

OFFICIAL STATEMENT

NEW ISSUE

RATING: Moody's Aa3

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance with certain covenants and procedures relating to requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. In the opinion of Bond Counsel, based on existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See "Tax Matters" herein.

REGIONAL SCHOOL DISTRICT NO. 17 of the State of Connecticut (Towns of Haddam and Killingworth) CONNECTICUT \$7,270,000 General Obligation Bonds, Issue of 2019 BANK QUALIFIED, BOOK-ENTRY-ONLY

Dated: Date of Delivery

Due: October 1, as shown below

MATURITY SCHEDULE*									
Due	Principal Amount	Coupon %	Yield %	CUSIP	Due	Principal Amount	Coupon %	Yield %	CUSIP
2020	\$725,000	5.000	1.110	759135 FG6	2025	\$730,000	5.000	1.100	759135 FM3
2021	725,000	5.000	1.070	759135 FH4	2026	730,000	5.000	1.150	759135 FN1
2022	725,000	5.000	1.070	759135 FJ0	2027	725,000	5.000	1.210	759135 FP6
2023	730,000	5.000	1.080	759135 FK7	2028	725,000	5.000	1.280	759135 FQ4
2024	730,000	5.000	1.090	759135 FL5	2029	725,000	5.000	1.350	759135 FR2

The Bonds will be general obligations of Regional School District No. 17 of the State of Connecticut (the "District") and its member towns of Haddam and Killingworth, Connecticut (the "Member Towns"). The District and its member towns will pledge their full faith and credit to pay the principal and interest on the Bonds when due. (See "Securities and Remedies" herein.)

Interest on the Bonds will be payable on April 1, 2020 and semiannually thereafter on the first day October and April in each year until maturity. The Bonds will be issued by means of a book-entry-only system and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. The Beneficial Owners of the Bonds will not receive certificates representing their ownership interest in the Bonds. Principal of, redemption premium, if any, and interest on the Bonds will be payable by the District or its agent to DTC or its nominee as registered owner of the Bonds. Ownership of the Bonds may be in principal amounts of \$5,000 or integral multiples thereof. DTC will act as security depository for the Bonds. So long as Cede & Co. is the Bond owner, as nominee for DTC, reference herein to the Bond owner or owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as described herein) of the Bonds. See "Book-Entry-Only Transfer System" herein.

The Bonds are **NOT** subject to optional redemption prior to maturity. See "Optional Redemption" herein.

FIDELITY CAPITAL MARKETS

The Registrar, Transfer Agent, Certifying Agent, and Paying Agent on the Bonds will be US Bank National Association Corporate Trust, 225 Asylum Street, 23rd Floor, Goodwin Square, Hartford, CT 06103.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut. It is expected that delivery of the Bonds in book-entry form will be made through the facilities of DTC on or about October 24, 2019.

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

Dated: October 8, 2019

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

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

The information, estimates, and expressions of opinion in this Official Statement are subject to change without notice.

Other than as to matters expressly set forth in Appendix B “Form of Opinion of Bond Counsel” herein, Bond Counsel is not passing on and do not assume any responsibility for the accuracy or completeness of the statements made in this Official Statement and make no representation that they have independently verified the same.

BOND ISSUE SUMMARY

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

Issuer:	Regional School District No. 17 of the State of Connecticut (Towns of Haddam and Killingworth) (the “Issuer” or the “District”)
Issue:	\$7,270,000 General Obligation Bonds, Issue of 2019 (the “Bonds”)
Date of Sale:	October 8, 2019, 11:30 AM (EDT)
Location of Sale:	Regional School District No. 17, Central Office, 57 Little City Road, Higganum, CT.
Dated and Delivery Date:	Date of Delivery
Interest Due:	April 1, 2020 and October 1 in each year until maturity
Principal Due:	Serially, October 1, 2020 – October 1, 2029 in each year until maturity
Purpose and Authority:	See “Authorization” and “Use of Bond Proceeds.”
Redemption:	The Bonds are NOT subject to redemption prior to maturity. See “Optional Redemption” herein.
Security:	The Bonds will be general obligations of Regional School District No. 17 and its Member Towns of Haddam and Killingworth, Connecticut. The District and its Member Towns will pledge their full faith and credit to the payment of principal of and interest on the Bonds when due. See “Security and Remedies” herein.
Credit Ratings:	The District has applied to Moody's Investors Service, Inc. (“Moody’s”) for a rating on the Bonds. Moody’s rates the District’s outstanding bonds “Aa3”. See “Rating” herein. Moody’s rates the Town of Haddam as “Aa3”. The Town of Killingworth is not rated by any recognized statistical rating service as it has no outstanding publicly traded debt.
Bond Insurance:	The District does not expect to purchase a credit enhancement facility.
Tax Exemption:	See “Tax Matters” herein.
Continuing Disclosure:	See Appendix C “Form of Continuing Disclosure Agreement” herein. In accordance with the requirements of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the District will agree to provide, or cause to be provided, annual financial information annual financial information and operating data and notices of certain events with respect to the Bonds pursuant to a Continuing Disclosure Agreement to be executed by the District substantially in the form attached as Appendix C to this Official Statement.
Bank Qualification:	The Bonds shall be designated by the District as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended, for purposes of the deduction by financial institutions for interest expense allocable to the Bonds.
Registrar, Transfer Agent, Certifying Agent, and Paying Agent:	US Bank National Association Corporate Trust, 225 Asylum Street, 23rd Floor, Goodwin Square, Hartford, CT 06103.
Legal Opinion:	Robinson & Cole LLP of Hartford, Connecticut
Delivery and Payment:	It is expected that delivery of the Bonds in book-entry-only form will be made to The Depository Trust Company on or about October 24, 2019. Delivery of the Bonds will be made against payment in Federal funds.
Issuer Official:	Questions concerning this Official Statement should be directed to: Mr. Jason Lathrop, Interim Director of Finance and Fiscal Operations, Regional School District No. 17, 57 Little City Road, Higganum, CT. Phone: (860) 345-4534. Fax: (860) 345-2817. Email: jlathrop@rsd17.org .
Municipal Advisor:	DIXWORKS LLC, 241 Avon Mountain Road, Avon, CT 06001-3942. Contact: Dennis Dix, Jr., Principal. Phone: (860) 676-0609. Fax: (860) 676-1649. Email: dixworks@comcast.net .

I. BOND INFORMATION

Introduction

This Official Statement, including the cover page and appendices, is provided for the purpose of presenting certain financial and supplementary economic and demographic data relevant to Regional School District No. 17 of the State of Connecticut (Towns of Haddam and Killingworth) (the "District") in connection with the issuance of \$7,270,000 General Obligation Bonds, Issue of 2019 (the "Bonds") of the District.

This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or holders of any of the Bonds. No dealer, broker, salesman, or other person has been authorized by the District to give any information or to make any representations, other than those contained in this Official Statement or any supplement which may be issued hereto, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. Any statement made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any such opinion or estimate will be realized. All quotations from and summaries and explanations of provisions of statutes, charters, or other laws and acts and proceedings of the District contained herein do not purport to be complete, are subject to repeal or amendment, and are qualified in their entirety by reference to such laws and the original official documents. All references to the Bonds and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and such proceedings.

The District deems this Official Statement to be "final" for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), but it is subject to revision or amendment.

Municipal Advisor

The presentation of information is intended to show recent historical trends and is not intended to indicate future or continuing trends in the financial or other positions of the District. The information in this Official Statement has been prepared by the District's Municipal Advisor, DIXWORKS LLC, Avon, Connecticut (the "Municipal Advisor"), from information supplied by District officials and other sources as indicated. The Municipal Advisor does not assume responsibility for the sufficiency, accuracy, or completeness of the statements made herein and makes no representation that it has independently verified the same. The Municipal Advisor is not a public accounting firm and has not been engaged by the District to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. DIXWORKS LLC is an independent municipal bond advisory firm and is not engaged in the business of providing investment advice, or of underwriting, trading, or distributing municipal or other public securities. The District and the Municipal Advisor have entered into a financial advisory agreement to conform to Municipal Securities Rulemaking Board (MSRB) Rule G-23.

Auditors

The independent auditors for the District and its member towns were not engaged to review this Official Statement. The independent auditors are not passing upon and do not assume responsibility for the sufficiency, accuracy or completeness of the financial information presented in this Official Statement (other than matters expressly set forth in Appendices A1, A2, and A3 "General Purpose Financial Statements" herein) and they make no representation that they have independently verified the same. The auditors have not been engaged nor have they performed audit procedures regarding the post audit period. The auditors have not provided their written consent to use their Independent Auditor's Reports.

Description of the Bonds

The Bonds will be dated as of the date of delivery and will mature on the dates and in the principal amounts set forth on the cover page hereof. Interest on the Bonds will be payable on April 1, 2020 and semiannually thereafter on October 1 and April 1 in each year until the date of maturity. Interest is payable to the registered owner as of the close of business on the fifteenth day of March and September in each year. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months at the rate or rates per annum specified by the Underwriter. A book-entry-only system will be employed evidencing ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof, with transfers of ownership effected on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants pursuant to rules and procedures established by DTC and its participants. See "Book-Entry-Only Transfer System" herein. The Registrar, Transfer Agent, Certifying Agent, and Paying Agent for the Bonds will be US Bank National Association Corporate Trust, 225 Asylum Street, 23rd Floor, Goodwin Square, Hartford, CT 06103. The legal opinion on the Bonds will be rendered by Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut. (See "Appendix B" herein).

Entry-Only Transfer System” herein. The Registrar, Transfer Agent, Certifying Agent, and Paying Agent for the Bonds will be US Bank National Association Corporate Trust, 225 Asylum Street, 23rd Floor, Goodwin Square, Hartford, CT 06103. The legal opinion on the Bonds will be rendered by Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut. (See “Appendix B” herein).

Redemption Provisions

The Bonds are NOT subject to redemption prior to maturity.

Security and Remedies

The Bonds will be general obligations of Regional School District No. 17 of the State of Connecticut and its member towns of Haddam and Killingworth, Connecticut (the “Member Towns”). The District and its member towns will pledge their full faith and credit to pay the principal of and interest on the Bonds when due.

The Bonds are not guaranteed by the State of Connecticut (the “State”) or any other entity. The security for the Bonds is more fully described herein.

Unless paid from other sources, the Bonds are payable from general property tax revenues of the Member Towns. The District’s Member Towns have the power under Connecticut statutes to levy ad valorem taxes on all taxable property in Member Towns without limit as to rate or amount, except as to certain classified property such as certified forest land taxable at a limited rate and dwelling houses of qualified elderly persons of low income or qualified disabled persons taxable at limited amounts. On the last completed Grand Lists of the Member Towns, there were no acres of such classified forest land. Under existing statutes, the State of Connecticut is obligated to pay the Member Towns the amount of tax revenue they would have received except for the limitation upon their power to tax such dwelling houses.

The District does not have the direct power to levy taxes.

Section 10-58a of the Connecticut General Statutes, Revision of 1958, as amended (the “C.G.S”), provides that upon verification of a default by a regional school district in the payment of principal or interest on its notes or bonds the State Comptroller is required to withhold future payments of State aid and assistance in such amounts as may be required to remedy the default. If the amounts withheld from the District are insufficient for this purpose, payments of State aid and assistance due to the District’s Member Towns must similarly be withheld and applied. The withheld payments are to be forwarded promptly to the paying agent or agents for the notes or bonds in default for the sole purpose of paying the defaulted principal of and interest on such obligations.

Section 10-63f of the C.G.S. provides that the withdrawal of a member town from a regional school district or the dissolution of a regional school district pursuant to the provisions of Section 10-63f et seq. of said C.G.S. will not impair the obligation of the withdrawing member town or the District to the holders of notes or bonds or other indebtedness issued prior to the withdrawal or dissolution.

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

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

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

Enforcement of a claim for payment of principal of or interest on such debt would also be subject to the applicable provisions of Federal bankruptcy laws as well as other bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor’s rights heretofore or hereafter enacted and to the exercise of judicial discretion.. Section 7-566 of the C.G.S. provides that no Connecticut municipality shall file a petition in bankruptcy without the express prior written consent of the Governor. This prohibition applies to any town, city, borough, metropolitan district or any other political subdivision of the State having the power to levy taxes and to issue Bonds or other obligations.

Qualification for Financial Institutions

The Bonds **shall** be designated by the District as qualified tax-exempt obligations under the provisions of Section 265(b) of the Internal Revenue Code of 1986, as amended for purposes of the deduction by financial institutions for certain interest expense incurred to carry the Bonds.

Availability of Continuing Disclosure Information

The District has prepared an annual financial report which is independently audited in accordance with State law. The District files such annual report with the State Office of Policy and Management on an annual basis. The District provides, and will continue to provide, to the rating agencies ongoing disclosure in the form of the comprehensive annual financial reports, recommended and adopted budgets, and other materials relating to its management and financial condition, as may be necessary or requested.

The District will enter into a Continuing Disclosure Agreement with respect to the Bonds, substantially in the form attached as Appendix C to this Official Statement (the "Continuing Disclosure Agreement") to provide or cause to be provided in accordance with the requirements of SEC Rule 15c2-12(b)(5) (i) annual financial information and operating data, (ii) notice of the occurrence of certain material events within 10 days after the occurrence of such events, and (iii) timely notice of a failure by the District to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The winning bidder's obligation to purchase the Bonds shall be conditioned upon it receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

The District has entered into prior Continuing Disclosure Agreements for the benefit of holders of its debt obligations to provide annual financial information and material event notices pursuant to SEC Rule 15c2-12(b)(5). In the previous five years, the District has not failed to comply in any material respect with any of its undertakings under such agreements.

