094
Conservation and land use	68,715	738	1.09%	67,977
Recreation	185,874	(4,258)	-2.24%	190,132
Community services	500,938	52,220	11.64%	448,718
Welfare	8,639	(516)	-5.64%	9,155
Capital outlays	86,137	37,750	78.02%	48,387
Education	16,831,153	413,891	2.52%	16,417,262
Interest on long-term debt	109,135	(16,524)	-13.15%	125,659
<b>Total expenses</b>	<b>22,141,922</b>	<b>186,321</b>	<b>0.85%</b>	<b>21,955,601</b>
<b>Increase (decrease) in net position</b>	<b>\$ 169,275</b>	<b>\$ 320,674</b>	<b>-211.81%</b>	<b>\$ (151,399)</b>

- Property taxes increased by \$539,337 (2.93%) due to an increase in the mill rate and higher than anticipated collection rate.
- General government program expense decreased by \$385,703 (25.46%) primarily as a result in decreased pension expense in the currently year.

**Town of Killingworth, Connecticut**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

- Community services increased by \$52,220 (11.64%) due to an increase in tax refunds and grants given out by the Town.
- Capital outlays increased by \$37,750 (78.02%) due to ongoing projects throughout the Town.
- Education expenses increased by \$413,891 (2.52%) due to an increase in the Regional School District No. 17 budget.
- Interest on long-term debt decreased by \$16,524 (13.15%) due to the refinance of bonds that took place on November 7, 2016.

**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.
	2017	2016		2017	2016	
Governmental Activities						
General government	\$ 1,129,290	\$ 1,514,993	\$ (385,703)	\$ 717,777	\$ 1,208,760	\$ (490,983)
Public safety	660,714	649,904	10,810	637,856	633,802	4,054
Highway	2,267,381	2,217,320	50,061	2,015,729	1,964,172	51,557
Sanitation and health	293,946	266,094	27,852	277,412	256,884	20,528
Conservation and land use	68,715	67,977	738	68,715	67,977	738
Recreation	185,874	190,132	(4,258)	168,864	(201,510)	370,374
Community services	500,938	448,718	52,220	384,210	340,705	43,505
Welfare	8,639	9,155	(516)	8,639	9,155	(516)
Capital outlays	86,137	48,387	37,750	(136,860)	48,387	(185,247)
Education	16,831,153	16,417,262	413,891	14,657,733	14,172,514	485,219
Interest on long-term debt	109,135	125,659	(16,524)	109,135	125,659	(16,524)
Totals	\$ 22,141,922	\$ 21,955,601	\$ 186,321	\$ 18,909,210	\$ 18,626,505	\$ 282,705

**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, 2017, the Town's governmental funds reported combined fund balances of \$7,517,686, a decrease of \$520,980 in comparison with the prior year. Approximately 65.4% of this amount (\$4,917,653) 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 (\$1,846,967), or 2) assigned for particular purposes (\$753,066).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year unassigned

**Town of Killingworth, Connecticut**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

fund balance of the general fund was \$4,917,653. 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.

Total fund balance for the general fund represent 19.0% of total general fund expenditures and transfers out.

The fund balance of the Town's general fund increased by \$213,439 during the current fiscal year.

The capital projects funds, a major fund, had a \$751,912 decrease in fund balance during the current fiscal year, while the other governmental funds had an increase of \$17,493.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

**Original budget compared to final budget**

There was no variance between the original budget and the final budget. 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	Final Budget	Actual	Variance
Property taxes	\$ 18,685,079	\$ 18,842,876	\$ 157,797
Intergovernmental	2,625,075	2,688,926	63,851
Licenses, fees and permits	125,000	135,018	10,018
Charges for goods and services	115,000	191,225	76,225
Interest and investment income	10,000	8,947	(1,053)
Appropriation of prior year fund balance	173,145	-	(173,145)
Other revenues	100,000	125,406	25,406
<b>Total revenues</b>	<b>\$ 21,833,299</b>	<b>\$ 21,992,398</b>	<b>\$ 159,099</b>
Expenditures	Final Budget	Actual	Variance
General government	\$ 2,111,965	\$ 2,111,965	\$ -
Public safety	555,046	555,046	-
Highway	860,030	860,030	-
Sanitation and health	280,477	280,477	-
Conservation and land use	68,715	68,715	-
Recreation	137,450	137,450	-
Community service	478,431	478,431	-
Welfare	8,639	8,639	-
Debt and lease obligation	3,874,463	3,874,463	-
Education	16,831,153	16,831,153	-
	<u>25,206,369</u>	<u>25,206,369</u>	<u>-</u>
<b>Excess (Deficiencies) of revenues over expenditures</b>	<b>\$ (3,373,070)</b>	<b>\$ (3,213,971)</b>	<b>\$ 159,099</b>

**Town of Killingworth, Connecticut**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2017**

General property taxes -property tax revenue was \$157,797 higher than budgeted due primarily to higher than anticipated overall tax collections. Town budgeted for an appropriation of \$150,000 which proved to be unnecessary. 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, 2017, the Town had a net amount of \$24,340,990, invested in a broad range of capital assets, including land, buildings, vehicles and equipment and infrastructure. This represents a net increase (including additions and deductions) of \$24,039 from the prior year. During the current fiscal year, the Town completed the fire company training facility. Overall increase in net capital assets was a result fire company equipment upgrades and improvements made to town's infrastructure during the year.

**Table 5**

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

	Governmental Activities	
	2017	2016
Land	\$ 3,821,535	\$ 3,821,535
Construction in progress	-	866,563
Land improvements	1,396,990	1,457,660
Building and improvements	2,600,512	2,368,133
Equipment and vehicles	965,486	514,430
Infrastructure	15,556,467	15,288,630
Total	\$ 24,340,990	\$ 24,316,951

The Town's 2017/2018 budget anticipates \$1,013,000 in road projects, as well as improvements to the recreational parks, one highway vehicle, IT upgrades, and the hose replacement for the volunteer fire company.

**Long-Term Debt**

As of June 30, 2017, the Town had \$3,415,000 in general obligation bonds outstanding - a decrease of \$315,000 from the prior year -as shown in the analysis below.

**Table 6**

	Governmental Activities	
	2017	2016
General obligation bonds	\$ 3,415,000	\$ 3,730,000
Total	\$ 3,415,000	\$ 3,730,000

**Town of Killingworth, Connecticut**  
Management's Discussion and Analysis  
For the Year Ended June 30, 2017

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Town's elected and appointed officials considered many factors when setting the fiscal year 2017 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 2018 budget of \$21,923,251 has a decrease of 0.5% on the Town side and a 0.9% increase for Regional School District No. 17. The mill rate was increased to 27.47 from 25.89.

**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, 2017



**Town of Killingworth**  
Statement of Net Position  
June 30, 2017

	Governmental Activities
<b>ASSETS</b>	
Cash and equivalents	\$ 7,642,058
Property taxes and interest receivable, net	163,336
Capital assets	
Nondepreciable	3,821,535
Depreciable, net of accumulated depreciation	20,519,455
Total assets	32,146,384
 <b>DEFERRED OUT FLOWS OF RESOURCES</b>	
Deferred Outflows related to pension	188,028
 <b>LIABILITIES</b>	
Accounts payable	43
Accrued payroll and other	152,752
Non-current liabilities	
Due within one year	460,868
Due in more than one year	4,529,452
Total liabilities	5,143,115
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	129,133
 <b>NET POSITION</b>	
Invested in capital assets, net of related debt	20,925,990
Restricted	
Expendable	-
Nonexpendable	-
Unrestricted	6,136,174
Total net position	\$ 27,062,164

-

**Town of Killingworth, Connecticut**  
 Statement of Activities  
 June 30, 2017

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities</b>					
General government	\$ (1,129,290)	\$ 326,243	\$ 85,270	\$ -	\$ (717,777)
Public safety	(660,714)	-	22,858	-	(637,856)
Highway	(2,267,381)	-	251,652	-	(2,015,729)
Sanitation and health	(293,946)	-	16,534	-	(277,412)
Conservation and land use	(68,715)	-	-	-	(68,715)
Recreation	(185,874)	-	17,010	-	(168,864)
Community services	(500,938)	55,176	61,552	-	(384,210)
Welfare	(8,639)	-	-	-	(8,639)
Capital outlays	(86,137)	-	-	222,997	136,860
Education	(16,831,153)	-	2,173,420	-	(14,657,733)
Interest on long term debt	(109,135)	-	-	-	(109,135)
Total governmental activities	<u>(22,141,922)</u>	<u>\$ 381,419</u>	<u>\$ 2,628,296</u>	<u>\$ 222,997</u>	<u>(18,909,210)</u>
<b>General Revenues</b>					
Property taxes, payments in lieu of taxes, interest and liens					18,921,860
Grants and contributions not restricted to specific programs					15,190
Unrestricted interest and investment earnings					13,328
Miscellaneous					128,107
Total general revenues					<u>19,078,485</u>
Change in net position					169,275
Net position - beginning of year					<u>26,892,889</u>
Net position - end of year					<u>\$ 27,062,164</u>