Book-Entry-Only Transfer System

The information contained in the following paragraphs of this subsection "Book-Entry-Only Transfer System" has been provided by The Depository Trust Company, New York, New York ("DTC"). The District makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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

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

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on, and redemption premium, if any, with respect to the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District or its Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

NEITHER THE DISTRICT, THE MEMBER TOWNS, THE PAYING AGENT, NOR THE UNDERWRITER SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST ON THE BONDS; (3) ANY NOTICE PERMITTED OR REQUIRED TO BE GIVEN BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT, TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT, OR BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BOND HOLDER.

DTC Practices

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

Replacement Bonds

In the event that: (a) DTC determines not to continue to act as securities depository for the Bonds, and the District fails to identify another qualified securities depository for the Bonds to replace DTC; or (b) the District determines to discontinue the book-entry-only system of evidence and transfer of ownership of the Bonds, the District will issue fully registered Bond certificates directly to the Beneficial Owners of the Bonds or their nominees. A Beneficial Owner of

the Bonds, upon registration of certificates held in such Beneficial Owner's name, will become the registered owner of the Bonds.

Authorization

The Bonds are issued pursuant to Section 10-56 of the C.G.S. and a referendum adopted by the Member Towns on December 13, 2016, authorizing the issuance and sale of general obligation bonds of the District in an amount not to exceed \$9,490,000.

Use of Bond Proceeds

\$8,680,000 was approved for the planning, design, engineering, and construction of additions and renovations at the Haddam-Killingworth High School and \$810,000 was approved for the planning, design and construction of renovations for the Haddam-Killingworth High School Auditorium.

Ratings

The District has applied for a rating on the Bonds from Moody's Investors Service, Inc. ("Moody's"). Moody's currently rates the District's outstanding bonds and the Bonds as "Aa3". Such rating reflects only the views of such organization, and any explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York, 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. The District furnished certain information and materials to the rating agency, some of which may not have been included in this Official Statement. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised or withdrawn entirely by the agency if, in the judgment of such rating agency, circumstances so warrant. A revision or withdrawal of such rating may have an effect on the market price of the District's bonds, including the Bonds.

Tax Matters

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

In the opinion of Bond Counsel, based on existing statutes and court decisions and assuming continuing compliance by the District with its covenants and the procedures contained in the Tax Regulatory Agreement, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax.

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

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

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

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

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

Original Issue Discount

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

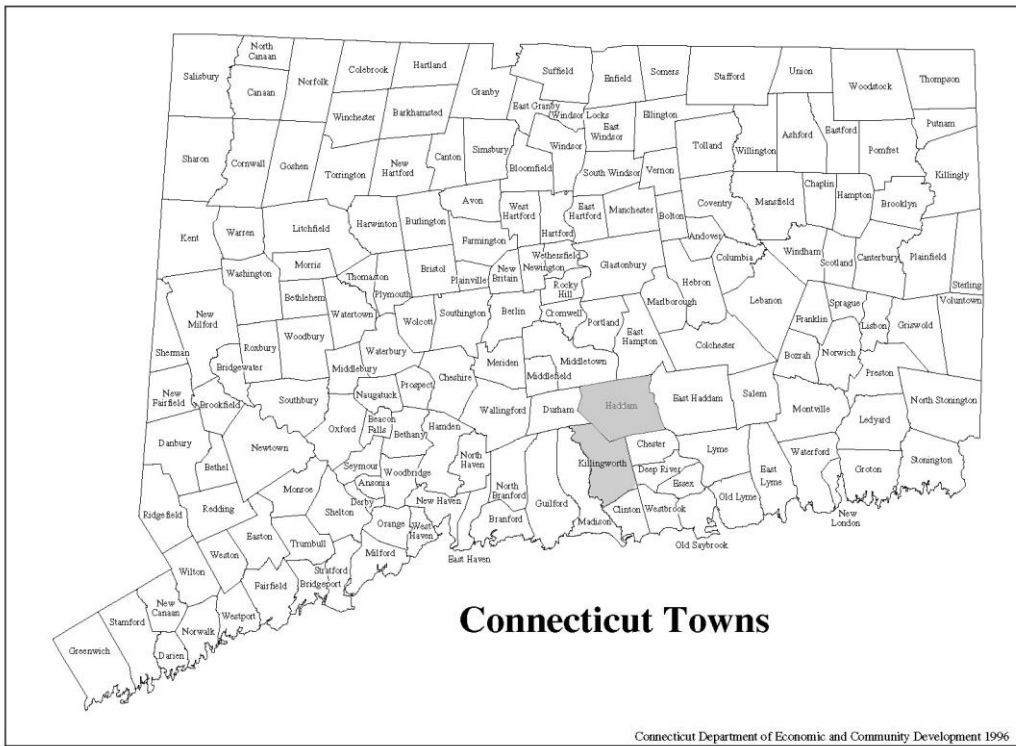
Under Section 1288 of the Code, the amount of original issue discount treated as having accrued with respect to any Bond during each day it is owned by a taxpayer is added to the owner's adjusted basis for purposes of determining gain or loss upon the sale or other disposition of such Bonds by such owner.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

Original Issue Premium

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

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

II. THE ISSUER



Description of the District

Regional School District No. 17 was organized in 1972 under the provisions of the C.G.S after approval by the voters of the towns of Haddam and Killingworth. The District is governed by an eleven-member Board of Education, six from Haddam and five from Killingworth, whose members serve staggered terms conforming with the "one man one vote" concept. The District provides educational facilities for grades Pre-K through 12 for the Towns of Haddam and Killingworth. See "School Facilities" and "Enrollments" following herein.

The District's operating and debt service expenses are paid by the Member Towns in proportion to the number of pupils attending school from each town.

For the fiscal year 2019 - 2020, Haddam will contribute 59.945% and Killingworth will contribute 41.055% of the District's operating expenses based on projected enrollment figures as of October 1, 2018. Payments are made to the District on July 15 (5%), August 15 (10%), September 15 (15%), October 15 (15%), November 15 (10%), January 15 (5%), February 15 (15%), March 15 (15%), and April 15 (10%) by the Member Towns.

Section 10-51a of the C.G.S provides that if a member town of the District fails to include in its annual town budget amounts necessary to pay for its proportionate share of the annual District budget, ten or more taxable inhabitants of a town within such Regional School District, a majority of the Board of Selectmen of any such town, the Attorney General, a holder or owner of bonds or notes of such Regional School District, The Board of Education of such Regional School District, or the State Board of Education may petition the Superior Court to determine the amount of the alleged deficiency. If the court finds such deficiency to exist, it shall order such town, through its treasurer, selectmen and assessor, to provide a sum of money equal to such deficiency, together with a sum of money equal to twenty-five percent thereof. The amount of the deficiency shall be paid by the town to the Regional School District as soon as it is available; the additional sum of twenty-five percent shall be kept in a separate account by such town and shall be applied toward payment of such town's share of the annual budget of the Regional School District in the following year. If such order is made prior to the fixing of the annual tax rate of such town, such tax rate shall be adjusted to cover the rate of such town, the sums included in such order shall be provided by the town from any available cash surplus, from any contingent fund, from any borrowing, through a rate bill under the provisions of Section 12-123 of the C.G.S or from any combination thereof.

Under the provisions of Section 10-63f of the C.G.S, the withdrawal of a member town from the regional school district or the dissolution of a regional school district shall not impair the obligation of the member towns or the district to the

holders of any bonds or any other outstanding indebtedness issued prior to dissolution. The regional board of education and the boards of education of the member towns may make agreements for the payment of money to or from the district and said towns in accordance with the final plan of withdrawal.

General Description - Town of Haddam

Haddam celebrated the 350th anniversary of its founding in 2012. It was incorporated as a town in October of 1668. The Town covers an area of 46.7 square miles and is located 24 miles south of Hartford and about 15 miles north of Long Island Sound astride the Connecticut River. It is bordered on the north by Middletown and East Hampton, on the east by East Haddam, on the south by Chester, and on the west by Durham and Killingworth. State highways 9, 82, and 154 traverse the Town, and easy access to State Route 9 provides a direct route south to Interstate 95 and a direct route north to Hartford and Interstates 91 (north/south) and 84 (east/west).

Much of Haddam's population is employed in Middletown, Hartford, and surrounding areas. Shopping facilities, consisting of local stores, are adequate to meet daily needs. Local buying is supplemented by the larger retail centers of Middletown, Meriden, and Hartford. In addition to the Connecticut River, Haddam is host to 6,000 acres of State owned forest, park, and wildlife land offering various recreational opportunities.

Haddam has a Town Meeting form of government with an elected board of three selectmen and an elected six-member Board of Finance. The full-time First Selectman is the Chief Executive and administrative officer of the Town, presides over the Board of Selectmen with full voting powers, and serves *ex-officio* (without vote) on all Town boards and commissions. The Charter provides for the separate election of the First Selectman and the Board of Selectmen and the election of the Town Clerk, Tax Collector, and Treasurer. Effective this November, the Treasurer position will be eliminated and the duties thereof carried out by the First Selectman and/or the Director of Finance. The Board of Finance is the chief financial and budget-making authority of the Town and sets the mill rate after the Town budget has been approved. A part-time Director of Finance oversees daily financial operations.

General Description - Town of Killingworth

Killingworth was incorporated in May, 1667 as Connecticut's nineteenth town. Covering an area of 36.0 square miles, Killingworth lies 32 miles south of Hartford and 7 miles north of and adjacent to Clinton on Long Island Sound. Killingworth is bordered on the north by Durham and Haddam, on the east by Chester, Deep River, and Westbrook, and on the west by Madison. Connecticut Route 9 is easily accessible to the north while Interstate 95 lies only six miles south of the center of Town.

Killingworth, once an agricultural community, is now a steadily growing suburban residential town. Most of its work force is employed in nearby towns including Middletown and New Haven in diversified manufacturing, commercial, and service industries. Shopping facilities, consisting of local establishments, are adequate to meet daily needs which are supplemented by the larger retail centers of Clinton, Madison, and New Haven. Two state forests covering an area of approximately 2,000 acres as well as beach rights on Long Island Sound provide recreational facilities.

Killingworth has a town meeting form of government with a board of three selectmen and a Board of Finance consisting of six members. The full-time First Selectman is the Chief Executive and administrative officer of the Town. A full-time Director of Finance, a part-time Treasurer, and an elected Board of Finance oversee the Town's finances.

Principal District/Municipal Officials

<u>Office</u>	<u>Incumbent</u>	<u>Manner of Selection</u>	<u>Length of Service</u>	<u>Term of Office</u>	<u>Term Expires</u>
Interim Superintendent.....	Holly Hageman , Ph. D.	Appointed	5 years	3 years	TBD
Director of Fiscal Operations	Martha R. Vaughn	Indefinite	11 years	Indefinite	Indefinite
Board of Education					
Chairman	Joanne Nesti	Elected	3 years	4 years	12/1/21
Vice Chairman.....	Suzanne Sack	Elected	3 years	4 years	12/1/19
Secretary.....	Eileen Blewett	Elected	1 year	4 years	12/1/21
Treasurer	Peter Sonski	Elected	1 year	4 years	12/1/19
First Selectman, Town of Haddam.....	Lizz Milardo	Elected	6 years	2 years	11/5/19
First Selectman, Town of Killingworth.....	Catherine Iino	Elected	8years	2 years	11/5/19

Source: Superintendent's Office, Regional School District No. 17

Employee Relations and Collective Bargaining

District Employees

<u>Fiscal Year</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Teachers	202	205	210	207	221	223
Support.....	102	101	106	101	108	93
Administrators	17	18	19	19	19	20
Office Staff	6	5	5	6	6	6
Custodians.....	23	24	25	25	28	27
Transportation &Others.....	32	33	31	28	26	27
Total	382	386	396	386	408	396

Source: Superintendent's Office, Regional School District No. 17

District Employee Bargaining Units

As of Fiscal Year 2018 - 2019

<u>Bargaining Organization</u>	<u>Number of Employees</u>	<u>Current Contract Expiration Date</u>
Regional School District No. 17, Education Association, CEA	202	6/30/21
Regional School District No. 17, Administrators Association.	9	6/30/20
Regional School District No. 17, Custodians, SEUI	23	6/30/22
Regional School District No. 17, Secretaries/Aides Chapter 95, CSEA, Inc.	102	6/30/20
CHCA, CT Health Care Associates National Union of Hospital and Health Care Employees.....	5	6/30/21
Total Organized.	341	
Non-Union.	41	
Total.....	382	

Source: Superintendent's Office, Regional School District No. 17

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

School Facilities

School	Grades	Date of Construction (Additions/Renovations)	Class-rooms	Type of Construction	Enrollment 10/1/19 (Est.)	District Maximum Capacity
Burr Elementary School Killingworth	Prek-3	1969	33	Brick and cinder block	358	494
Elementary School Haddam Killingworth	K-3	1948 ('89)	33	Brick and cinder block	201	594
Intermediate School Haddam/Killingworth	4-5	1948 ('62, '88, '89)	21	Brick and cinder block	255	433
Middle School Haddam/Killingworth	6-8	2006	36	Brick and cinder block	484	900
High School Total	9-12	1976; 2018	51	Brick and cinder block	637	780
			174		1,935	3,201

Note: Excludes 21 transition and out-placed students
Source: Superintendent's Office, Regional School District No. 17

School Enrollment

As of October 1

School Year	PreK-4	Grades 5 - 8	<u>Historical</u>			Outplaced	Transition	Total Enrollment
			Grades 9 - 12	Grades 9 - 12	Grades 9 - 12			
2009 -2010	1,008	800	--	686	10	0	2,504	
2010 -2011	1,000	801	--	680	11	0	2,492	
2011 -2012	954	7770	--	657	11	0	2,392	
2012 -2013	910	768	--	635	8	0	2,321	
2013 - 2014	847	800	--	620	10	0	2,277	
2014 - 2015	798	762	--	615	13	0	2,188	
2015 - 2016	753	747	--	618	17	0	2,135	
2016 - 2017	729	727	--	648	12	0	2,116	
2017 -2018	711	663	--	673	13	7	2,067	
2018 - 2019	697	671	--	644	15	2	2,029	
2019-2020	559	255	484	637	19	2	1,956	
			<u>Projected *</u>					
2020 - 2021	554	257	447	653	18		1,929	
2021 - 2022	562	267	413	627	18		1,887	
2022 - 2023	574	250	395	646	18		1,883	
2023 - 2024	574	258	384	622	18		1,856	
2024 - 2025	574	270	390	564	18		1,816	

* Projections are made using births and student migration K-12.

Source: Superintendent's Office, Regional School District No. 17

Enrollment by Town

	10/1/19 *	10/1/18	10/1/17	10/1/16	10/1/15	10/1/14
Haddam	1,169	1,196	1,228	1,252	1,248	1,287
Killingworth	766	833	839	864	887	901
Total	1,956	2,029	2,067	2,116	2,135	2,188

• Projected. Includes 21 outplaced and transition students not allocated by town.
Source: Superintendent's Office, Regional School District No. 17

III. ECONOMIC AND DEMOGRAPHIC INFORMATION

Population and Density

Regional School District No. 17

<u>Year</u>	<u>Actual Population ¹</u>	<u>% Increase During Period</u>	<u>Density ²</u>
1950	3,313	27.4	40
1960	4,600	38.8	56
1970	7,439	61.7	90
1980	10,359	39.3	125
1990	11,583	11.8	104
2000	13,175	13.7	159
2010	14,871	12.9	180
2017	14,744	(0.9)	178

¹1950-2010 - U.S. Department of Commerce, Bureau of Census; American Community Survey, 2013-2017

²Per square mile: 82.7 square miles

Source: State of Connecticut Register and Manual, 2018

Haddam

Killingworth

<u>Year</u>	<u>Actual Population ¹</u>	<u>% Increase During Period</u>	<u>Density ²</u>	<u>Actual Population ¹</u>	<u>% Increase During Period</u>	<u>Density ²</u>
1950	2,636	27.4	56	677	27.5	19
1960	3,466	31.5	74	1,098	62.2	31
1970	4,934	42.4	106	2,435	121.8	68
1980	6,383	29.4	137	3,976	63.3	110
1990	6,769	6.0	145	4,905	23.4	136
2000	7,157	5.7	153	6,018	22.7	167
2010	8,346	16.6	180	6,525	8.4	181
2017	8,303	(0.5)	178	6,441	(1.3)	179

¹ 1950-2010- U.S. Department of Commerce, Bureau of Census; 2017- U.S. Department of Commerce, Bureau of Census, American Community Survey, 2013-2017

² Per square mile: Haddam; 46.7 square miles
Killingworth; 36.0 square miles

Source: State of Connecticut Register and Manual, 2018

Age Distribution of the Population

<u>Age</u>	<u>Town of Haddam</u>		<u>Town of Killingworth</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Under 5	164	2.0	254	3.9	186,188	5.2
5 - 19	1,663	20.0	1,246	19.3	682,144	19.0
20 - 34	958	11.5	735	11.4	685,088	19.1
35 - 44	938	11.3	625	9.7	433,401	12.1
45 - 54	1,578	19.0	1,258	19.5	535,611	14.9
55 - 64	1,359	16.4	989	15.4	496,289	13.8
65 and over	1,643	19.8	1,334	20.7	575,757	16.0
Total	8,303	100.0	6441	100.0	3,594,478	100.0
Median Age (Years)	48.5		48.1		40.8	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2013-2017

Income Distribution

Range	Town of Haddam		Town of Killingworth		State of Connecticut	
	Families	Percent	Families	Percent	Families	Percent
Less than \$10,000.....	35	1.4	37	1.9	27,787	3.1
10,000 - 14,999	56	2.3	11	0.6	16,143	1.8
15,000 - 24,999	62	2.5	0	0.0	41,072	4.6
25,000 - 34,999	0	0.0	68	3.6	52,218	5.8
35,000 - 49,999	84	3.4	93	4.9	82,371	9.2
50,000 - 74,999	257	10.6	208	10.9	134,356	15.0
75,000 - 99,999	415	17.0	254	13.3	122,244	13.6
100,000 - 149,999	637	26.3	454	23.8	186,352	20.9
150,000 - 199,999.....	438	18.0	392	20.6	100,359	11.2
200,000 or more.....	451	18.5	389	20.4	132,765	14.8
Total.....	2,435	100.0	1,906	100.0	895,667	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2013-2017

Income Levels

	Town of Haddam	Town of Killingworth	State of Connecticut
Per Capita Income, 2017	\$48,008	\$50,503	\$41,365
Per Capita Income, 2010	\$37,324	\$45,404	\$36,775
Per Capita Income, 2000	\$30,519	\$31,929	\$28,766
Median Family Income, 2017	\$122,332	\$130,263	\$93,800
Median Family Income, 2010	\$100,343	\$108,232	\$84,170
Median Family Income, 2000.....	\$ 87,026	\$ 87,874	\$65,521
Percent Below Poverty Level 2017	3.7	2.5	7.0

Source: U.S. Department of Commerce, Bureau of Census, 2000, 2010; American Community Survey, 2013-2017

Educational Attainment

Persons 25 Years and Older

	Town of Haddam		Town of Killingworth		State of Connecticut	
	Number	Percent	Number	Percent	Number	Percent
Less than 9th grade	61	1.0	65	1.4	104,623	4.2
9th to 12th grade, no diploma	95	1.6	11	0.2	137,877	5.6
High school graduate	1,525	25.0	1,145	24.7	673,582	27.1
Some college, no degree	845	13.9	615	13.3	422,535	17.0
Associate's degree	755	12.4	593	12.8	188,481	7.6
Bachelor's degree	1,517	24.8	1,014	21.9	532,055	21.5
Graduate or professional degree	1,299	21.3	1,197	25.8	421,144	17.0
Total	6,097	100.0	4,640	100.0	2,480,297	100.0
Total high school graduate or higher (%)	97.4		98.4		90.2	
Total bachelor's degree or higher (%)	46.2		47.7		38.4	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2013-2017

Major Employers - Haddam

As of October 31, 2018

<u>Name</u>	<u>Business</u>	<u>Estimated Number of Employees</u>
Brian House Inc.	Human Services Organizations	100 - 249
Burr District Elementary School;	Schools	50 - 99
Haddam Fire Dept.	Fire Departments	50 - 99
Haddam-Killingworth High School	Schools	50 - 99
Saybrook At Haddam	Residential Care Homes	50 - 99

Source: State of Connecticut, Department of Labor, Labor Market Information, Connecticut Employer Search, October 31, 2018

Major Employers - Killingworth

As of October 31, 2018

<u>Name</u>	<u>Business</u>	<u>Estimated Number of Employees</u>
Budget Dry Waterproofing	General contractors	50-99
Killingworth Elementary School	Elementary school	50-99
Killingworth Ambulance Association	Ambulance service	20-49
Cooking Company	Catering	20-49
Killingworth True Value	Hardware retail	20-49
Sunset Limousine Service	Limousine service	20-49

Source: State of Connecticut, Department of Labor, Labor Market Information, Connecticut Employer Search, October 31, 2018

Employment by Industry

Employed Persons 16 Years and Over

<u>Sector</u>	<u>Town of Haddam</u>		<u>Town of Killingworth</u>		<u>State of Connecticut</u>	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>
Agriculture, forestry, fisheries, mining	26	0.6	32	0.9	71,66	0.4
Construction	314	6.9	216	6.3	1,041,22	5.8
Manufacturing	768	17.0	399	11.7	1,915,19	10.6
Wholesale trade	179	4.0	126	3.7	447,41	2.5
Retail trade	322	7.1	315	9.2	1,930,16	10.7
Transportation, Warehousing, Utilities.....	161	3.6	117	3.4	689,26	3.8
Information	104	2.3	59	1.7	422,00	2.3
Finance, Insurance, Real Estate	337	7.5	181	5.3	1,638,10	9.1
Professional, Scientific, Management, Admin.	484	10.7	452	13.2	2,081,30	11.5
Education, Health, Social Services	1,047	23.1	1,034	30.1	4,780,83	26.5
Arts, Entertainment, Recreation, Leisure Serv.	493	10.9	222	6.5	1536,79	8.5
Other Services	172	3.8	228	6.7	825,38	4.6
Public administration	115	2.5	43	1.3	671,56	3.7
Total Labor Force, Employed	4,522	100.0	3,424	100.0	1,805,086	100.0

Source: U.S. Department of Commerce, Bureau of the Census, American Community Survey, 2013-2017

Employment Data

Period	Town of Haddam		Percentage Unemployed		
	Employed	Unemployed	Town of Haddam	Hartford Labor Market	State of Connecticut
July, 2019 ¹	5,033	126	2.4	3.7	3.6
April, 2019 ¹	4,049	118	2.3	3.4	3.3
January, 2019 ¹	4,952	188	3.7	4.7	4.7
November, 2018 ¹	5,063	116	2.2	3.0	3.0
Annual Averages					
2018	4,949	158	3.1	4.1	4.1
2017	4,939	182	3.6	5.0	4.7
2016	4,838	178	3.5	5.1	5.1
2015	4,829	201	3.8	5.7	5.6
2014	4,771	239	4.8	6.6	6.6
2013	4,827	280	5.5	7.8	7.8
2012	4,852	314	6.1	8.4	8.4
2011	4,925	321	6.1	8.8	8.8
2010	4,695	342	6.8	9.2	9.1
2009	4,717	296	5.9	8.5	8.2

¹ Not seasonally adjusted

Source: Department of Labor, State of Connecticut.

Period	Town of Killingworth		Percentage Unemployed		
	Employed	Unemployed	Town of Killingworth	New Haven Labor Market	State of Connecticut
July, 2019 ¹	3,808	83	2.1	3.6	3.6
April, 2019 ¹	3,716	70	1.8	3.1	3.3
January, 2019 ¹	3,707	124	3.2	4.6	4.7
November, 2018 ¹	3,824	67	1.7	3.0	3.0
Annual Averages					
2018	3,717	102	2.7	4.0	4.1
2017	3,750	114	3.0	4.9	4.7
2016	3,682	131	3.4	5.1	5.1
2015	3,655	146	6.8	5.7	5.6
2014	3,609	179	4.7	6.8	6.6
2013	3,357	217	6.1	7.8	7.8
2012	3,397	224	6.2	8.7	8.4
2011	3,426	250	6.8	9.2	8.8
2010	3,445	234	6.4	9.3	9.1
2009	3,430	211	5.8	8.2	8.2

¹ Not seasonally adjusted

Source: Department of Labor, State of Connecticut.

Age Distribution of Housing

Year Built	Town of Haddam		Town of Killingworth		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1939 or earlier	496	13.8	370	14.5	338,011	22.4
1940 to 1949	197	5.5	116	4.5	104,251	6.9
1950 to 1959	581	16.1	70	2.7	225,763	15.0
1960 to 1969	390	10.8	277	10.8	205,463	13.6
1970 to 1979	636	17.7	582	23.0	200,217	13.3
1980 to 1989	368	10.2	444	17.4	191,939	12.7
1990 to 1999	315	8.8	371	14.5	114,261	7.6
2000 to 2009	525	14.6	267	10.5	105,131	7.0
2010 to 2013	91	2.5	42	1.6	17,308	1.1
2014 or later	0	0.0	14	0.5	5,367	0.4
Total housing units, 2017	3599	100.0	2553	100.0	1,507,711	100.0
Percent Owner Occupied, 2017	86.2		94.9		66.6	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2013-2017

Housing Inventory

Type	Town of Haddam		Town of Killingworth		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
1-unit detached	3,293	91.6	2,141	83.9	892,621	59.1
1-unit attached	30	0.8	15	0.6	81,393	5.4
2 units	109	3.0	74	2.9	123,040	8.2
3 or 4 units	30	0.8	13	0.5	130,914	8.7
5 to 9 units	61	1.7	0	0.0	82,787	5.5
10 to 19 units	0	0.0	0	0.0	56,540	3.8
20 or more units	76	2.1	0	0.0	128,477	8.5
Mobile home, trailer, other	0	0.0	310	12.1	11,939	0.8
Total Inventory	3,599	100.0	2,553	100.0	1,507,711	100.0

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2013-2017

Owner-Occupied Housing Values

Value	Town of Haddam		Town of Killingworth		State of Connecticut	
	Units	Percent	Units	Percent	Units	Percent
Less than \$50,000	33	1.2	90	3.9	892,621	59.1
\$ 50,000 to \$ 99,999	13	0.5	61	2.7	81,393	5.4
\$100,000 to \$149,999	55	2.0	180	7.9	123,040	8.2
\$150,000 to \$199,999	218	7.9	85	3.7	130,914	8.7
\$200,000 to \$299,999	1,025	37.2	262	11.5	82,787	5.5
\$300,000 to \$499,999	1,115	40.4	1,131	49.3	56,540	3.8
\$500,000 to \$999,999	266	9.6	468	20.5	128,477	8.5
\$1,000,000 or more	33	1.2	11	0.5	11,939	0.8
Total	2,758	100.0	2,288	100.0	1,507,711	100.0
Median Sales Price	\$305,400		\$369,200		\$270,100	

Source: U.S. Department of Commerce, Bureau of Census, American Community Survey, 2013-2017

Building Permits

Town of Haddam

Fiscal Year Ending 6/30	Single Family		Commercial/Industrial		Total	
	No.	Value	No.	Value	No.	Value
2019	7	\$2,562,325	--	--	7	\$2,562,325
2018	8	813,000	2	885,000	10	1,698,000
2017	5	1,153,813	1	1,000	6	1,154,813
2016	16	2,374,290	16	328,200	32	2,702,490
2015	16	2,563,943	22	769,120	38	3,333,063
2014	17	3,379,883	25	3,854,485	42	7,234,368
2013	17	1,837,265	30	836,215	47	2,673,480
2012	21	3,351,911	13	845,910	34	4,197,821
2011	17	2,295,365	6	227,155	23	2,522,520
2010	29	5,569,505	6	602,500	35	6,172,005