**Town of Killingworth, Connecticut**  
 Balance Sheet  
 Governmental Funds  
 Year Ended June 30, 2017

	General Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and equivalents	\$ 5,032,711	\$ 2,498,022	\$ 102,011	\$ 7,632,744
Taxes receivable, net of allowance for uncollectible amounts	163,336	-	-	163,336
Other receivables-due from retirement system	<u>9,314</u>	<u>-</u>	<u>-</u>	<u>9,314</u>
 Total assets	 <u>\$ 5,205,361</u>	 <u>\$ 2,498,022</u>	 <u>\$ 102,011</u>	 <u>\$ 7,805,394</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 45	\$ -	\$ -	\$ 45
Accrued payroll and related	152,752	-	-	152,752
Unearned revenues	<u>134,911</u>	<u>-</u>	<u>-</u>	<u>134,911</u>
 Total liabilities	 <u>287,708</u>	 <u>-</u>	 <u>-</u>	 <u>287,708</u>
Fund Balances (Deficits)				
Restricted	-	-	102,011	102,011
Committed	-	1,744,956	-	1,744,956
Assigned	-	753,066	-	753,066
Unassigned	<u>4,917,653</u>	<u>-</u>	<u>-</u>	<u>4,917,653</u>
 Total fund balances	 <u>4,917,653</u>	 <u>2,498,022</u>	 <u>102,011</u>	 <u>7,517,686</u>
 Total liabilities and fund balances	 <u>\$ 5,205,361</u>	 <u>\$ 2,498,022</u>	 <u>\$ 102,011</u>	 <u>\$ 7,805,394</u>

**Town of Killingworth, Connecticut**  
 Reconciliation of Governmental Funds Balance Sheet to the  
 Government Wide Statement of Net Position - Governmental Activities  
 Year Ended June 30, 2017

Fund Balances - Total Governmental Funds	\$	7,517,686
<p>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		24,340,990
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Unearned revenue related to tax collection		134,911
Net deferred (inflows)/outflows related to pension		58,895
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
General obligation bonds		(3,415,000)
Compensated absences		(161,194)
Net pension liability		(1,283,709)
OPEB obligations		<u>(130,415)</u>
Net Position of Governmental Activities	\$	<u>27,062,164</u>

**Town of Killingworth, Connecticut**  
Statement of Revenues, Expenditures and Changes  
in Fund Balances  
Governmental Funds  
Year Ended June 30, 2017

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes for general purposes	\$ 18,842,876	\$ -	\$ -	\$ 18,842,876
Intergovernmental	2,688,926	222,997	-	2,911,923
Licenses, permits and fees	135,018	-	-	135,018
Charges for services	191,225	-	54,986	246,211
Interest and investment income	8,947	5,954	-	14,901
General Obligation bond proceeds	3,415,000	-	-	3,415,000
Miscellaneous revenue	125,406	-	190	125,596
Total revenues	<u>25,407,398</u>	<u>228,951</u>	<u>55,176</u>	<u>25,691,525</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government	1,381,965	-	36,470	1,418,435
Public safety	555,046	-	-	555,046
Highway	860,030	-	-	860,030
Sanitation and health	280,477	-	10,787	291,264
Conservation and land use	68,715	-	-	68,715
Recreation	137,450	-	-	137,450
Community services	453,681	-	-	453,681
Welfare	8,639	-	-	8,639
Education	16,831,153	-	-	16,831,153
Debt service	3,874,463	-	-	3,874,463
Capital expenditures	-	1,713,629	-	1,713,629
Total expenditures	<u>24,451,619</u>	<u>1,713,629</u>	<u>47,257</u>	<u>26,212,505</u>
Excess (deficiency) of revenues				
Over expenditures	<u>955,779</u>	<u>(1,484,678)</u>	<u>7,919</u>	<u>(520,980)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	637,980	1,347,365	26,904	2,012,249
Transfers out	<u>(1,380,320)</u>	<u>(614,599)</u>	<u>(17,330)</u>	<u>(2,012,249)</u>
Total other financing sources (uses)	<u>(742,340)</u>	<u>732,766</u>	<u>9,574</u>	<u>-</u>
Net change in fund balance	213,439	(751,912)	17,493	(520,980)
Fund balances - beginning of year	<u>4,704,214</u>	<u>3,249,934</u>	<u>84,518</u>	<u>8,038,666</u>
Fund balances - end of year	<u>\$ 4,917,653</u>	<u>\$ 2,498,022</u>	<u>\$ 102,011</u>	<u>\$ 7,517,686</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, 2017

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

Net Change in Fund Balances - Total Governmental Funds \$ (520,980)

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	1,713,629
Depreciation expense	<u>(1,603,453)</u>
	<u>110,176</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>137,859</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>385,000</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 inflows/outflows related to pension	58,895
Compensated absences	12,297
Other post employment benefits liability	<u>(13,972)</u>
	<u>(1,675)</u>

Change in Net Position of Governmental Activities	<u>\$ 169,275</u>
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**Town of Killingworth, Connecticut**  
 Statement of Net Position  
 Fiduciary Funds  
 June 30, 2017

	Pension Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash	\$ 139,965	\$ 749
Investments	3,089,221	-
	\$ 3,229,186	\$ 749
 <b>LIABILITIES</b>		
Due to others	-	749
 <b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>		
	\$ 3,229,186	

**Town of Killingworth, Connecticut**  
Statement of Net Position  
Fiduciary Funds  
June 30, 2017

**ADDITIONS**

Employer contributions	\$ 232,319
Investment Income	116,821
Net realized/unrealized loss on investments	<u>152,988</u>
Total additions	\$ 502,128

**DEDUCTIONS**

Benefits paid	\$ 343,893
Administration	<u>28,879</u>
Total deductions	<u>372,772</u>

Change in net position 129,356

Net position - beginning 3,099,830

Net position - ending \$ 3,229,186



## **Town of Killingworth, Connecticut**

Notes to Financial Statements

June 30, 2017

### **Note 1 - Summary of Significant Accounting Policies**

The Town of Killingworth, Connecticut (“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 (“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 \$247,000 for the year ended June 30, 2017.

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, 2017, the Town of Killingworth recognized expenditures of 16,831,153 for its proportional share of the operating costs of Regional School District 17.

#### **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,

## Town of Killingworth, Connecticut

### Notes to Financial Statements

June 30, 2017

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, 2017 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

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, 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.

## Town of Killingworth, Connecticut

### Notes to Financial Statements

June 30, 2017

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 Towns' 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.

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.

## Town of Killingworth, Connecticut

### Notes to Financial Statements

June 30, 2017

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 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.

**Town of Killingworth, Connecticut**  
Notes to Financial Statements  
June 30, 2017

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 inventoriable 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.

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

**Town of Killingworth, Connecticut**  
Notes to Financial Statements  
June 30, 2017

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, 2017, the government wide financial statements reported \$188,028 as deferred outflows of resources and \$129,133 as deferred 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, 2017 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.

**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

## Town of Killingworth, Connecticut

### Notes to Financial Statements

June 30, 2017

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 if 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.
- **Committed Fund Balance** - represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Killingworth Town Meeting).

## Town of Killingworth, Connecticut

### Notes to Financial Statements

June 30, 2017

- **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 October 27, 2017.

#### **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.



**Town of Killingworth, Connecticut**  
Notes to Financial Statements  
June 30, 2017

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.”