Source: Building Department, Town of Haddam

Town of Killingworth

FY Ending 6/30	Single Family		Commercial/Industrial		Combined	
	No.	Value	No.	Value	No.	Value
2019	6	\$4,838,095	6	\$118,600	12	\$4,956,695
2018	10	5,809,417	6	325,380	16	6,134,797
2017	5	2,904,355	3	92,000	8	2,996,355
2016	4	4,863,020	6	39,000	10	4,902,020
2015	8	5,658,638	7	62,445	15	5,721,083
2014	11	3,983,478	2	27,500	13	4,010,978
2013	10	3,155,893	--	--	10	3,155,893
2012	6	3,367,283	6	607,200	12	3,974,483
2011	3	1,518,000	3	68,000	6	1,586,000
2010	6	1,968,450	6	2,060,052	12	4,028,502

Source: Building Department, Town of Killingworth

IV. TAX BASE DATA

Property Tax Assessment

Section 12-62 et. seq. of the C.G.S govern real property assessments and establishes the revaluation cycle for Connecticut municipalities of a statistical revaluation every five years and, generally, a physical inspection every ten years. For the list of October 1, 2018, the Town of Haddam's net taxable grand list amounted to \$949,807,954 and the Town of Killingworth, \$700,716,370. The Town of Haddam completed a general property revaluation effective October 1, 2015 for the fiscal year 2016-2017. The Town of Killingworth revalued its Grand List as of October 1, 2016 for the fiscal year 2017-2018 and will conduct its next revaluation on the Grand List of October 1, 2021 for the fiscal year 2022-2023. Prior to the completion of each revaluation, the Assessor shall conduct a field review. Section 12-62 also imposes a penalty on municipalities that fail to effect revaluations as required, with certain exceptions. However, the statute permits the phase-in of a real property assessment increase resulting from a revaluation over a period of up to five years. The maintenance of an equitable tax base by locating and appraising all real and personal property within the Member Towns for inclusion on the Grand List is the responsibility of the Assessor's Office in each Member Town. The Grand List represents the total assessed values for all taxable and tax exempt real estate, taxable personal property, and motor vehicles located within the Member Towns as of October 1. Assessments for real and personal property are computed at seventy percent (70%) of the market value at the time of last revaluation, and at 70% of the annual approval of motor vehicles by the Office of Policy and Management. Grand List information is used by municipalities to set the mill rate which in turn becomes the basis for each Member Town's annual tax levy. Any property owner may seek to appeal its assessment by filing a written appeal to the town's Board of Assessment Appeals. The Board of Assessment Appeals elects to hear such appeals and determines whether adjustments to the Assessor's list relating to assessments under appeal are warranted. Under Connecticut law, taxpayers who are dissatisfied with a decision by a town's Board of Assessment Appeals may appeal the decision to the Connecticut Superior Court.

When a new structure or modification to an existing structure is undertaken, a municipality's Assessor's Office receives a copy of the permit issued by the Building Inspector. A physical appraisal is then completed and the structure classified and priced from a schedule developed as of the revaluation. Property depreciation and obsolescence factors are also considered when arriving at an equitable value.

Motor vehicle lists are furnished to municipalities by the State of Connecticut Department of Motor Vehicles and appraisals of motor vehicles are accomplished in accordance with an automobile price schedule developed by the Connecticut Association of Assessing Officials and as recommended by the State Office of Policy and Management. Section 12-71b of The C.G.S provides that motor vehicles which are registered with the Commissioner of Motor Vehicles after the October 1 assessment date are subject to property tax as follows: 1) vehicles registered subsequent to November 1 but prior to the following August 1, are subject to a prorated tax based on the period of time from the date of registration until the following October 1; 2) vehicles purchased in August and September are not taxed until the next October 1 Grand List. With respect to replacement vehicles (as compared to additional vehicles) Section 12-71b provides for similar prorating of taxes on the new vehicle and a credit with respect to taxes due on the replaced vehicle during the assessment year.

Connecticut General Statutes Section 12-71e, as amended, allows municipalities to tax motor vehicles at a different rate than other taxable property, but caps the motor vehicle tax rate at 39.00 mills for the assessment year commencing October 1, 2016, and 45.00 mills for the assessment year commencing October 1, 2017, and each assessment year thereafter. Section 4-66l of the General Statutes, as amended, diverts a portion of State collected sales tax revenue to provide funding to municipalities to mitigate the revenue loss attributed to the motor vehicle property tax cap. Haddam's vehicle tax rates for the current 2018 assessment year (the fiscal year ending June 30, 2020) is 31.69 mills and Killingworth's is 24.78 mills. All personal property (furniture, fixtures, equipment, machinery and leased equipment) is assessed annually. An assessor's check and audit is completed periodically. Assessments for both personal property and motor vehicles are computed at seventy percent (70%) of present market value.

All property exempt from taxation, except public highways, streets, and bridges is listed, valued, and assessed annually by the assessor and added to the Grand List in a special section. The state reimbursements to the Member Towns are derived from this list

Section 12-124a of the C.G.S permits a municipality, upon approval by its legislative body, to abate property taxes on owner-occupied residences to the extent that the taxes exceed eight percent of the owner's total income, from any source, adjusted for self-employed persons to reflect expenses allowed in determining adjusted gross income. The owner must agree to pay the amount of taxes abated with interest at 6% per annum, or at such rate approved by the legislative body, at such time that the residence is sold or transferred or on the death of the last surviving owner. A lien for such amounts is recorded in the land records but does not take precedence over any mortgage recorded before the lien.

Section 12-170v of the C.G.S permits a municipality upon approval by its legislative body to freeze the property taxes due for certain low-income elderly residents. Any municipality providing such property tax relief may place a lien upon such property in the amount of total tax relief granted plus interest.

Property Tax Levy

Property taxes are levied on all taxable assessed property on the Member Town Grand List of October 1 prior to the beginning of the fiscal year. Real and personal property taxes are generally payable in two installments on July 1 and January 1, except that real and personal property taxes under \$100 are payable in one installment on July 1. Motor vehicle tax bills are payable in July and motor vehicle supplemental bills are payable in January. Personal property taxes of \$400.00 or less are payable in July. A margin against delinquencies, legal reductions, and Grand List adjustments, such as Assessor errors, is provided by adjusting the Grand List downward when computing anticipated property tax revenue from the current levy. This percentage varies from town to town but is generally in the vicinity of 96% - 98%. An estimate for delinquent taxes and outstanding interest and lien fees anticipated to be collected during the fiscal year is normally included as a revenue item in the budget. Tax revenues are recognized as soon as they are both measurable and available. Delinquent taxes are billed at least four times a year with interest charged at the rate of one and one-half percent per month with a minimum charge of \$2. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are automatically lienied each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle, real estate, and personal property tax accounts are transferred to a suspense account when collection appears unlikely at which time they cease to be carried as receivables. Tax accounts are transferred to suspense accounts no later than fifteen years after the due date in accordance with state statutes. After fifteen years in suspense, in accordance with state law, the taxes are deemed uncollectable and are written off as a receivable by the auditors.

Comparative Assessed Valuations

Town of Haddam

Grand List of 10/1	Residential Real Property (%)	Commercial Industrial Real Property (%)	Land (%)	Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
2018	71.6	6.1	3.0	11.5	7.8	\$953,840,744	\$4,032,790	\$949,807,954
2017 ¹	71.5	6.1	3.2	11.4	7.8	952,529,907	4,012,160	948,517,747
2016	74.5	6.4	3.2	8.1	7.8	912,166,926	3,478,616	908,688,310
2015 ²	74.1	6.3	3.6	8.5	7.5	909,024,735	2,958,390	906,066,345
2014	76.5	5.9	3.8	6.4	7.4	915,625,518	2,763,970	912,861,548
2013	76.7	5.8	3.9	6.2	7.4	907,847,923	2,683,220	905,164,703
2012	76.7	5.8	3.8	6.3	7.4	902,819,095	2,973,818	899,845,277
2011	76.4	5.7	4.3	6.2	7.4	900,295,746	2,991,166	897,304,580
2010 ²	76.5	5.9	4.2	6.2	7.2	893,578,105	3,244,997	890,333,108
2009	76.9	5.5	5.3	5.7	6.6	901,998,360	3,752,053	898,246,307
2008	76.6	5.5	5.5	6.0	6.4	896,427,410	9,766,668	886,660,742

¹ Grand list increase is a result of Assessor correction of erroneously posted depreciation relating to Eversource

² Revaluation

Source: Assessors' Office, Town of Haddam

Town of Killingworth

Grand List of 10/1	Residential Real Property (%)	Commercial Industrial Real Property (%)	Land (%)	Personal Property (%)	Motor Vehicle (%)	Gross Taxable Grand List	Less Exemptions	Net Taxable Grand List
2018	85.1	2.9	1.2	2.1	8.7	\$702,882,410	\$2,166,040	\$700,716,370
2017	85.4	3.0	1.1	1.9	8.6	697,676,335	2,397,710	695,278,625
2016 ¹	85.8	3.0	1.1	1.9	8.2	692,787,162	1,936,600	690,850,562
2015	86.2	2.9	1.0	2.1	7.8	728,970,345	4,603,696	724,366,649
2014	86.4	3.0	1.1	1.8	7.7	724,617,719	1,918,923	722,698,795
2013	86.8	2.9	1.2	1.4	7.7	720,929,442	2,197,643	718,731,799
2012	86.8	3.0	1.2	1.4	7.6	718,664,227	4,483,412	714,180,815
2011 ¹	86.7	3.0	1.2	1.5	7.6	719,303,570	4,724,015	714,579,555
2010	88.0	3.0	1.4	1.3	6.3	823,597,825	5,304,656	818,293,169
2009	88.3	4.3	0.1	1.2	6.1	818,764,013	5,053,378	813,710,635
2008	88.4	4.2	0.1	1.0	6.3	813,092,242	5,226,028	807,866,214

¹ Revaluation

Source: Assessors' Office, Town Killingworth

Tax Exempt Property

The following categories of exempt properties are not included in the Grand List.

	Haddam	Killingworth
	Assessed Value ¹	Assessed Value ²
	10/1/18	10/1/18
Public		
United States of America	\$ 3,426,140	--
State of Connecticut	9,726,530	\$13,650,150
Municipality	6,365,990	25,153,620
Sub-Total Public	<u>19,518,660</u>	<u>38,803,770</u>
Private		
Agricultural and Horticultural.....	607,180	
Volunteer Fire Departments.....	958,210	440,480
Cemeteries	875,740	485,700
Non-profit Organizations	3,734,080	4,306,790
Veterans Organizations	--	--
House Used by Clergymen	--	--
Scientific, Educational, Historical, Charitable.....	37,346,330	3,769,460
Churches	4,412,340	3,200,520
Sub-Total Private	<u>47,933,880</u>	<u>12,202,950</u>
Total Exempt Property	<u>\$67,452,540</u>	<u>\$51,006,720</u>
Percent of Net Taxable Grand List	7.10	7.28

¹ Net Taxable Grand List 10/1/18: \$949,807,954

² Net Taxable Grand List 10/1/18: \$700,716,370

Source: Assessor's Office, Town of Haddam and Town of Killingworth

**Property Tax Levies and Collections
Town of Haddam**

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Adjusted Annual Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/19
2018 ¹	2020	\$949,807,954	31.69	\$29,817,564	--- In Process	---	--
2017 ¹	2019	948,517,747	31.69	29,694,296	99.9	0.1	0.7
2016	2018	908,688,310	31.82	28,916,621	99.1	0.9	0.3
2015 ²	2017	906,066,345	32.34	28,229,278	99.0	1.0	Nil
2014	2016	912,861,548	31.20	28,544,380	99.0	1.0	Nil
2013	2015	905,164,703	30.39	27,531,502	99.0	1.0	Nil
2012	2014	899,845,277	29.48	26,502,050	98.9	1.1	Nil
2011	2013	897,304,580	28.99	25,987,612	99.0	1.0	Nil
2010 ²	2012	890,333,108	28.23	25,123,509	98.7	1.3	Nil
2009	2011	898,246,307	27.40	24,614,659	98.8	1.2	Nil
2008	2010	886,660,742	26.40	23,381,524	98.7	1.3	Nil

¹ Subject to accrual and final audit.

² Revaluation

Source: Annual Financial Reports, Town of Haddam, fiscal years 2010 – 18
Tax Collector and Assessor, Town of Haddam, fiscal years ending June 30, 2019 and 2020

Town of Killingworth

Grand List of 10/1	Fiscal Year Ending 6/30	Net Taxable Grand List	Mill Rate	Adjusted Annual Levy	Percent of Annual Levy Collected at End of Fiscal Year	Percent of Annual Levy Uncollected at End of Fiscal Year	Percent of Annual Levy Uncollected as of 6/30/19
2018 ¹	2020	\$700,716,370	27.47	\$19,100,784	--- In Process	---	--
2017 ¹	2019	695,278,625	27.47	19,059,017	99.9	0.1	0.1
2016 ²	2018	690,850,562	27.47	18,985,980	99.5	0.5	0.3
2015	2017	724,366,649	25.89	18,791,432	99.5	0.5	Nil
2014	2016	722,716,487	25.30	18,238,258	99.5	0.5	Nil
2013	2015	718,731,799	24.58	17,639,742	99.3	0.7	Nil
2012	2014	714,180,815	24.53	17,507,905	99.4	0.6	Nil
2011 ²	2013	714,579,555	24.98	17,712,046	99.3	0.7	Nil
2010	2012	818,293,169	22.77	18,657,771	99.5	0.5	Nil
2009	2011	813,710,635	21.00	17,067,189	99.5	0.5	Nil
2008	2010	807,866,214	21.00	17,022,510	99.6	0.4	Nil

¹ Subject to accrual and final audit.

² Revaluation

Source: Annual Financial Reports, Town of Killingworth, fiscal years 2010 – 18
Tax Collector and Assessor, Town of Killingworth, fiscal years ending June 30, 2019 and 2020

Property Taxes Receivable

Fiscal Year Ending 6/30	Town of Haddam		Town of Killingworth	
	Total	Current Year	Total	Current Year
2019	\$425,648	\$207,423	\$550,748	\$150,490
2018	1,131,631	250,681	125,786	95,357
2017	1,159,663	274,575	142,703	102,872
2016	1,163,632	293,970	135,499	99,223
2015	1,115,297	265,516	159,489	118,150
2014	1,147,186	300,766	183,980	138,598

Source: Annual Financial Reports, Towns of Killingworth and Haddam, fiscal years 2014 – 18
Tax Collector and Assessor, Towns of Killingworth and Haddam, fiscal year ending June 30, 2019; estimated, unaudited

Ten Largest Taxpayers

Town of Haddam

<u>Name</u>	<u>Nature of Business</u>	<u>Taxable Valuation</u>	<u>Percent of Net Taxable Grand List¹</u>
Eversource (formerly CL&P)	Electric utility	\$ 79,680,140	8.39
Connecticut Yankee Atomic Power Co.	Electric utility	40,644,270	4.28
MCAP Sabine Pointe LLC	Commercial real estate	7,898,430	0.83
Riverhouse Properties LLC	Residential developer	2,127,870	0.22
The Davidson Company	Residential developer	2,037,160	0.21
Bridge Street Associates	Commercial real estate	1,487,430	0.16
Camp Bethel Assoc. Inc.	Religious camp	1,462,170	0.15
Polke Grace Associates LLC	Business management consultants	1,353,360	0.14
Rogers Realty	Commercial real estate	1,290,880	0.14
Haddam Self Storage LLC.....	Self-storage	1,212,510	0.13
Total		\$139,194,220	14.65

¹ Based on Net Taxable Grand List 10/1/18: \$949,807,954

Source: Assessor's Office, Town of Haddam

Town of Killingworth

<u>Name</u>	<u>Nature of Business</u>	<u>Taxable Valuation</u>	<u>Percent of Net Taxable Grand List¹</u>
Eversource (formerly CL&P)	Utility	\$ 8,403,000	1.20
Jensen's Residential Communities LLC....	Mobil home park	5,483,000	0.78
Connecticut Water Company	Utility	3,639,640	0.52
Pattaconk Farm LLC.....	Farm	1,996,100	0.28
Anderson, Norma R., Trustee	Residential real estate	1,986,260	0.28
M & M Holdings LLC.....	Commercial real estate	1,580,840	0.23
Roman, Laura	Residential real estate	1,307,230	0.19
KTV Costfam Limited Partnership.....	True Value Hardware	1,156,580	0.17
Moore Deborah L.	Residential real estate	1,043,960	0.15
Lockwood, Thomas J.....	Residential developer	1,028,870	0.15
		\$27,625,480	3.94

¹Based on Net Taxable Grand List 10/1/18: \$700,716,370

Source: Assessor's Office, Town of Killingworth

V. FINANCIAL ADMINISTRATION

Financial Reporting

The financial statements of the District and its Member Towns are prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Fiscal Year

The District and the Member Towns' fiscal year begins July 1 and ends June 30.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District and its Member Towns consider revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

Budget Procedure

The District followed the below-listed timetable in preparing its fiscal year 2019 – 2020 budget.

First Tuesday in March, 2019	Special Meeting for the presentation of the Superintendent of Schools recommended Budget for 2019 - 2020
Thursday, March 7, 2019	Joint meeting with the Selectmen and Boards of Finance from the Towns of Haddam and Killingworth with the Board of Education. Budget workshop, Board of Education (immediately following joint town meeting)
Tuesday, March 12, 2019	Budget Committee workshop, Board of Education
Tuesday, March 19, 2019	Community Input for the 2019 – 2020 budget Budget workshop, Board of Education
Tuesday, March 26, 2019	Budget workshop, Board of Education
Tuesday, April 2, 2019	Annual Hearing and a Special Meeting of the Board of Education Annual hearing of the Board of Education's proposed 2019 - 2020 Budget. Review of input from hearing and possible modification of the Budget with recommendations for the 2019 - 2020 Budget. Board of Education adopts 2019 - 2020 budget for Annual Hearing.
Monday, May 6, 2019	Annual meeting on the 2019 - 2020 Budget
First Tuesday in May, 2019	REFERENDUM in each respective town on the Board of Education's Budget for 2019 - 2020

Also see Note 2. Stewardship, Compliance, and Accountability; Budget – GAAP Reconciliation in Regional School District No. 17 Financial Report for the Year Ended June 30, 2018, Notes to Financial Statements in Appendix A herein.

Audit

Regional School District No. 17, the Town of Haddam, and the Town of Killingworth, pursuant to the provisions of Chapter 111 of the C.G.S (Sec. 7-391 through 397), are required to undergo an annual audit by an independent public accountant. The auditors, appointed by the Board of Education and the Board of Finance of each member town, are required to conduct the audit under the standards adopted by the Secretary of the Office of Policy and Management by regulation and approved by the Auditor of Public Accounts. For the fiscal year ending June 30, 2018, the books and records of the District were audited by Seward & Monde, Certified Public Accountants, the Town of Haddam by Blum Shapiro, and the Town of Killingworth by Michaud Accavallo Woodbridge & Cusano LLC.

District Investment Policies

The operating and working capital funds of the District are invested by the Director of Fiscal Operations in the following short-term investments: 1) various certificates of deposit with Connecticut banks (prior to acquiring a CD, the Treasurer requires the prospective bank depositories to provide written evidence that the bank meets the collateral, risk based capital, and other requirements of the of Qualified Public Depositories as defined in Section 36-382 of the C.G.S); 2) State of Connecticut Short-Term Investment Fund (“STIF”) established pursuant to Section 3-27d of the C.G.S (municipal funds deposited in STIF may be used by the State to acquire the investments set forth in Section 3-27d of the C.G.S); 3) US Treasury securities; 4) repurchase agreements generally for no longer than three days.

Eligible investments for Connecticut municipalities and school districts are defined in Sections 7-400 and 7-402 of the C.G.S. The District expects to continue to invest in the foregoing instruments and those of a similar character.

Pensions

Regional School District No. 17

Defined Contribution Plan

GASB 67 Disclosure

Governmental Accounting Standards Board Statement No. 67 (“GASB 67”) requires a determination of the Total Pension Liability (“TPL”) for a plan using the Entry Age Normal actuarial funding method. The Net Pension Liability (“NPL”) is then set equal to the TPL minus the plan’s Fiduciary Net Position (“FNP”) which, generally, is the market value of assets in the plan as of the measurement date. Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate (“SEIR”). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable to the membership and beneficiaries of the system on the measurement date. If the FNP of the plan is not expected to be depleted at any point in the future, the plan may use its long-term expected rate of return as the SEIR. If, on the other hand, the FNP of the plan is expected to be depleted, then the SEIR is the single rate of interest that will generate a present value of benefits equal to the sum of (i) the present value of all benefits through the date of depletion at a discount rate equal to the long-term expected rate of return, plus (ii) the present value of benefits after the date of depletion discounted at a rate based on 20-year, tax-exempt, general obligation municipal bonds, with an average credit rating of AA/Aa or higher.

The District provides pension plan benefits for all noncertified employees working 20 hours per week or more through a defined contribution plan (Regional School District No. 17 Money Purchase Pension Plan). The plan is considered to be part of the District's financial reporting entity and is included in the District's basic financial statements as a pension trust fund. The plan does not issue separate, stand-alone, financial reports. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Employees are eligible to participate upon attaining age 21 or after completing one year of service. The District’s contributions for each employee (and related earnings allocated to the employer contributions account) become fully vested at the earlier of the following dates: (a) the date of the participant’s death; (b) the date the participant incurs total disability; (c) the date the participant attains the normal retirement age; (d) the date of termination of this plan or the date of the complete cessation of employer contributions hereunder; or (e) the date the participant becomes 100% vested.

Employer Contributions

The District's total payroll for the year ended June 30, 2019, was approximately \$23,164,821. The District's contribution amounted to \$211,653, net of \$50,000 in forfeitures applied, which is equivalent to 5% of the annual active participants' payroll of \$4,233,067. Enrollment in the plan now totals 127 participants.

	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
District Contributions	\$ 211,653	\$ 172,253	\$ 212,531	\$ 209,753	\$ 218,841
Total Payroll	23,164,821	19,067,000	19,490,000	19,296,000	19,558,000
Participant Payroll	4,233,067	4,616,000	4,247,000	4,402,000	4,333,000

Connecticut State Teachers' Retirement System

Plan Description

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

TRS is a cost sharing multi-employer pension plan with a special funding situation administered by the Connecticut State Teachers' Retirement Board. The State Teachers' Retirement Board (TRB) is responsible for the administration of the Connecticut Teachers' Retirement System. The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Contributions

Per C.G.S Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut is amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The Statutes require the State of Connecticut to contribute 100% of each school districts' contributions, which are actuarially determined as an amount that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

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

Also See Note 7, Pension Plans, in Regional School District No. 17 Financial Report for the Year Ended June 30, 2018, Notes to Financial Statements in Appendix A1 herein.

Town of Haddam

The Town maintains two single-employer defined benefit pension plans: The Town of Haddam Retirement Plan (the Town Employees' Pension Plan) and the Town of Haddam Volunteer Firefighters' Merit Service Retirement Plan (the Volunteer Firefighters' Pension Plan) (collectively the Plans). Benefit provisions of the Plans are established and can be amended by the Board of Selectmen. The Plans do not issue stand-alone financial statements and are part of the Town's financial reporting entity. As such, the Plans are accounted for in the fiduciary fund financial statements as Pension Trust Funds.

Town Employees' Pension Plan

Each employee of the Town who is scheduled to work at least 30 hours per week for 12 months of the year is eligible to participate in the Plan. The Plan provides retirement benefits as well as death and disability benefits. Participants are 100% vested after seven years. Annual retirement benefits for plan participants are 2% of an employees' final average compensation multiplied by the number of years of credited service, up to a maximum of 30 years. The State of Connecticut Statutes assign the authority to establish and amend the benefit provisions of the plan to the Town of Haddam.

Volunteer Firefighters' Pension Plan

Each volunteer firefighter whose name is on the roster of the Haddam Volunteer Fire Company and the Haddam Neck Volunteer Fire Department as of the effective date of the plan is eligible to participate in the Pension Plan, following one year of credited service. This Plan does not provide disability benefits. Under the provisions of the plan, the Town must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements. Benefits and

contributions are established by the Town. The State of Connecticut Statutes assign the authority to establish and amend the benefit provisions of the plan to the Town of Haddam

For the year ended June 30, 2018, employer contributions to the Town Employees' Pension Plan represented 22.83% of covered payroll. Employer contributions for the Firefighters' Plan were an actuarial determined amount of \$107,708 for the year ended June 30, 2018.

The Town employee plan and the volunteer firefighters' pension plan were actuarially evaluated as of July 1, 2016, respectively.

Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 for the Volunteer Firefighters' Merit Service Retirement Plan and January 1, 2017 for the Employees' Pension Plan. The components of the net pension liability of the Town at June 30, 2017 were as follows:

	<u>Town Plan</u>	<u>Firefighters' Plan</u>
Total pension liability	\$ 5,437,836	\$ 2,281,519
Plan fiduciary net position	<u>4,482,209</u>	<u>1,679,936</u>
Net Pension Liability	<u>\$ 955,627</u>	<u>\$ 601,583</u>
Plan fiduciary net position as a Percentage of the total pension liability	<u>82.43%</u>	<u>73.63%</u>

Combining Statement of Changes in Plan Net Position

	<u>Pension Trust Funds</u>		
	<u>Town Employees' Pension Plan</u>	<u>Volunteer Firefighters' Pension Plan</u>	<u>Total</u>
Additions:			
Employer contributions	\$255,963	\$107,708	\$363,671
Investment gains			
Interest, dividends, and And changes in fair value	<u>206,196</u>	<u>71,440</u>	<u>277,636</u>
Total Additions	462,159	179,148	641,307
Deductions:			
Benefit payments	<u>(356,873)</u>	<u>(99,143)</u>	<u>(456,016)</u>
Change in Net Position	105,286	80,005	185,291
Net Position Start of Year	<u>4,376,923</u>	<u>1,599,931</u>	<u>5,976,854</u>
Net Position End of Year	<u>\$4,482,209</u>	<u>\$1,679,936</u>	<u>\$6,162,145</u>

Also see Note 10. Pension Plans in Town of Haddam Financial Report for the Year Ended June 30, 2018, Notes to Financial Statements in Appendix A2 herein.

Town of Killingworth

Defined Benefit Pension Plan-Municipal Employees

The 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. Plan assets of the former defined contribution plan have been transferred to the defined benefit plan. The Plan covers substantially all full-time employees of the Town. The Plan is considered to be part of the Town's financial reporting entity and is included as a pension trust fund of the Town.

Defined Benefit Pension Plan-Killingworth Volunteer Fire Company

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. The Plan is considered to be part of the Town’s financial reporting entity and is included as a pension trust fund of the Town.

Net Pension Liability of the Town

The components of the net pension liability at June 30, 2018, were as follows:

	<u>Municipal Employees</u>	<u>Volunteer Fire Company</u>	<u>Total</u>
Total pension liability	\$ 2,599,722	\$ 2,094,107	\$ 4,963,829
Plan fiduciary net position	<u>2,164,574</u>	<u>1,214,489</u>	<u>3,379,063</u>
Net pension liability	<u>\$ 435,148</u>	<u>\$ 879,618</u>	<u>\$ 1,314,766</u>
Plan fiduciary net position as percentage of the total pension liability	<u>83.26%</u>	<u>58.00%</u>	

Also see Note 9. Defined Benefit Pension Plans in Town of Killingworth Financial Report for the Year Ended June 30, 2018, Notes to Financial Statements in Appendix A3 herein.