The following is a summary of cash and cash equivalents at June 30, 2017:

	Government-Wide Statement of Net Position	Fiduciary Funds Statement of Net Position
Statement of Net Assets		
Cash and equivalents	\$ 7,642,058	\$ -
Money market funds	-	139,965
Total cash and cash equivalents	<u>7,642,058</u>	<u>139,965</u>
Investments		
Equity mutual funds	\$ -	\$ 1,767,615
Fixed income mutual funds	-	1,321,606
Total investments	<u>-</u>	<u>3,089,221</u>
Total Cash and Investments	<u>\$ 7,642,058</u>	<u>\$ 3,229,186</u>

As of June 30, 2017, the carrying amount of the Town’s deposits, excluding money market funds was \$8,065,484.

**Town of Killingworth, Connecticut**

Notes to Financial Statements

June 30, 2017

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, 2017.

**Investments** – Investments are summarized as follows at June 30, 2017:

Type of Investment	Average Credit Rating	Fair Value	Investment Maturities (in Years)		
			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		1,767,615			
Fixed Income Mutual Funds		1,321,606			
		<u>\$ 3,089,221</u>			

**Interest Rate Risk** -The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair 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 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, 2017, 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	\$ 142,899
Interest	31,948
Gross receivables	174,847
Less: allowance for uncollectible	<u>(11,511)</u>
Net total receivables	<u>\$ 163,336</u>

**Town of Killingworth, Connecticut**  
Notes to Financial Statements  
June 30, 2017

**Note 5 - Interfund Transactions**

**Interfund Balances**

The primary purpose of the interfund balances are to cover costs in specific funds where revenues were not yet received. These interfund balances will be repaid once the anticipated revenues are received. There were no interfund balances at June 30, 2017.

**Interfund Transfers**

Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported in the fund financial statements

	Transfers In	Transfers Out
General fund	\$ 637,980	\$ 1,380,320
Capital fund	1,347,365	614,599
Nonmajor governmental funds	26,904	17,330
	<u>\$ 2,012,249</u>	<u>\$ 2,012,249</u>

**Note 6 - Capital Assets**

Capital asset activities for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land	\$ 3,821,535	\$ -	\$ -	\$ 3,821,535
Construction in progress	866,563	-	(866,563)	-
	<u>4,688,098</u>	<u>-</u>	<u>(866,563)</u>	<u>3,821,535</u>
Capital assets being depreciated				
Land improvements	2,431,941	44,177	-	2,476,118
Building and improvements	3,916,130	239,798	76,003	4,231,931
Equipment and vehicles	4,082,656	583,936	29,441	4,696,033
Infrastructure	43,837,470	759,581	761,119	45,358,170
	54,268,197	1,627,492	866,563	56,762,252
Less accumulated depreciation	(34,639,344)	(1,603,453)	-	(36,242,797)
	<u>\$ 24,316,951</u>	<u>\$ 24,039</u>	<u>\$ -</u>	<u>\$ 24,340,990</u>

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

General Government	\$ 28,541
Public Safety	105,668
Highway	1,407,351
Sanitation and health	13,469
Recreation	48,424
	<u>\$ 1,603,453</u>

**Town of Killingworth, Connecticut**  
Notes to Financial Statements  
June 30, 2017

**Note 7 - Long-Term Liabilities**

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 3,730,000	\$ 3,415,000	\$ (3,730,000)	\$ 3,415,000	\$ 415,000
Compensated absences	173,491	-	(12,297)	161,194	45,868
Net pension liability	1,396,295	-	(112,584)	1,283,711	-
OPEB obligations	116,443	13,972	-	130,415	-
	<u>\$ 5,416,229</u>	<u>\$ 3,428,972</u>	<u>\$ (3,854,881)</u>	<u>\$ 4,990,320</u>	<u>\$ 460,868</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, 2017, the Town had a general obligation bond in the amount of \$3,415,000 outstanding. On November 7, 2016, the Town refinanced the two outstanding bonds into one new bond. The previous bonds, dated August 15, 2006 and June 30, 2014, had interest rates from 2.35% to 5.5%. The new bond issued during fiscal year 2017 requires principal payments annually on August 15, commencing August 15, 2017 and has an interest rate of 1.59%. Interest is to be paid on the outstanding principal balance each year on February 15 and August 15.

The annual debt service requirements on these general obligation bonds, including interest, are as follows as of June 30, 2017:

Year End	General Obligation Bonds	
	Principal	Interest
2018	\$ 415,000	\$ 50,999
2019	410,000	44,441
2020	405,000	37,961
2021	400,000	31,562
2022	390,000	25,281
Thereafter	1,395,000	43,129
	<u>\$ 3,415,000</u>	<u>\$ 233,373</u>

Interest paid and expensed on general obligation bonds for the year ended June 30, 2017 totaled \$109,135.

**Authorized/Unissued Bonds**

There are no authorized, unissued bonds at June 30, 2017.

**Town of Killingworth, Connecticut**  
Notes to Financial Statements  
June 30, 2017

**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	\$ -	\$ -	\$ 102,011	\$ 102,011
Public safety	-	-	-	-
Community services	-	-	-	-
Welfare	-	-	-	-
Committed to:				
Capital projects	-	1,744,956	-	1,744,956
Assigned to:				
Public safety	-	-	-	-
Capital projects	-	753,066	-	753,066
Unassigned	<u>4,917,653</u>	<u>-</u>	<u>-</u>	<u>4,917,653</u>
Total fund balances	<u>\$ 4,917,653</u>	<u>\$ 2,498,022</u>	<u>\$ 102,011</u>	<u>\$ 7,517,686</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.

**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.

**Town of Killingworth, Connecticut**

Notes to Financial Statements

June 30, 2017

**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, 2016, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	10
Terminated plan members entitled to but not yet receiving benefits	2
Active plan members	<u>9</u>

**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.

**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.

**Town of Killingworth, Connecticut**  
Notes to Financial Statements  
June 30, 2017

**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, 2016, the date of the most recent actuarial valuation:

Retirees and beneficiaries receiving benefits	21
Terminated plan members entitled to but not yet receiving benefits	26
Active plan members	<u>48</u>

**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, 2017

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:

<i>Volunteer Fire Company</i>	
<u>Years of Plan Participation</u>	<u>Amount of Monthly Retirement Income</u>
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:

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

**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.



**Town of Killingworth, Connecticut**

Notes to Financial Statements

June 30, 2017

**Investments**

*Investment policy* - The Municipal Employees' and Volunteer Fire Company Pension Plan's 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, 2017:

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%
	<u>100.0%</u>	<u>100.0%</u>

**Concentrations**

There were no investments in any one organization that represent 5% or more of the pension plan's 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 8.22 % for the Municipal Employees Pension Plan and 8.39% for the Volunteer Fire Company Pension Plan at June 30, 2017. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net pension liability**

The components of the net pension liability at June 30, 2017, were as follows:

	Municipal Employees	Volunteer Fire Company	Total
Total pension liability	\$ 2,528,942	\$ 1,989,541	\$ 4,518,483
Plan fiduciary net position	<u>2,079,162</u>	<u>1,155,610</u>	<u>3,234,772</u>
Net pension liability	<u>\$ 449,780</u>	<u>\$ 833,931</u>	<u>\$ 1,283,711</u>
Plan fiduciary net position as percentage of the total pension liability	<u>82.2%</u>	<u>58.1%</u>	

**Town of Killingworth, Connecticut**  
Notes to Financial Statements  
June 30, 2017

**Actuarial Assumptions**

The annual required contribution for the current year was determined as part of the July 1, 2016 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	2.2%	2.2%
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	24 years	24 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.

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, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Municipal Employees Long-Term Expected Real Rate of Return</u>	<u>Volunteer Fire Company Long-Term Expected Real Rate of Return</u>
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, 2017.

**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.

**Town of Killingworth, Connecticut**

Notes to Financial Statements

June 30, 2017

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	\$ 723,749	\$ 449,780	\$ 213,838
Volunteer Fire Company	\$ 1,080,039	\$ 833,931	\$ 629,362

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

For the year ended June 30, 2017, the Town recognized pension expense of \$141,547 for the Municipal Employees' Pension Plan and \$106,534 for the Volunteer Fire Company Pension Plan. The Town reported deferred outflows/(inflows) of resources related to pensions from the following sources:

	Municipal Employees	Volunteer Fire Company	Total
Differences between expected and actual experience	\$ (96,623)	\$ (32,510)	\$ (129,133)
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	130,943	57,085	188,028
Total	\$ 34,320	\$ 24,575	\$ 58,895

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 of resources related to pension expense from the recognition of net differences between projected and actual earning on pension plan investments will be recognized in pension expense as follows:

	Municipal Employees	Volunteer Fire Company	Total
Year Ending June 30:			
2018	\$ 54,793	\$ 24,928	\$ 79,721
2019	54,792	24,926	79,718
2020	25,817	10,809	36,626
2021	(4,459)	(3,578)	(8,037)
	\$ 130,943	\$ 57,085	\$ 188,028

**Town of Killingworth, Connecticut**  
Notes to Financial Statements  
June 30, 2017

Amounts reported as deferred inflows of resources related to pension expense from the recognition of differences between expected and actual experience on plan investments will be recognized in pension expense as follows:

Year Ending June 30:	Municipal Employees	Volunteer Fire Company	Total
2018	\$ (11,497)	\$ (4,175)	\$ (15,672)
2019	(11,497)	(4,175)	(15,672)
2020	(11,497)	(4,175)	(15,672)
2021	(11,497)	(4,175)	(15,672)
2022	(11,497)	(4,175)	(15,672)
Thereafter	(39,138)	(11,635)	(50,773)
	<u>\$ (96,623)</u>	<u>\$ (32,510)</u>	<u>\$ (129,133)</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, 2016. 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, 2017

**Plan Membership**

Membership in the Plan consisted of the following at July 1, 2016, the date of the most recent actuarial valuation:

Active members	6
Retirees	<u>-</u>
	<u>6</u>

**Annual OPEB Cost and Net OPEB Obligations**

The annual OPEB cost and net OPEB obligation to the plan as of **June 30, 2017** were as follows:

Annual Required Contribution	\$ 15,789
Interest on Net OPEB Obligation	4,658
Adjustment to Annual Required Contribution	<u>(6,475)</u>
Annual OPEB Cost	13,972
Contributions made	<u>-</u>
Increase in net OPEB Obligation	13,972
Net OPEB Obligation - Beginning of the year	<u>116,443</u>
Net OPEB Obligation - End of the year	<u>\$ 130,415</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
2015	\$ 23,091	\$ -	0.00%	\$ 102,535
2016	\$ 13,908	\$ -	0.00%	\$ 116,443
2017	\$ 13,972	\$ -	0.00%	\$ 130,415

**Funding Status and Funding Progress**

The funded status of the plan as of June 30, 2017, the most recent actuarial valuation date, is as follows:

Valuation Date	Value of Assets	Accrued Liability	Unfunded Actuarial Accrued 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%

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.

## **Town of Killingworth, Connecticut**

Notes to Financial Statements

June 30, 2017

### **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 - 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, 2017**, 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 12 – 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, 2017**

**Town of Killingworth, Connecticut**  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and actual (Budgetary Basis) – General Fund  
 June 30, 2017

	<b>Budgeted Amounts</b>			
	<b>Original</b>		<b>Actual</b>	
	<b>Budget</b>	<b>Final Budget</b>	<b>Budgetary Basis</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>				
<b>Property Taxes</b>				
General tax receipts	\$ 18,655,079	\$ 18,655,079	\$ 18,777,217	\$ 122,138
Other tax collections	30,000	30,000	65,659	35,659
	<u>18,685,079</u>	<u>18,685,079</u>	<u>18,842,876</u>	<u>157,797</u>
<b>Intergovernmental Revenues</b>				
Education equalization	2,158,948	2,158,948	2,173,420	14,472
Pequot/Mohegan grant	15,229	15,229	15,190	(39)
Town aid roads	253,148	253,148	251,652	(1,496)
PILOT - State owned property	62,657	62,657	62,170	(487)
Local capital improvement program	53,448	53,448	-	(53,448)
Youth services	18,937	18,937	19,000	63
Tax relief for the elderly	38,000	38,000	37,353	(647)
Veterans tax relief	4,300	4,300	4,914	614
Municipal revenue sharing	20,108	20,108	5,148	(14,960)
Other federal, state and local grants	300	300	120,079	119,779
	<u>2,625,075</u>	<u>2,625,075</u>	<u>2,688,926</u>	<u>63,851</u>
Licenses, fees and permits	125,000	125,000	135,018	10,018
Charges for goods and services	115,000	115,000	191,225	76,225
Interest and investment income	10,000	10,000	8,947	(1,053)
General obligation bond proceeds	-	-	3,415,000	3,415,000
Other revenues	100,000	100,000	125,406	25,406
Appropriation of prior year fund balance	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>
<b>TOTAL REVENUES</b>	<b>\$ 21,810,154</b>	<b>\$ 21,810,154</b>	<b>\$ 25,407,398</b>	<b>\$ 3,597,244</b>

Budgetary revenues are different from GAAP revenues because:

Appropriation of prior year fund balance is not recognized as revenue for GAAP purposes -

Total revenue and other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

\$ 25,407,398



**Town of Killingworth, Connecticut**  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and actual (Budgetary Basis) – General Fund  
 June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary</u>	<u>Variance with Final Budget</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
First Selectman - salary	\$ 72,575	\$ 72,575	\$ 72,575	\$ -
First Selectman - meeting expense	500	256	256	-
First Selectman - mileage	1,500	1,362	1,362	-
Finance Director - salary	70,186	70,186	70,186	-
Selectman's secretary - salary	44,634	44,634	44,634	-
Town office building - secretary	14,252	14,252	14,252	-
Office expense	10,400	10,952	10,952	-
Professional development	750	415	415	-
Legal notices	5,000	2,935	2,935	-
Selectman's stipend	8,160	8,160	8,160	-
Probate court support	2,130	2,130	2,130	-
Board of Elections - salaries	10,000	7,657	7,657	-
Board of Elections - expenses	29,200	15,718	15,718	-
Board of Finance - expenses	3,200	3,238	3,238	-
Board of Finance - audit	21,000	21,000	21,000	-
Annual capital transfer - to capital reserve	730,000	730,000	730,000	-
Life benefit/KVFC & ambulance	20,000	20,293	20,293	-
Annual capital transfer - sinking fund vacation sick time	1	-	-	-
Contingency	25,000	-	-	-
Grant writer	1	-	-	-
Assessor - salary	28,000	24,135	24,135	-
Assessor clerk - salary	17,722	18,590	18,590	-
Assessor - expenses	6,500	4,444	4,444	-
Board of assessment appeals - expenses	-	-	-	-
Tax collector - salary	50,535	50,535	50,535	-
Tax collector clerk - salary	21,378	21,473	21,473	-
Tax collector - expenses	4,580	1,599	1,599	-
Treasurer - salary	4,199	4,199	4,199	-
Treasurer - expenses	800	800	800	-
Town Counsel - fees	40,000	33,692	33,692	-
Town Engineer - fees	40,000	79,331	79,331	-
Town Clerk - salary	62,984	62,984	62,984	-
Town Clerk Assistant A - salary	50,000	48,153	48,153	-
Town Clerk Assistant B - salary	15,200	12,141	12,141	-
Town Clerk - expenses	30,700	29,205	29,205	-
Building official - salary	36,000	26,310	26,310	-
Building official - expenses	5,100	3,639	3,639	-
Land use secretary - salary	17,727	18,590	18,590	-
Water testing fees	2,944	2,865	2,865	-
Building and grounds	46,225	20,559	20,559	-
Electricity	27,000	25,755	25,755	-
Duplication expense	2,700	2,705	2,705	-
Postage/meter rental	10,000	11,452	11,452	-
Mapping Machine	1,400	989	989	-
Telephone expense	7,000	6,695	6,695	-
Town office building - custodian	6,500	4,125	4,125	-
Fire/liability/casualty insurance	65,783	61,702	61,702	-
Unemployment insurance	1	-	-	-
Life/disability insurance	8,200	7,829	7,829	-

**Town of Killingworth, Connecticut**  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and actual (Budgetary Basis) – General Fund  
 June 30, 2017