Other Post-employment Benefits (OPEB)

District

The District provides post-retirement medical and dental benefits to eligible retirees and their spouses through a single-employer, contributory, defined benefit OPEB plan. A biennial actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made July 1, 2016. The OPEB plan does not issue a separate, stand-alone, financial report.

Benefit Provisions

Administrators and teachers are eligible for medical and dental coverage upon meeting one of the following criteria:

1. Normal retirement at age 60 with 20 years of service or any age with 35 years of service

or

2. Early retirement at age 60 with 10 years of service, age 55 with 20 years of service or any age with 25 years of service.

Support services employees and school nurses are eligible for medical and dental coverage upon retiring at age 60 with at least 15 years of service.

Plan Membership

Membership in the plan consisted of the following at July 1, 2016, the date of the last actuarial valuation:

Active members	259
Retirees and spouses	37
Total	296

Funding Policy

The contribution requirement of plan members and the District are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums as follows:

Retirees and spouses pay 100% of the premium, less the \$1,320 annual CT Teachers Retirement Board subsidy for certified employees.

Employer contributions to the plan of \$351,000 were made in accordance with actuarially determined requirements. Of this amount, \$351,000 represents premium payments.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the District’s annual OPEB cost for the year ended June 30, 2018, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation:

	<u>Total OPEB Liability</u>
Balance, June 30, 2017	\$6,160,008 (restated)
Changes for the year:	
Service cost	234,922
Interest	223,753
Change in assumptions or other inputs	(237,702)
Benefit payments	(292,262)
Net change	<u>(71,289)</u>
Balance, June 30, 2018	<u>\$6,088,719</u>

<u>Fiscal Year Ending</u>	Annual OPEB Cost (AOC)	Percent of AOC Contributed	<u>Net OPEB Obligation</u>
6/30/2015	\$666,675	32.70%	\$1,716,481
6/30/2016	515,126	71.10%	1,865,284
6/30/2017	538,900	65.13%	2,053,184

Changes in reporting and accounting make years prior to FY 2018 non-comparable.

The changes in assumptions are being amortized over 9 years

Also see Note 8, Other Post-Employment Benefits (OPEB), Annual Financial Report, Regional School District No. 17, in the Notes to Financial Statements for the fiscal year ended June 30, 2018 in Appendix A herein.

Haddam

None

Killingworth

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.

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.

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>6</u>

Annual OPEB Cost and Net OPEB Obligations

The annual OPEB changes and net OPEB liability to the plan as of June 30, 2018 were as follows:

Balance June 30, 2017	\$130,415
Changes for the Year:	
Service cost	7,379
Interest	4,721
Difference between expected and Actual experience	(10,860)
Changes in assumptions or other inputs	<u>(4,403)</u>
Net Change	<u>(3,163)</u>
Balance, June 30, 2018	<u>\$127,252</u>

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percent of AOC Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$23,091	0.00%	\$102,535
6/30/2016	13,908	0.00%	116,443
6/30/2017	13,972	0.00%	130,415

Changes in reporting and accounting make years prior to FY 2018 non-comparable.

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.

Also see Note 10, Other Post-Employment Benefits (OPEB), Annual Financial Report, Town of Killingworth, in the Notes to Financial Statements for the fiscal year ended June 30, 2018 in Appendix A3 herein.

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

Regional School District No. 17

	<u>Actual 6/30/2018</u>	<u>Actual 6/30/2017</u>	<u>Actual 6/30/2016</u>	<u>Actual 6/30/2015</u>	<u>Actual 6/30/2014</u>
ASSETS					
Cash	\$1,761,957	\$ 682,768	\$ 775,472	\$ 200,710	\$ 623,485
Investments	318,478	314,119	312,208	811,290	1,059,699
Receivables, net					
Intergovernmental	--	--	--	--	--
Other	35,497	15,430	19,319	19,904	50,183
Due from other funds	39,674	44,813	29,746	373,303	514,775
Total Assets	<u>\$2,155,606</u>	<u>\$1,057,130</u>	<u>\$1,136,745</u>	<u>\$1,405,207</u>	<u>\$2,247,775</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 384,278	\$ 239,864	\$ 333,570	\$ 347,469	\$ 644,772
Accrued expenses	273,446	--	--	--	--
Due to other funds	--	270,887	48,835	56,133	184,463
Unearned revenue	--	--	--	--	--
Total Liabilities	<u>657,724</u>	<u>510,751</u>	<u>382,405</u>	<u>403,602</u>	<u>829,235</u>
Fund Balances (deficits)					
Restricted	--	--	--	--	--
Committed	206,583	276,317	353,998	501,325	767,780
Assigned	647,441	66,171	145,404	173,732	166,682
Unassigned	643,858	203,891	254,938	326,548	474,078
Total Fund Balances	<u>1,497,882</u>	<u>546,379</u>	<u>754,340</u>	<u>1,001,605</u>	<u>1,418,540</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$2,155,606</u>	<u>\$1,057,130</u>	<u>\$1,136,745</u>	<u>\$1,405,207</u>	<u>\$2,247,775</u>

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

	<u>Town of Haddam</u>				
	<u>Actual 6/30/2018</u>	<u>Actual 6/30/2017</u>	<u>Actual 6/30/2016</u>	<u>Actual 6/30/2015</u>	<u>Actual 6/30/2014</u>
ASSETS					
Cash and equivalents	\$1,176,321	\$7,168,783	\$9,016,672	\$8,108,834	\$7,261,131
Investments.....	6,254,634	--	--	--	--
Receivables					
Property taxes (net).....	1,131,631	1,159,663	463,632	915,297	947,186
Intergovernmental.....	--	--	--	73,867	71,670
Other.....	814	1,538	1,324	12,033	15,658
Due from other funds.....	--	5,036	5,104	--	170,663
Total Assets	<u>\$8,563,400</u>	<u>\$8,335,020</u>	<u>\$9,486,732</u>	<u>\$9,110,031</u>	<u>\$8,466,308</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Accounts payable.....	\$217,649	\$ 526,790	\$ 634,000	\$324,454	\$ 513,587
Accrued salaries/benefits payable.....	12,916	361	462	29	35,321
Performance bonds.....	180,504	--	--	--	--
Due to other governments	--	--	--	62,605	--
Due to other funds	2,134,218	1,961,794	3,587,261	3,541,699	3,200,953
Total Liabilities	<u>2,545,287</u>	<u>2,488,945</u>	<u>4,221,723</u>	<u>3,928,787</u>	<u>3,749,861</u>
Deferred inflows of resources					
Unavailable revenues – property taxes.....	1,131,631	1,159,663	463,632	915,297	947,186
Fund Balances					
Nonspendable.....	--	--	--	--	--
Restricted	--	--	--	--	--
Committed.....	--	--	--	--	--
Assigned.....	--	--	128,000	--	--
Unassigned.....	4,886,482	4,686,412	4,673,377	4,265,947	3,769,261
Total Fund Balances	<u>4,886,482</u>	<u>4,686,412</u>	<u>4,801,377</u>	<u>4,265,947</u>	<u>3,769,261</u>
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$8,563,400</u>	<u>\$8,335,020</u>	<u>\$9,486,732</u>	<u>\$9,110,031</u>	<u>\$8,466,308</u>

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

Town of Killingworth

	<u>Actual 6/30/2018</u>	<u>Actual 6/30/2017</u>	<u>Actual 6/30/2016</u>	<u>Actual 6/30/2015</u>	<u>Actual 6/30/2014</u>
ASSETS					
Cash and equivalents	\$,5165,643	\$5,032,711	\$4,622,634	\$3,498,393	\$3,607,751
Taxes receivable (net)	142,819	163,336	151,760	180,448	211,036
Due from retirement system	--	9,314	9,314	--	--
Intergovernmental receivables	--	--	--	--	--
Due from other funds	--	--	108,398	309,910	363,127
Total Assets	<u>\$5,308,462</u>	<u>\$5,205,361</u>	<u>\$4,892,106</u>	<u>\$3,988,751</u>	<u>\$4,181,914</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 116,070	\$ 45	\$ 4,631	\$ 4,631	\$ 24,866
Accrued payroll and related	--	152,752	36,121	26,744	--
Unearned revenues	--	134,911	147,140	118,484	144,990
Total Liabilities	<u>116,070</u>	<u>287,708</u>	<u>187,892</u>	<u>149,859</u>	<u>169,856</u>
DEFERRED OUTFLOWS OF RESOURCES					
Unavailable revenues – property taxes	<u>108,702</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances					
Restricted	--	--	--	--	--
Committed	--	--	--	--	--
Assigned	582,893	--	--	--	--
Unassigned	<u>4,500,797</u>	<u>4,917,653</u>	<u>4,704,214</u>	<u>3,838,892</u>	<u>4,012,058</u>
Total Fund Balances	<u>5,083,690</u>	<u>4,917,653</u>	<u>4,704,214</u>	<u>3,838,892</u>	<u>4,012,058</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$5,308,462</u>	<u>\$5,205,361</u>	<u>\$4,892,106</u>	<u>\$3,988,751</u>	<u>\$4,181,914</u>

General Fund Revenues and Expenditures ¹
 Five Year Summary of Audited Revenues and Expenditures,
 Prior Year Estimated Unaudited, and Current Year Adopted Budget

Regional School District No. 17

	Budget FY 2019 - 20	Estimated Unaudited 6/30/19	Audited Actual 6/30/18	Audited Actual 6/30/17	Audited Actual 6/30/16	Audited Actual 6/30/15	Audited Actual 6/30/14
REVENUES:							
Member town assessments (net)	\$41,408,053	\$41,288,752	\$40,658,043	\$40,513,452	\$39,883,202	\$38,334,780	\$37,192,056
Intergovernmental ²	781,790	619,945	6,976,207	6,775,383	4,858,969	5,013,081	5,119,849
Income from investments	51,257	130,006	75,973	37,968	16,877	10,241	12,697
Charges for services/Miscellaneous	107,814	95,464	97,841	110,249	111,416	97,621	33,098
Total Revenues	<u>42,348,914</u>	<u>42,134,168</u>	<u>47,808,064</u>	<u>47,437,052</u>	<u>44,870,464</u>	<u>43,455,723</u>	<u>42,357,700</u>
EXPENDITURES:							
Current:							
Instructional	15,603,109	15,528,360	15,208,784	15,359,638	15,398,803	15,794,870	15,645,157
Support services	1,824,344	1,783,925	1,595,279	1,694,353	1,608,854	1,550,133	1,431,223
Insurance and benefits ²	8,057,438	6,994,295	13,579,017	13,895,180	11,532,574	10,578,005	9,701,555
Library and audio visual	608,816	698,806	701,092	715,981	551,401	694,684	668,452
Information systems	702,457	765,107	678,015	717,729	728,324	699,751	672,710
Administration	3,142,789	3,061,515	3,076,588	3,073,349	3,012,396	2,886,598	2,927,636
Property maintenance	4,023,687	4,349,968	4,135,592	4,007,620	4,196,822	4,092,643	4,460,223
Transportation	3,359,950	3,247,471	3,281,041	3,273,748	3,285,080	3,341,868	3,416,946
Student activity	794,617	765,242	725,811	717,739	679,385	605,419	573,841
Tuition	1,854,583	1,868,668	1,629,618	1,926,733	1,798,164	1,506,530	1,476,513
Debt service	1,955,263	1,895,962	1,966,463	2,037,413	2,103,663	2,167,063	2,230,963
Capital outlay	421,861	420,264	--	--	--	--	--
Total Expenditures	<u>\$42,348,914</u>	<u>41,379,583</u>	<u>46,577,300</u>	<u>47,419,483</u>	<u>44,895,466</u>	<u>43,917,564</u>	<u>43,205,219</u>
Excess (deficiency) of revenues over expenditures	--	\$ 754,785	1,230,764	17,569	(25,002)	(461,841)	(847,519)
Other Financing Sources (Uses):							
Capital lease	--	--	141,003	193,197	192,418	198,336	189,171
Proceeds on sale of property	--	--	--	--	--	--	--
Operating transfers in	--	--	--	--	--	4	282,160
Operating transfers out	--	--	(420,264)	(418,727)	(414,681)	(153,434)	(246,600)
Net Other Financing Sources (Uses)	--	--	(279,261)	(225,530)	(222,263)	44,906	224,731
Net change in fund balances	--	--	951,503	(207,961)	(247,265)	(416,935)	(622,788)
Fund Balance beginning of year	--	--	546,379	754,340	1,001,605	1,418,540	2,041,328
Fund Balance end of year	--	--	<u>\$ 1,497,882</u>	<u>\$ 546,379</u>	<u>\$ 754,340</u>	<u>\$ 1,001,605</u>	<u>\$ 1,418,540</u>

¹ GAAP basis except budget FY 2019 – 2020

² An on-behalf-of pension payment by the Connecticut State Teachers' Retirement Board (STRB) is treated as an offsetting revenue (intergovernmental) and expense (insurance and benefits) and included by the auditors in the financial statements. It is not included in the budget.

Note: In order to comply with state statutes that require regional school districts to return any fund balance to the Member Towns each fiscal year, the District returned the following assessments credits to the Member Towns as follows:

FY 2019	\$203,891
FY 2018	254,938
FY 2017	326,548
FY 2016	484,078
FY 2015	737,742
FY 2014	694,345
FY 2013	356,487

thereby reducing general fund balance by the corresponding amounts.