	Original		Actual	Variance with Final Budget
	Budget	Final Budget	Budgetary Basis	
Pension plan	\$ 115,000	\$ 115,000	\$ 115,000	\$ -
Actuarial expense	3,000	4,880	4,880	-
Social security/Medicare	82,000	83,363	83,363	-
Medical/dental	189,000	173,151	173,151	-
Workers compensation	45,893	45,889	45,889	-
Computer supplies	6,000	5,247	5,247	-
Computer maintenance and licenses	29,622	28,465	28,465	-
GIS applications	3,500	3,500	3,500	-
Town website	3,000	2,237	2,237	-
IT network support	38,088	38,397	38,397	-
Internet access expense	1,560	1,577	1,577	-
<b>Total General Government</b>	<u>2,194,330</u>	<u>2,111,965</u>	<u>2,111,965</u>	<u>-</u>
<b>Public Safety</b>				
Fire company	125,750	125,750	125,750	-
Ambulance/fire company incentive program	130,000	130,000	130,000	-
Actuarial expense	3,000	7,810	7,810	-
Fire Marshal - salary	5,800	5,800	5,800	-
Fire Marshal - expenses	3,600	2,446	2,446	-
Open burning official - salary	1,000	1,000	1,000	-
Office of emergency management	8,150	2,765	2,765	-
Emergency planning committee	1	-	-	-
Resident State Trooper - salary	161,750	168,151	168,151	-
Resident State Trooper - expenses	20,160	27,589	27,589	-
Valley Shore emergency communications	83,735	83,735	83,735	-
<b>Total Public Safety</b>	<u>542,946</u>	<u>555,046</u>	<u>555,046</u>	<u>-</u>
<b>Highway</b>				
Foreman - salary	83,500	83,500	83,500	-
Mechanic - salary	60,632	43,045	43,045	-
Drive/operator - salary	180,107	178,013	178,013	-
Overtime/special	4,500	9,062	9,062	-
Snow removal	206,000	190,773	190,773	-
Highway - other	418,779	341,289	341,289	-
Groundskeepers/contractors	6,000	3,848	3,848	-
Cemetery care	10,500	10,500	10,500	-
<b>Total Highway</b>	<u>970,018</u>	<u>860,030</u>	<u>860,030</u>	<u>-</u>

**Town of Killingworth, Connecticut**  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and actual (Budgetary Basis) – General Fund  
 June 30, 2017

	<b>Original</b>		<b>Actual</b>	
	<b>Budget</b>	<b>Final Budget</b>	<b>Budgetary</b>	<b>Variance with</b>
	<b>Basis</b>		<b>Final Budget</b>	
<b>Sanitation and Health</b>				
Compactor - supervisor's salary	\$ 17,834	\$ 17,545	\$ 17,545	\$ -
Compactor - attendant salary	26,994	30,191	30,191	-
Compactor - maintenance and operations	24,150	21,858	21,858	-
Carting and disposal	93,500	80,522	80,522	-
Bulky Waste Disposal	63,500	63,803	63,803	-
Bethke site	1	-	-	-
Mosquito control	1	-	-	-
Hazardous waste collection	12,098	14,204	14,204	-
Health Director	46,800	48,555	48,555	-
Restaurant Sanitarian	2,100	1,860	1,860	-
Sanitarian - expenses	2,300	1,613	1,613	-
Public health nurse	600	300	300	-
Vital statistics	200	26	26	-
<b>Total Sanitation and Health</b>	<u>290,078</u>	<u>280,477</u>	<u>280,477</u>	<u>-</u>
<b>Conservation and Land Use</b>				
Planning and zoning	8,850	5,059	5,059	-
Land use reporting requirement	5,300	5,974	5,974	-
Zoning enforcement officer - salary	31,078	31,078	31,078	-
Zoning enforcement officer - expenses	3,300	1,023	1,023	-
Zoning Board of Appeals	500	640	640	-
Conservation commission	500	268	268	-
Inlands wetlands commission	1,400	438	438	-
Inlands wetlands enforcement office - salary	20,720	20,720	20,720	-
Inlands wetlands enforcement office - expenses	1,000	284	284	-
Water pollution control	-	-	-	-
Connecticut River conservation district	1,661	1,661	1,661	-
Tree warden	2,500	1,570	1,570	-
<b>Total Conservation and Land Use</b>	<u>76,809</u>	<u>68,715</u>	<u>68,715</u>	<u>-</u>
<b>Recreation</b>				
Killingworth park and recreation commission	69,740	59,336	59,336	-
H-K regional recreation	78,114	78,114	78,114	-
<b>Total Recreation</b>	<u>147,854</u>	<u>137,450</u>	<u>137,450</u>	<u>-</u>

**Town of Killingworth, Connecticut**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and actual (Budgetary Basis) – General Fund  
June 30, 2017

	<b>Original</b>		<b>Actual</b>	
	<b>Budget</b>	<b>Final Budget</b>	<b>Budgetary</b>	<b>Variance with</b>
	<b>Budget</b>	<b>Final Budget</b>	<b>Basis</b>	<b>Final Budget</b>
<b>Community Services</b>				
Lower Connecticut River Valley Council of Governments	\$ 8,657	\$ 8,657	\$ 8,657	\$ -
Community Renewal Team	3,000	3,000	3,000	-
Council of Small Towns	825	825	825	-
CT Conference of Municipalities	3,679	3,643	3,643	-
Estuary Council of Senior clubs	21,245	21,245	21,245	-
Killingworth seniors'	1,600	1,600	1,600	-
Library	247,000	247,000	247,000	-
Dog fund support	24,750	24,750	24,750	-
Estuary Transit District	8,632	8,632	8,632	-
350th Celebration Committee	-	3,763	3,763	-
Literacy volunteers	450	450	450	-
Regional mental health	289	289	289	-
Killingworth housing partnership	1	-	-	-
H-K Youth and Family Services	75,000	75,000	75,000	-
Middlesex Substance Abuse	-	-	-	-
Municipal Properties Use Committee	1	-	-	-
Parmelee Farm Committee	12,000	10,151	10,151	-
Town Office Building Committee	1	-	-	-
Tax abatements and refunds	20,000	33,247	33,247	-
Miscellaneous grants	1	34,940	34,940	-
Miscellaneous government refunds	1	239	239	-
Open space subcommittee	1	-	-	-
Open space acquisition	1	-	-	-
The Connection - Eddy Shelter	1,000	1,000	1,000	-
The Rushford Center	-	-	-	-
Friendly fund/helping hands	1,000	-	-	-
<b>Total Community Services</b>	<u>429,134</u>	<u>478,431</u>	<u>478,431</u>	<u>-</u>
<b>Welfare</b>				
Social services/municipal agent	10,000	8,541	8,541	-
Administration expenses	100	98	98	-
<b>Total Welfare</b>	<u>10,100</u>	<u>8,639</u>	<u>8,639</u>	<u>-</u>

**Town of Killingworth, Connecticut**  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and actual (Budgetary Basis) – General Fund  
 June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance with Final Budget</u>
<b>Debt and Lease Obligations</b>				
Bonding	\$ 498,585	\$ 3,874,463	\$ 3,874,463	\$ -
<b>Total Debt and Lease Obligations</b>	<u>498,585</u>	<u>3,874,463</u>	<u>3,874,463</u>	<u>-</u>
<b>TOTAL OPERATING EXPENDITURES</b>	<u>5,159,854</u>	<u>8,375,216</u>	<u>8,375,216</u>	<u>-</u>
<b>Education</b>	<u>16,831,153</u>	<u>16,831,153</u>	<u>16,831,153</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>21,991,007</u>	<u>25,206,369</u>	<u>25,206,369</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures - Budgetary Basis</b>	<u>\$ (180,853)</u>	<u>\$ (3,396,215)</u>	<u>\$ 201,029</u>	
<b>Adjustments to Generally Accepted Accounting Principles (GAAP)</b>				
Payments on Behalf of the Town Not Recorded on a Budgetary Basis				
Budgeted transfers			<u>(754,750)</u>	
<b>Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses- GAAP Basis</b>			<u>\$ 955,779</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, 2017

	<u>2017</u>	<u>2016</u>
Total pension liability:		
Service cost	\$ 59,216	\$ 63,781
Interest	175,757	174,821
Difference between expected and actual experience	(79,507)	(31,449)
Benefit payments, including refund of member contributions	<u>(274,687)</u>	<u>(112,852)</u>
Net change in total pension liability	(119,221)	94,301
Total pension liability - July 1	2,648,163	2,553,862
Total pension liability - June 30 (a)	2,528,942	2,648,163
Plan fiduciary net position:		
Contributions - employer	104,319	104,018
Net investment income	159,021	(7,770)
Benefit payments, including refunds of member contributions	<u>(274,687)</u>	<u>(112,852)</u>
Net change in plan fiduciary net position	(11,347)	(16,604)
Plan fiduciary net position - July 1	<u>2,090,509</u>	<u>2,107,172</u>
Plan fiduciary net position - June 30 (b)	<u>2,079,162</u>	<u>2,090,568</u>
Net pension liability (asset) - June 30 (a)-(b)	<u>\$ 449,780</u>	<u>\$ 557,595</u>

**Town of Killingworth, Connecticut**  
Schedule of Changes in Net Pension Liability  
Volunteer Fire Company Pension Plan  
June 30, 2017

Total pension liability:		
Service cost	\$ 27,072	\$ 35,845
Interest	126,986	123,654
Difference between expected and actual experience	55,336	(29,680)
Benefit payments, including refund of member contributions	<u>(67,874)</u>	<u>(96,572)</u>
Net change in total pension liability	141,520	33,247
Total pension liability - July 1	1,848,021	1,814,774
Total pension liability - June 30 (a)	1,989,541	1,848,021
Plan fiduciary net position:		
Contributions - employer	128,000	140,376
Net investment income	86,163	(7,226)
Benefit payments, including refunds of member contributions	<u>(67,874)</u>	<u>(96,572)</u>
Net change in plan fiduciary net position	146,289	36,578
Plan fiduciary net position - July 1	<u>1,009,321</u>	<u>972,743</u>
Plan fiduciary net position - June 30 (b)	<u>1,155,610</u>	<u>1,009,321</u>
Net pension liability (asset) - June 30 (a)-(b)	<u>\$ 833,931</u>	<u>\$ 838,700</u>

**Town of Killingworth, Connecticut**  
 Schedule of Net Pension Liability  
 Town of Killingworth Pension Plans  
 June 30, 2017

**Municipal Employees' Pension Plan**

	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 2,528,942	\$ 2,648,163
Plan fiduciary net position	<u>2,079,162</u>	<u>2,090,568</u>
Net pension liability	<u>\$ 449,780</u>	<u>\$ 557,595</u>
Plan fiduciary net position as percentage of the total pension liability	<u>82.21%</u>	<u>78.94%</u>
Covered employee payroll	<u>\$ 580,287</u>	<u>\$ 652,649</u>
Net pension liability as a percentage of covered-employee payroll	<u>77.51%</u>	<u>85.44%</u>

**Volunteer Fire Company Pension Plan**

	<u>2017</u>	<u>2016</u>
Total pension liability	\$ 1,989,541	\$ 1,848,021
Plan fiduciary net position	<u>1,155,610</u>	<u>1,009,321</u>
Net pension liability	<u>\$ 833,931</u>	<u>\$ 838,700</u>
Plan fiduciary net position as percentage of the total pension liability	<u>58.08%</u>	<u>54.62%</u>
Covered employee payroll	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A



**Town of Killingworth, Connecticut**  
 Schedule of Investment Returns  
 Town of Killingworth Pension Plans  
 June 30, 2017

**Municipal Employees' Pension Plan**

	<u>2017</u>	<u>2016</u>
Annual Money Weighted rate of return, net of investment expenses	<u>8.22%</u>	<u>-0.37%</u>

**Volunteer Fire Company Pension Plan**

	<u>2017</u>	<u>2016</u>
Annual Money Weighted rate of return, net of investment expenses	<u>8.39%</u>	<u>-0.73%</u>

# **Town of Killingworth, Connecticut**

Combining Fund Financial Statements  
June 30, 2017

**Town of Killingworth, Connecticut**  
 Combining Balance Sheet  
 Special Revenue Funds  
 June 30, 2017

	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
<b>ASSETS</b>											
Cash and equivalents	\$ 38,242	\$ 3,998	\$ 2,130	\$ 1,539	\$ -	\$ 15,149	\$ 8,714	\$ 5,524	\$ 24,181	\$ 2,534	\$ 102,011
Other receivables											
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 38,242</u>	<u>\$ 3,998</u>	<u>\$ 2,130</u>	<u>\$ 1,539</u>	<u>\$ -</u>	<u>\$ 15,149</u>	<u>\$ 8,714</u>	<u>\$ 5,524</u>	<u>\$ 24,181</u>	<u>\$ 2,534</u>	<u>\$ 102,011</u>
<b>LIABILITIES AND FUND BALANCES</b>											
<b>Liabilities</b>											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances (Deficits)</b>											
Restricted	\$ 38,242	\$ 3,998	\$ 2,130	\$ 1,539	\$ -	\$ 15,149	\$ 8,714	\$ 5,524	\$ 24,181	\$ 2,534	\$ 102,011
Assigned	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fund Balances</b>	<u>38,242</u>	<u>3,998</u>	<u>2,130</u>	<u>1,539</u>	<u>-</u>	<u>15,149</u>	<u>8,714</u>	<u>5,524</u>	<u>24,181</u>	<u>2,534</u>	<u>102,011</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 38,242</u>	<u>\$ 3,998</u>	<u>\$ 2,130</u>	<u>\$ 1,539</u>	<u>\$ -</u>	<u>\$ 15,149</u>	<u>\$ 8,714</u>	<u>\$ 5,524</u>	<u>\$ 24,181</u>	<u>\$ 2,534</u>	<u>\$ 102,011</u>

**Town of Killingworth, Connecticut**  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Special Revenue Funds  
 June 30, 2017

	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
<b>REVENUES</b>											
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	10,325	300	4,000	992	-	-	11,425	2,345	25,171	428	54,986
Miscellaneous revenue	-	-	-	-	-	-	-	-	190	-	190
<b>Total Revenues</b>	<b>10,325</b>	<b>300</b>	<b>4,000</b>	<b>992</b>	<b>-</b>	<b>-</b>	<b>11,425</b>	<b>2,345</b>	<b>25,361</b>	<b>428</b>	<b>55,176</b>
<b>EXPENDITURES</b>											
General government	17,329	-	7,500	3,125	184	-	7,548	1,675	15,397	1,042	53,800
Miscellaneous	10,787	-	-	-	-	-	-	-	-	-	10,787
<b>Total Expenditures</b>	<b>28,116</b>	<b>-</b>	<b>7,500</b>	<b>3,125</b>	<b>184</b>	<b>-</b>	<b>7,548</b>	<b>1,675</b>	<b>15,397</b>	<b>1,042</b>	<b>64,587</b>
<b>Excess (Deficiency) of Revenues</b>											
Over expenditures	(17,791)	300	(3,500)	(2,133)	(184)	-	3,877	670	9,964	(614)	(9,411)
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers in	24,752	-	2,222	-	-	-	-	-	-	-	26,974
Transfers out	-	-	-	(70)	-	-	-	-	-	-	(70)
<b>Total Other Financing Sources (Uses)</b>	<b>24,752</b>	<b>-</b>	<b>2,222</b>	<b>(70)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,904</b>
<b>Net Change in Fund Balance</b>	<b>6,961</b>	<b>300</b>	<b>(1,278)</b>	<b>(2,203)</b>	<b>(184)</b>	<b>-</b>	<b>3,877</b>	<b>670</b>	<b>9,964</b>	<b>(614)</b>	<b>17,493</b>
<b>Fund Balances - Beginning of Year</b>	<b>31,281</b>	<b>3,698</b>	<b>3,408</b>	<b>3,742</b>	<b>184</b>	<b>15,149</b>	<b>4,837</b>	<b>4,854</b>	<b>14,217</b>	<b>3,148</b>	<b>84,518</b>
<b>Fund Balances - End of Year</b>	<b>\$ 38,242</b>	<b>\$ 3,998</b>	<b>\$ 2,130</b>	<b>\$ 1,539</b>	<b>\$ -</b>	<b>\$ 15,149</b>	<b>\$ 8,714</b>	<b>\$ 5,524</b>	<b>\$ 24,181</b>	<b>\$ 2,534</b>	<b>\$ 102,011</b>

**Town of Killingworth, Connecticut**  
Combining Balance Sheet  
Agency Funds  
June 30, 2017

	Tax Sale Fund	Parmelee Fund	Performance Bonds	Total
<b>ASSETS</b>				
Cash and equivalents	\$ 748	\$ 1	\$ -	\$ 749
Total Assets	<u>\$ 748</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 749</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Due to other groups	\$ 748	\$ 1	\$ -	\$ 749
Total Liabilities	<u>\$ 748</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 749</u>