General Fund Revenues and Expenditures ¹
 Five Year Summary of Audited Revenues and Expenditures,
 Prior Year Estimate, and Current Year Adopted Budget (cont'd)

	<u>Town of Haddam</u>						
	Budget 2019-2020	Estimated Unaudited 6/30/19	Actual 6/30/18	Actual 6/30/17	Actual 6/30/16	Actual 6/30/15	Actual 6/30/14
REVENUES:							
Property taxes, interest, and lien fees	\$29,817,564	\$30,245,998	\$29,037,666	\$28,231,741	\$28,685,674	\$27,718,031	\$26,605,805
Intergovernmental	2,018,744	2,013,436	2,174,981	2,488,566	2,134,441	2,062,061	2,065,467
Charges for services	503,500	663,896	516,671	492,465	413,788	468,861	458,540
Income from investments; Misc.	85,000	123,238	54,309	36,476	36,906	30,350	21,079
Total Revenues	32,424,808	33,046,568	31,783,627	31,249,248	31,270,809	30,279,303	29,150,891
EXPENDITURES:							
General government	2,463,559	2,259,270	2,367,671	2,579,160	2,334,129	2,193,121	2,156,365
Public safety	922,567	738,786	753,049	685,134	880,787	880,332	875,619
Public works	2,165,813	2,028,174	1,948,665	1,453,151	1,823,843	2,265,941	2,092,909
Health and welfare	385,386	370,763	420,490	458,998	399,354	304,083	297,313
Culture and recreation	485,931	499,473	519,111	517,526	529,841	535,287	518,521
Education	24,153,437	24,531,502	24,076,806	23,682,299	23,465,940	22,376,890	21,414,633
Capital Improvement	585,000	390,000	--	--	--	--	--
Debt service	1,263,115	705,315	195,965	217,787	254,285	257,785	49,921
Total Expenditures	\$32,424,808	31,523,283	30,281,757	29,594,055	29,688,179	28,813,439	27,405,281
Excess (Deficiency) of Revenues over Expenditures	--	\$ 1,523,285	1,501,873	1,655,193	1,582,630	1465,864	1,745,610
Other Financing Sources (Uses):	--	--	--	--	--	--	19,500
Proceeds on sale of property	--	--	--	--	--	--	--
Issuance of debt	--	--	--	--	--	--	--
Operating transfers in	--	--	--	--	--	--	--
Operating transfers out	--	--	(1,301,800)	(1,770,158)	(1,047,200)	(969,178)	(1,647,570)
Net Other Financing Sources (Uses)	--	--	(1,301,800)	(1,770,158)	(1,047,200)	(969,178)	(1,667,070)
Net Change in Fund Balances	--	--	200,070	(114,965)	535,430	496,686	98,040
Fund Balance Beginning of Year	--	--	4,686,412	4,801,377	4,265,947	3,769,261	3,671,221
Fund Balance End of Year	--	--	\$4,886,482	\$ 4,686,412	\$ 4,801,377	\$ 4,265,947	\$ 3,769,261

¹ GAAP basis except budget FY 2019– 2020

The Town's budget for the 2019 – 2020 fiscal year was approved on May 23, 2019.

General Fund Revenues and Expenditures ¹
Five Year Summary of Audited Revenues and Expenditures,
Prior Year Estimated and Unaudited, and Current Year Adopted Budget (cont'd)

Town of Killingworth

	Budget 2019-2020	Estimated Unaudited 6/30/19	Actual 6/30/18	Actual 6/30/17	Actual 6/30/16	Actual 6/30/15	Actual 6/30/14
REVENUES:							
Property Taxes	\$19,142,349	\$19,206,710	\$19,163,135	\$18,842,876	\$18,305,235	\$17,689,778	\$17,585,956
Intergovernmental	2,288,375	2,353,578	2,255,526	2,688,926	2,670,217	2,757,662	2,730,733
Licenses, permits, and fees	125,000	146,412	177,851	135,018	142,613	131,677	188,059
Charges for services	115,000	146,387	184,688	191,225	163,120	182,320	82,601
Interest and investment income	40,000	50,631	28,777	8,947	7,733	7,534	8,850
General obligation bond proceeds	--	--	--	3,415,000	--	--	--
Miscellaneous	100,000	113,119	108,828	125,406	60,510	123,635	84,949
Transfer from fund balance	249,354	--	--	--	--	--	--
Total Revenues	22,060,078	22,016,837	21,918,805	25,407,398	21,349,428	20,892,606	20,681,148
EXPENDITURES:							
General government	1,485,276	1,385,677	1,358,763	1,381,965	1,349,823	1,293,288	1,350,656
Public safety	593,878	617,586	582,199	555,046	545,914	449,064	444,117
Highway	965,369	1,044,856	944,314	860,030	832,317	1,066,797	924,429
Sanitation and health	335,355	296,730	272,833	280,477	252,839	249,150	251,843
Conservation and land use	77,567	66,190	67,270	68,715	67,977	70,309	68,607
Recreation	144,735	127,764	141,552	137,450	142,477	134,246	127,446
Community services	446,227	451,715	553,809	453,681	406,433	430,542	420,041
Welfare	10,100	9,357	8,755	8,639	9,155	9,474	10,287
Education	16,738,610	16,757,250	16,581,273	16,831,153	16,417,262	15,957,890	15,777,424
Debt service	442,961	454,404	466,036	3,874,463	510,659	287,559	267,559
Capital outlays	820,000	750,000	--	--	--	520,000	--
Total Expenditures	\$22,060,078	21,961,529	20,976,804	24,451,619	20,534,856	20,523,836	19,642,409
Excess (Deficiency) of Revenues over Expenditures	--	55,388	936,037	955,779	814,552	368,770	1,038,739
Other Financing Sources (Uses):							
Operating transfers in	--	--	--	637,980	1,273,231	622,405	--
Operating transfers out	--	--	(770,000)	(1,380,320)	(1,788,984)	(1,164,341)	(436,500)
Proceeds of general obligation bonds	--	--	--	--	--	--	--
Proceeds of capital lease	--	--	--	--	--	--	--
Net Other Financing Sources (Uses)	--	--	(770,000)	(742,340)	(515,753)	(541,936)	(436,500)
Net Change in Fund Balances	--	--	166,037	213,439	298,799	(173,166)	602,239
Fund Balance Beginning of Year	--	5,083,690	4,917,653	4,704,214	3,838,892	4,012,058	3,409,819
Adjustment to fund balance ²	--	--	--	--	566,523	--	--
Fund Balance beginning (restated)	--	--	--	--	4,405,415	--	--
Fund Balance End of Year	--	\$ 5,139,078	\$ 5,083,690	\$ 4,917,653	\$ 4704,214	\$ 3,838,892	\$ 4,012,058

¹ GAAP basis except budget FY 2019 – 2020

² During the year ended June 30, 2015, the Town understated the cash balances held in financial institutions which understated total assets and understated the net position in the government wide and governmental fund balances. In addition, during the year ended June 30, 2015, the governmental fund balances overstated expenses on the general fund and understated expenses on the capital fund by \$500,000 related to the annual transfer allocation approved by the board.

The Town's 2019 – 20 fiscal year budget was approved June 4, 2018.

VI. DEBT SUMMARY

Principal Amount of Indebtedness

As of October 24, 2019
(Pro Forma)

Regional School District No. 17

Long-Term Debt - Bonds

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding (Pro Forma)</u>	<u>Fiscal Year Maturity</u>
4/6/05	School	3.85	\$7,700,000	\$ 600,000	2020
2/28/12	School Refunding	2.00-4.00	9,450,000	4,055,000	2024
			<u>17,150,000</u>	<u>4,655,000</u>	
<u>This Issue</u>				--	
10/24/19	School	--	7,270,000	7,270,000	2030
	Total Bonds		<u>\$24,420,000</u>	<u>\$11,925,000</u>	

Short-Term Debt (Pro Forma)

None

Other Long-Term Commitments

Leases

At June 30, 2019, the District is committed under lease agreements for the acquisition of technology used in schools. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and, therefore, have been recorded at the lower of the present value of the future minimum lease payments or the fair value of the leased assets at the date of the inception of the leases.

The annual future lease payments as of June 30, 2019 are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2020	\$135,236	\$3,202
2021	87,263	4,694
2022	51,615	2,608
2023	<u>51,615</u>	<u>1,321</u>
Total	\$ 325,729	\$11,825

Overlapping/Underlying Debt

The following table of jurisdictions with boundaries overlapping or underlying District boundaries is based upon information received by the District from sources specified below. The table does not reflect authorized but unissued indebtedness of those jurisdictions. The District has not assumed responsibility to verify this information.

Overlapping Debt

District debt represents overlapping debt for the member towns of Haddam and Killingworth. The District has no overlapping debt.

Underlying Debt

The below-listed Member Towns coterminous within the District may issue their own tax-exempt debt. Such indebtedness, if any, represents underlying debt to Regional School District No. 17.

<u>Member Town</u>	<u>Outstanding Debt as of October 24, 2019</u>
Town of Haddam.....	\$ 7,790,000
Town of Killingworth.....	2,302,342
Total Underlying Debt	<u>\$10,092,342</u>

Source: Audits June 30, 2018 updated to October 24, 2019

Town of Haddam
As of October 24, 2019

Long-Term Debt - Bonds

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Debt Outstanding (Pro Forma)</u>	<u>Fiscal Year Maturity</u>
8/30/12	General Purpose	2.00-3.00	\$2,800,000	\$ 1,960,000	2033
5/25/17	General Purpose	4.00-3.00	6,480,000	5,830,000	2037
			<u>\$9,280,000</u>	<u>\$7,790,000</u>	

Other Long-Term Commitments

Leases
None

Town of Killingworth
As of October 24, 2019

Long-Term Debt - Bonds

Long-Term debt

<u>Date</u>	<u>Purpose</u>	<u>Rate %</u>	<u>Original Issue</u>	<u>Bonds Outstanding</u>	<u>Final Maturity Fiscal Year Ending 6/30</u>
11/7/16	General Purpose - Refunding	1.59	<u>\$3,415,000</u>	<u>\$2,185,000</u>	2027

Short-Term Debt

None

Other Long-Term Commitments

None

Annual Long-Term Bonded Debt Maturity Schedule

As of October 24, 2019

(Pro Forma)

Regional School District No. 17

Fiscal Year Ending 6/30	Principal	Interest	Total	Pro Forma	
				This Issue	Cumulative Percent Principal Retired
2020 ¹	\$1,640,000	\$165,263	\$1,805,263	--	13.75
2021	950,000	100,563	1,050,563	\$725,000	27.80
2022	920,000	62,563	982,563	725,000	41.59
2023	860,000	25,763	885,763	725,000	54.88
2024	285,000	6,413	291,413	730,000	63.40
2025	--	--	--	730,000	69.52
2026	--	--	--	730,000	75.64
2027	--	--	--	730,000	81.76
2028	--	--	--	725,000	87.84
2029	--	--	--	725,000	93.92
2030	--	--	--	725,000	100.00
Total	\$4,655,000	\$360,565	\$5,015,565	\$7,270,000	

¹ Excludes \$11,550 of interest due and paid in fiscal year 2020

Town of Haddam

As of October 24, 2019

Fiscal Year Ending 6/30	Principal	Interest	Total	Cumulative Percent Principal Retired
2020 ¹	\$ 465,000	\$ 223,115	\$ 688,115	5.97
2021	465,000	209,165	674,165	11.94
2022	465,000	194,403	659,403	17.91
2023	465,000	185,490	650,490	23.88
2024	465,000	168,990	633,990	29.85
2025	465,000	153,190	618,190	35.82
2026	465,000	142,178	607,178	41.78
2027	465,000	129,400	594,400	47.75
2028	465,000	116,500	581,500	53.72
2029	465,000	103,460	568,460	59.69
2030	465,000	90,280	555,280	65.66
2031	465,000	76,995	541,995	71.63
2032	465,000	63,605	528,605	77.60
2033	465,000	50,075	515,075	83.57
2034	320,000	38,400	358,400	87.68
2035	320,000	28,800	348,800	91.78
2036	320,000	19,200	339,200	95.89
2037	320,000	9,600	329,600	100.00
Total	\$7,790,000	\$2,002,846	\$9,792,846	

¹ Excludes \$24,833 of interest due and paid in fiscal year 2020

Town of Killingworth

As of October 24, 2019

Fiscal Year Ending 6/30	Principal	Interest	Total	Cumulative Percent Principal Retired
2020 ¹	\$ --	\$ 17,370	\$ 422,370	
2021	400,000	31,562	431,562	18.31
2022	390,000	25,281	415,281	36.16
2023	385,000	19,120	404,120	53.78
2024	375,000	13,078	388,078	70.94
2025	370,000	7,155	377,155	87.87
2026	160,000	2,942	162,942	95.19
2027	105,000	834	105,834	100.00
Total	\$2,185,000	\$117,342	\$2,302,342	

¹ Excludes \$405,000 of principal and \$20,591 of interest due and paid in fiscal year 2020

Debt Statement

As of October 24, 2019

(Pro Forma)

Regional School District No. 17

LONG-TERM DEBT

Bonds

Schools	\$4,655,000
This Issue	7,270,000

TOTAL LONG-TERM DEBT 11,925,000

SHORT-TERM DEBT

None

TOTAL DIRECT AND NET DIRECT DEBT 11,925,000

UNDERLYING DEBT

Town of Haddam	\$7,790,000
Town of Killingworth	2,185,000

TOTAL OVERALL NET DEBT \$21,900,000

Source: Director of Fiscal Operations, Regional School District No. 17

Current Debt Ratios

As of October 24, 2019

(Pro Forma)

Population ¹	14,744
Net Taxable Grand List (10/1/18)	\$1,650,524,324
Estimated Full Value (70%)	\$2,357,891,891
Equalized Net Taxable Grand List (2017) ²	\$2,364,823,027
Money Income per Capita (2016) ³	\$49,098

	Total Direct and Net Direct Debt	Total Overall Net Debt
	\$11,925,000	\$21,900,000
Per Capita	\$808.80	\$1,485.35
Ratio to Net Taxable Grand List	0.72	1.33
Ratio to Estimated Full Value	0.51	0.93
Ratio to Equalized Net Taxable Grand List	0.50	0.93
Debt per Capita to Money Income per Capita	1.65	3.03