**Town of Killingworth, Connecticut**  
Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
June 30, 2017

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>TAX SALE</b>				
<b>ASSETS</b>				
Cash	\$ 755	\$ 748	\$ 755	\$ 748
Total Assets	<u>\$ 755</u>	<u>\$ 748</u>	<u>\$ 755</u>	<u>\$ 748</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Due to other groups	\$ 755	\$ 748	\$ 755	\$ 748
Total Liabilities	<u>\$ 755</u>	<u>\$ 748</u>	<u>\$ 755</u>	<u>\$ 748</u>
<b>PARMELEE FARM</b>				
<b>ASSETS</b>				
Cash	\$ 1	\$ -	\$ -	\$ 1
Total Assets	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Due to other groups	\$ 1	\$ -	\$ -	\$ 1
Total Liabilities	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
<b>PERFORMANCE BONDS</b>				
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ -	\$ -
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Due to other groups	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash	\$ 756	\$ 748	\$ 755	\$ 749
Total Assets	<u>\$ 756</u>	<u>\$ 748</u>	<u>\$ 755</u>	<u>\$ 749</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Due to other groups	\$ 756	\$ 748	\$ 755	\$ 749
Total Liabilities	<u>\$ 756</u>	<u>\$ 748</u>	<u>\$ 755</u>	<u>\$ 749</u>

# **Town of Killingworth, Connecticut**

Supplementary Schedules  
June 30, 2017

See Independent Auditors' Report

Town of Killingworth, Connecticut  
 Report of the Property Tax Collector  
 June 30, 2017

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		
	\$ -	\$ 18,791,432	\$ 21,921	\$ 55,354	\$ -	\$ 18,757,999	\$ 18,655,127	\$ 47,997	\$ 2,247	\$ 18,705,371	\$ 625	\$ 102,872
2014	99,223	-	1,079	10,396	-	89,906	55,423	10,864	247	66,534	-	34,483
2013	31,188	-	-	-	23,647	7,541	7,281	1,715	71	9,067	10	260
2012	271	-	-	-	-	271	-	-	-	-	-	271
2011	271	-	-	-	-	271	-	-	-	-	-	271
2010	661	-	-	-	-	661	-	-	-	-	-	661
2009	609	-	-	-	-	609	-	-	-	-	-	609
2008	609	-	-	-	-	609	-	-	-	-	-	609
2007	610	-	-	-	-	610	-	-	-	-	-	610
2006	616	-	-	-	-	616	-	-	-	-	-	616
2005	1,441	-	-	-	-	1,441	-	-	-	-	-	1,441
	<u>\$ 135,499</u>	<u>\$ 18,791,432</u>	<u>\$ 23,000</u>	<u>\$ 65,750</u>	<u>\$ 23,647</u>	<u>\$ 18,860,534</u>	<u>\$ 18,717,831</u>	<u>\$ 60,576</u>	<u>\$ 2,565</u>	<u>\$ 18,780,972</u>	<u>\$ 635</u>	<u>\$ 142,703</u>



**Town of Killingworth, Connecticut**  
**Statement of Changes in Fund Balance**  
**Capital Improvement Program**  
**June 30, 2017**

	<b>Fund Balance 6/30/16</b>	<b>Transfers in from the General Fund</b>	<b>Fund Balance Designation</b>	<b>Supplemental Fund Balance</b>	<b>Interest and other Income</b>	<b>Grant Revenue</b>	<b>Expenditures</b>	<b>Proposed Project Close-outs</b>	<b>Fund Balance (Deficit) 6/30/17</b>
<b>Committed</b>									
<b>Continuing Projects</b>									
Assessor-Revaluation	\$ 57,778	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (51,081)	\$ (6,697)	\$ -
Open Space Acquisition	13,008	-	-	-	-	-	-	-	13,008
Parmelee Facilities Improvements	446	-	35,000	-	-	1,573	(13,172)	-	23,847
IT Upgrades	1,382	-	26,575	-	-	-	(24,145)	-	3,812
KVFC - Station 1 Training Facility	177,093	-	-	-	-	-	(177,093)	-	-
KVFC - Radio Infrastructure Upgrade	46,317	-	-	-	-	-	-	-	46,317
KVFC -Self Contained Breathing Apparatus	117,312	-	250,000	-	-	-	(337,791)	-	29,521
KVFC -Station 2 - Overhead doors & roof repair	25,000	-	-	-	-	-	(14,210)	-	10,790
KVFC -Extraction Equipment	30,298	-	-	-	-	-	(29,635)	-	663
KVFC -Class A Pumper Truck	-	-	642,997	-	-	-	-	-	642,997
HW Dept - Small Mason Dump w/ plow	-	-	74,000	-	-	-	(60,071)	-	13,929
HW Dept - Used Large Dump/All Season/Plow	-	-	70,000	-	-	-	(70,000)	-	-
PR - Sheldon Park Improvements	3,000	-	-	-	-	-	-	-	3,000
PR - Sheldon Park Playground	30,680	-	-	-	-	-	(20,113)	-	10,567
PR - KRP Playground	-	-	40,000	-	-	-	(39,046)	-	954
PR - Baseball field - KRP Phase II	-	-	250,000	-	-	-	-	-	250,000
PR - Extended ADA paths at Sheldon Park	-	-	65,000	-	-	-	(44,177)	-	20,823
Transfer Station - Facilities Upgrade	10,271	-	-	-	-	-	(24,121)	13,850	-
Transfer Station - Grading	20,000	-	-	-	-	-	-	-	20,000
TOB - Campus Generator	-	-	-	-	-	-	-	-	-
Library Building Repairs	26,808	-	-	-	-	-	(24,375)	-	2,433
THC - Emergency Operations Center	-	-	-	-	-	-	-	-	-
THC - EOC FF&E	16,722	-	-	-	-	-	(3,135)	(13,587)	-
THC - Barn Rehabilitation	100,000	-	-	-	-	-	(300)	-	99,700
THC - Repairs to Modular	400,000	-	-	-	-	-	-	-	400,000
THC - Paving Project	-	-	-	-	-	-	-	-	-
	<u>1,076,115</u>	<u>-</u>	<u>1,453,572</u>	<u>-</u>	<u>-</u>	<u>1,573</u>	<u>(932,465)</u>	<u>(6,434)</u>	<u>1,592,361</u>

**Town of Killingworth, Connecticut**  
**Statement of Changes in Fund Balance**  
**Capital Improvement Program**  
**June 30, 2017**

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	<b>Fund Balance 6/30/16</b>	<b>Transfers in from the General Fund</b>	<b>Fund Balance Designation</b>	<b>Supplemental Fund Balance</b>	<b>Interest and other Income</b>	<b>Grant Revenue</b>	<b>Expenditures</b>	<b>Proposed Project Close-outs</b>	<b>Fund Balance (Deficit) 6/30/17</b>
<b>Road Projects</b>									
Parker Hill Rd - Drainage	58,654	-	-	-	-	-	(31,342)	(27,312)	-
Burr Hill - Widening & Drainage	10,000	-	-	-	-	-	-	(10,000)	-
N Parker Hill Rd - Reclaim sections & pave	-	-	190,000	-	-	-	(180,975)	(9,025)	-
Bethke Rd - Reclaim & Pave	-	-	132,000	-	-	120,309	(120,309)	(132,000)	-
Stevens Rd - Reclaim & Pave	-	-	106,000	-	-	101,852	(101,852)	(106,000)	-
Country Road - Pave	-	-	115,000	-	-	-	-	-	115,000
Green Hill Rd. - Pave	-	-	80,000	-	-	-	(68,544)	-	11,456
Chittenden Rd - Pave road from Rt 81 to Green Hill	-	-	127,000	-	-	-	(121,467)	(5,533)	-
Dogwood Knoll - Repair, Binder, Paving	74,191	-	-	-	-	-	(121,620)	-	(47,429)
County Road Entrance	24,035	-	-	-	-	-	(206)	-	23,829
	<u>166,880</u>	<u>-</u>	<u>750,000</u>	<u>-</u>	<u>-</u>	<u>222,161</u>	<u>(746,315)</u>	<u>(289,870)</u>	<u>102,856</u>
<b>Sinking Funds</b>									
Sick/Vacation Payout at Retirement	54,913	-	-	-	-	-	(34,848)	-	20,065
Capital Surcharge Account	26,908	-	-	-	2,766	-	-	-	29,674
	<u>81,821</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,766</u>	<u>-</u>	<u>(34,848)</u>	<u>-</u>	<u>49,739</u>
<b>Total Committed Fund Balance</b>	<u>1,324,816</u>	<u>-</u>	<u>2,203,572</u>	<u>-</u>	<u>2,766</u>	<u>223,734</u>	<u>(1,713,628)</u>	<u>(296,304)</u>	<u>1,744,956</u>
<b>Assigned Fund Balance</b>	<u>1,925,118</u>	<u>730,000</u>	<u>(2,203,572)</u>	<u>-</u>	<u>4,380</u>	<u>836</u>	<u>-</u>	<u>296,304</u>	<u>753,066</u>
<b>Total Fund Balance</b>	<u>\$ 3,249,934</u>	<u>\$ 730,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,146</u>	<u>\$ 224,570</u>	<u>\$ (1,713,628)</u>	<u>\$ -</u>	<u>\$ 2,498,022</u>

**Town of Killingworth, Connecticut**  
 Schedule of Debt Limitation  
 June 30, 2017

Total tax collections (including interest and lien fees) for the year - primary government	\$ 18,842,876
Reimbursement for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	-
Debt limitation base	<u>\$ 18,842,876</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation					
2 1/4 times base	\$42,396,471	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	84,792,942	-	-	-
3 3/4 times base	-	-	70,660,785	-	-
3 1/4 times base	-	-	-	61,239,347	-
3 times base	-	-	-	-	56,528,628
Total debt limitation	42,396,471	84,792,942	70,660,785	61,239,347	56,528,628
Indebtedness:					
Regional School District #17 bonds	-	4,902,389	-	-	-
Bonds payable	3,415,000	-	-	-	-
Total Indebtedness	3,415,000	4,902,389	-	-	-
Debt limitation in excess of debt outstanding and authorized	\$38,981,471	\$79,890,553	\$70,660,785	\$61,239,347	\$56,528,628

In no case shall total indebtedness exceed seven times the annual receipts from taxation \$ 131,900,132

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, 2017**, based on the most current and available information, the indebtedness of the District was \$11,800,000. The Town of Killingworth's share will be 41.54567% of the debt, or \$4,902,389. 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, 2017



Guiding Successful People

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**New Haven**  
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Stratford, Connecticut 06615  
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Darin L. Offerdahl MBA CPA

Francis H. Michaud Jr. CPA\*  
Sandra M. Woodbridge CPA\*  
Dominic L. Cusano MBA CPA\*  
\*indicates retired

## **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, Connecticut (“Town”) as of and for the year ended **June 30, 2017**, 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 October 26, 2017.

### **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.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of 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*.

### **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  
October 26, 2017

# **Town of Killingworth, Connecticut**

State Single Audit  
June 30, 2017



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\*indicates retired

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, 2017. 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, 2017.

### **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, 2017, and have issued our report thereon dated October 26, 2017, 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  
October 26, 2017

**Town of Killingworth, Connecticut**

Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2017

State Program Pass-Through Grantor Program Title	State Grant Program Core- CT Number	Expenditures
<b>Office of Policy and Management</b>		
PILOT on State Owned Property	11000-OPM20600-17004	\$ 78,984
Property Tax Relief for Disability Exemption	11000-OPM20600-17011	285
Property Tax Relief for Elderly and Totally Disabled (CB)	11000-OPM20600-17018	37,353
Property Tax Relief for Veterans	11000-OPM20600-17024	4,914
Municipal Grant in Aid	12052-OPM20600-43587	5,148
Small Town Economic Assistance Program	12050-OPM20600-40254	222,161
<b>Department of Transportation</b>		
Town Aid Roads	12052-DOT57131-43455	251,652
<b>Department of Energy and Environmental Protection</b>		
CT Bikeway, Pedestrian, Recreational, Rain & Greenway	12052-DEP43000-43314	836
<b>Department of Education</b>		
Youth Service Bureau	11000-SDE64370-17052	14,000
Youth Service Bureau Enhancement	11000-SDE64000-16201	5,000
<b>Department of Public Health</b>		
Lead Poisoning Prevention	35008-DPH48766-40001	2,909
<b>Judicial Department</b>		
Judicial Restitution	34001-JUD95162-40001	405
<b>Connecticut State Library</b>		
Historic Documents Preservation Grants	12060-CSL66094-35150	4,000
<b>Department of Public Safety</b>		
Emergency Preparedness	12060-DPS32160-21881	<u>3,835</u>
Total State Financial Assistance before Exempt Programs		<u>631,482</u>
<b>EXEMPT PROGRAMS</b>		
<b>Department of Education</b>		
Education Cost Sharing	11000-SDE64370-17041	2,173,420
<b>Office of Policy and Management</b>		
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	15,190
Municipal Revenue Sharing	12002-OPM20600-17102	<u>85,270</u>
Total Exempt programs		<u>2,273,880</u>
Total State Financial Assistance		<u>\$ 2,905,362</u>

## Town of Killingworth, Connecticut

Notes to the Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2017

### 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 ("Town") under programs of the State of Connecticut for the fiscal year ended June 30, 2017. 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,

- 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,
- 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, 2017

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                    \_\_\_yes                    Xno
- Significant deficiency(ies) identified?                \_\_\_yes                    Xnone reported
- Noncompliance material to  
financial statements noted                                    \_\_\_yes                    Xno

**State Financial Assistance**

Internal control over major programs:

- Material weakness(es) identified?                    \_\_\_yes                    Xno
- Significant deficiency(ies) identified?                \_\_\_yes                    Xnone 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                    Xno

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

<b><u>State Grantor and Program State</u></b>	<b><u>Core-CT Number</u></b>	<b><u>Expenditures</u></b>
Department of Transportation		
Town Aid Road Grant	12001-DOT57131-17036	\$251,652
Small Town Economic Assistance Program	12052-OPM20870-13008	\$222,161
Dollar threshold used to distinguish between type A and type B programs:	\$100,000	

**Town of Killingworth, Connecticut**

Summary Schedule of Audit Findings  
Year Ended June 30, 2017

**Section II - Financial Statement Findings**

We issued reports dated October 26, 2017, on internal control over financial reporting and on compliance based on an audit of consolidated financial statements performed in accordance with Government Auditing Standards.

**Town of Killingworth, Connecticut**

Summary Schedule of Audit Findings  
Year Ended June 30, 2017

**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, 2017

**2016-001 – Reconciliation of Key Accounts**

**Criteria:**

Key accounts – primarily transfers that are required to be reported on the financial statements were not reconciled prior to audit.

*This finding was remedied and is no longer a finding for the year ended June 30, 2017.*

**2016-002 – Prior period adjustment**

**Criteria:**

Cash accounts that should be included in the Town's assets were not recorded on the general funds books resulting in a prior period adjustment.

*This finding was remedied and is no longer a finding for the year ended June 30, 2017.*



**Town of Killingworth, Connecticut**

**Fiscal Year 2016-2017 Operating Data**

Fiscal year 2016-2017 Operating data not included in the audited financial statements for fiscal year 2016-2017 is as follows:

October 1, 2015 Grand List	\$728,951,035	
October 1, 2015 Net Taxable Grand List	\$724,347,339	
Annual Property Tax Levy	\$18,757,340	
Collection	\$18,686,207	99.6%

<u>Ten largest taxpayers</u>	<u>Net Assessment</u>
CONNECTICUT LIGHT AND POWER	\$6,820,660
JENSENS RESIDENTIAL COMMUNITIES	\$5,460,000
CONNECTICUT WATER COMPANY	\$3,574,800
M&M REALTY HOLDING LLC	\$2,280,180
PATTACONK FARM LLC	\$2,280,180
DEER LAKE II LLC	\$1,353,490
ANDERSON NORMA R TRUSTEE	\$1,290,170
KTV COSTFAM LIMITED PARTNERSHIP	\$1,248,560
MOORE DEBORAH L	\$1,130,602
LOCKWOOD THOMAS J	\$1,069,650

Population	6,419
Total Direct Debt	\$3,415,000
Total Direct Net Debt	\$3,415,000
Total Overall Net Debt	\$8,317,389
Total Direct Debt / Capita	\$532
Total Direct Net Debt / Capita	\$532
Total Overall Debt / Capita	\$1,296
Total Direct Debt / Net Taxable Grand list	0.47%
Total Overall Net Debt / Net Taxable Grand List	1.15%