¹ US Department of Commerce, Bureau of Census, American Community Survey, 2013- 2017

² Office of Policy and Management, State of Connecticut

³ US Department of Commerce, Bureau of Census, American Community Survey, 2013 - 2017

Member Towns

	<u>Town of Haddam</u>	<u>Town of Killingworth</u>
TOTAL LONG-TERM DEBT.....	\$7,790,000	\$ 2,185,000
TOTAL SHORT-TERM DEBT	--	--
TOTAL DIRECT AND NET DIRECT DEBT	7,790,000	2,185,000
OVERLAPPING DEBT (Net)		
Regional School District No. 17		
Haddam (58.945%)	7,029,191	--
Killingworth (41.055%)	--	4,895,809
TOTAL OVERALL NET DEBT.....	\$14,819,191	\$7,080,809

Current Debt Ratios

As of October 24, 2019

	<u>Town of Haddam</u>	<u>Town of Killingworth</u>
Population 2017 ¹	8,303	6,441
Net Taxable Grand List (10/1/18).....	\$ 949,807,954	\$ 700,716,370
Estimated Full Value (70%)	\$1,356,868,506	\$1,001,023,386
Equalized Net Taxable Grand List (2017) ²	\$1,337,706,959	\$1,027,116,068
Weighted Income per Capita ³	\$48,008	\$50,503

¹ US Department of Commerce, Bureau of Census, American Community Survey 2013 - 2017

² Office of Policy and Management, State of Connecticut

³ US Department of Commerce, Bureau of Census, American Community Survey 2013 - 2017

	<u>Town of Haddam</u>		<u>Town of Killingworth</u>	
	<u>Total Direct and Net Direct Debt</u>	<u>Total Overall Net Debt</u>	<u>Total Direct and Net Direct Debt</u>	<u>Total Overall Net Debt</u>
	<u>\$7,790,000</u>	<u>\$14,819,191</u>	<u>\$2,185,000</u>	<u>\$7,080,809</u>
Per Capita	\$938.22	\$1,784.80	\$339.23	\$1,099.33
Ratio to Net Taxable Grand List	0.82	1.56	0.31	1.01
Ratio to Estimated Full Value	0.57	1.09	0.22	0.71
Ratio to Equalized Net Taxable Grand List.....	0.61	1.44	0.22	0.69
Debt per Capita to Income per Capita	1.95	3.72	0.67	2.18

District Bond Authorization Procedure

The Connecticut General Statutes provide for regional school districts to authorize general obligation bonds, notes, or other obligations under resolutions adopted by the regional board of education following a public hearing and a referendum simultaneously approved in each of the district member towns. The question is approved by the affirmative vote of a majority of those persons voting in the district as a whole. In addition to the power to issue bonds, the District may, when authorized by a District meeting (CGS 10-60), borrow money and issue obligations for a term not exceeding ten years in amounts not exceeding five hundred thousand dollars in the aggregate at any time.

Temporary Financing

When general obligation bonds have been authorized by the District, bond anticipation notes may be authorized for a period not to exceed ten years from their original date of issue as long as all project grant payments are applied toward project cost or payment of temporary notes when they become due and payable, and the principal reductions are made no later than the fifth year and for each subsequent year during which such temporary notes remain outstanding in an amount equal to a minimum of 1/20th, or for certain school project financings, 1/30th, of the estimated project cost (CGS Sections 10-56 and 7-378a). The term of the bond issue is reduced by the amount of time temporary financing exceeds four years.

Limitation of Indebtedness – Regional School Districts

The C.G.S provide that the aggregate indebtedness of a regional school district shall not exceed: (1) for a district empowered to provide for the Member Towns a full K - 12 program, 4.5 times and (2) for a district served by two or more local boards of education, 2.25 times the "annual receipts from taxation" of its Member Towns for the prior fiscal year. A regional school district may issue additional bonds, notes, or other obligations in an amount not to exceed 3.5 its members towns' annual receipts from taxation less the Member Towns' aggregate indebtedness. In computing the aggregate indebtedness of a regional school district, excluded is debt issued in anticipation of the receipt of: (1) State or member town payments for the operation of the district's schools, (2) State or federal grant proceeds for which the district has received a written commitment or for which an allocation has been approved by the State Bond Commission, and (3) the proceeds from contracts with the State, a State agency, or another municipality providing for the reimbursement of capital costs, but only to the extent such debt can be paid from such proceeds.

"Annual receipts from taxation" are defined as total tax collections (including interest, penalties, and late payments of taxes).

The statutes also provide for exclusion from the debt limitation any debt upon placement in escrow the proceeds of refunding obligations or other funds in an amount sufficient to provide payment when due, the principal of, and interest on, such debt.

Statement of Statutory Debt Limitation
As of October 24, 2019
Regional School District No. 17 (Pro Forma)

	Member Towns		
	<u>Haddam</u>	<u>Killingworth</u>	<u>District</u>
TOTAL TAX COLLECTIONS OF MEMBER TOWNS received by the Treasurer for year ended June 30, 2018			
THE BASE ¹	\$28,347,096	\$18,780,972	\$ 47,128,068
DEBT LIMIT (4.50 times Base).....			212,076,306
INDEBTEDNESS:			
Bonds Payable (Includes \$7,270,000 This Issue).....			11,925,000
Notes Payable			--
Debt Authorized but Unissued			70,729
TOTAL INDEBTEDNESS			11,995,729
Less: State School Grants Receivable ²			--
Net Debt For Calculation of Debt Limitation			11,995,729
DEBT LIMITATION IN EXCESS OF INDEBTEDNESS			\$200,080,631

¹ Officials of each member town anticipate that total tax collections for the year ended June 30, 2018 will equal or exceed the collections for the fiscal year ended June 30, 2017.

² Principal grants receivable under the State of Connecticut School Building Grant program over the life of outstanding school bond issues for eligible project costs. Does not include construction progress payment grants.

**REGIONAL SCHOOL DISTRICT NO. 17 OF THE STATE OF CONNECTICUT HAS NEVER DEFAULTED
IN THE PAYMENT OF PRINCIPAL OR INTEREST ON ITS BONDS OR NOTES.**

Limitation of Indebtedness - Municipalities

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

General Purposes:	1.25 times annual receipts from taxation
School Purposes:	1.50 times annual receipts from taxation
Sewer Purposes:	1.75 times annual receipts from taxation
Urban Renewal Purposes:	1.25 times annual receipts from taxation
Pension Obligation Purposes:	1.00 times annual receipts from taxation

In no case however, shall total indebtedness exceed 7 times the annual receipts from taxation.

"Annual receipts from taxation," (the "base") are defined as total tax collections (including interest and penalties) and state payments for revenue loss under CGS Sections 12-129d and 7-528.

The statutes also provide for exclusion from the debt limit calculation debt issued in anticipation of taxes; for the supply of water, gas, electricity; for the construction of subways for cables, wires, and pipes; for the construction of underground conduits for cables, wires, and pipes; and for two or more of such purposes. There are additional exclusions for indebtedness issued in anticipation of the receipt of proceeds from assessments levied upon property benefited by any public improvement and for indebtedness issued in anticipation of the receipt of proceeds from State or Federal grants evidenced by a written commitment or contract but only to the extent such indebtedness can be paid from such proceeds. The statutes also permit the exclusion of debt authorized but unissued in the case where there are no borrowings outstanding against an authorization.

Statement of Statutory Debt Limitation

As of October 24, 2019
(Pro Forma)

Town of Haddam

Total Tax Collections (Including interest and lien fees) received by Town

for fiscal year ended June 30, 2018 ¹	\$28,347,096
Reimbursement for Revenue Loss On Tax Relief for the Elderly	--
BASE.....	<u>\$28,347,096</u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Obligation</u>
DEBT LIMITATION:					
2.25 times base.....	\$63,780,096	--	--	--	--
4.50 times base.....	--	\$127,561,932	--	--	--
3.75 times base.....	--	--	\$106,301,610	--	--
3.25 times base.....	--	--	--	\$92,128,062	--
3.00 times base.....	--	--	--	--	\$85,041,288
Total debt limitation	<u>63,780,096</u>	<u>127,561,932</u>	<u>106,301,610</u>	<u>92,128,062</u>	<u>85,041,288</u>
INDEBTEDNESS:					
Bonds Outstanding.....	\$7,790,000	--	--	--	--
Notes.....	--	--	--	--	--
Authorized but Unissued	--	--	--	--	--
Total Indebtedness.....	<u>7,790,000</u>	--	--	--	--
Plus:					
Regional School District No. 17 overlapping debt (58.945%)	<u>7,029,191</u>	--	--	--	--
Total Net Indebtedness for Debt Limitation Calculation	<u>14,819,191</u>	--	--	--	--
DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS					
	<u>\$48,960,905</u>	<u>\$127,561,932</u>	<u>\$106,301,610</u>	<u>\$92,128,062</u>	<u>\$85,041,288</u>

¹ Although tax collection figures for the fiscal year ended June 30, 2019 have not yet been audited, the Town believes the final figure will not be less than that reflected for June 30, 2018.

Note: Although total net indebtedness for the purpose of calculating the Debt Limit amounts to \$14,819,191, total indebtedness for all classes cannot exceed seven times the base or \$198,429,672.

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

Town of Killingworth

Total Tax Collections (Including interest and lien fees) received by Town for fiscal year ended June 30, 2018 ¹	\$18,780,972
Reimbursement for Revenue Loss On Tax Relief for the Elderly.....	--
BASE	<u>\$18,780,972</u>

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Obligation</u>
DEBT LIMITATION:					
2.25 times base.....	\$42,257,187	--	--	--	--
4.50 times base.....	--	\$84,514,374	--	--	--
3.75 times base.....	--	--	\$70,428.645	--	--
3.25 times base.....	--	--	--	\$61,038,159	--
3.00 times base.....	--	--	--	--	\$56,342,916
Total debt limitation.....	<u>42,257,187</u>	<u>84,514,374</u>	<u>70,428.645</u>	<u>61,038,159</u>	<u>56,342,916</u>
INDEBTEDNESS:					
Bonds Outstanding.....	2,590,000	--	--	--	--
Notes.....	--	--	--	--	--
Authorized but Unissued	--	--	--	--	--
Total Indebtedness.....	<u>2,590,000</u>	--	--	--	--
Plus:					
Regional School District No. 17 over lapping Debt (41.055%).....	<u>4,895,809</u>	--	--	--	--
Total Net Indebtedness for Debt Limitation Calculation.....	<u>7,485,809</u>	--	--	--	--
DEBT LIMITATION IN EXCESS OF OUTSTANDING INDEBTEDNESS.....					
	<u>\$34,771,378</u>	<u>\$84,514,374</u>	<u>\$70,428.645</u>	<u>\$61,038,159</u>	<u>\$56,342,916</u>

¹ Although tax collection figures for the fiscal year ended June 30, 2019 have not yet been audited, the Town believes the final figure will not be less than that reflected for June 30, 2018.

Note: Although total net indebtedness for the purpose of calculating the Debt Limit amounts to \$7,485,809, total indebtedness for all classes cannot exceed seven times the base or \$131,466,804.

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

Authorized Unissued Debt
As of October 24, 2019
(Pro Forma)

Regional School District No. 17 has \$70,729 debt authorized but unissued.

<u>Project</u>	<u>Authorized</u>	<u>Notes Outstanding</u>	<u>This Issue Bonds</u>	<u>Grants</u>	<u>Debt Authorized/Unissued</u>
HKHS Renovations	\$8,680,000	\$7,690,000	\$6,460,000	\$2,149,271	\$70,729
HKHS Auditorium	810,000	810,000	810,000	--	--
	<u>\$9,490,000</u>	<u>\$8,500,000</u>	<u>\$7,270,000</u>	<u>\$2,149,271</u>	<u>\$70,729</u>

The Town of Haddam has no debt authorized but unissued.

The Town of Killingworth has no debt authorized but unissued

Principal Amount of Outstanding Debt

Last Five Fiscal Years

As of June 30

Regional School District No. 17					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Long-Term Debt					
Bonds	\$4,655,000	\$ 6,320,000	\$ 8,000,000	\$9,695,000	\$11,400,000
Short-Term Debt					
Short-Term Notes	6,929,000	5,780,000	3,800,000	--	--
Totals	\$11,584,000	\$12,100,000	\$11,800,000	\$9,695,000	\$11,400,000

Town of Haddam					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Long-Term Debt					
Bonds	\$7,790,000	\$8,255,000	\$8,720,000	\$2,380,000	\$2,520,000
Short-Term Debt					
Short-Term Notes	--	--	--	--	--
Totals	\$7,790,000	\$8,255,000	\$8,720,000	\$2,380,000	\$2,520,000

Town of Killingworth						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Long-Term Debt						
Bonds	\$2,590,000	\$3,000,000	\$3,415,000	\$3,730,000	\$4,115,000	\$4,290,000
Short-Term Debt						
Short-Term Notes	--	--	--	--	--	--
Totals	\$2,590,000	\$3,000,000	\$3,415,000	\$3,730,000	\$4,115,000	\$4,290,000

Ratios of General Fund Long-Term Debt to Valuation, Population, and Income

Regional School District No. 17								
<u>Fiscal Year Ended 6/30</u>	<u>Net Assessed Value</u>	<u>Estimated Full Value</u>	<u>Outstanding Long-Term Debt</u>	<u>Ratio of Outstanding Long-Term Debt to Assessed Value (%)</u>	<u>Ratio of Outstanding Long-Term Debt to Estimated Full Value (%)</u>	<u>Population ¹</u>	<u>Outstanding Long-Term Debt per Capita</u>	<u>Ratio of Outstanding Debt per Capita to Per Capita Income (%)²</u>
2019	\$1,643,796,372	\$2,348,280,531	\$4,655,000	0.28	0.20	14,744	\$315.72	0.64
2018	1,599,538,872	2,285,055,531	6,320,000	0.40	0.28	14,744	428.65	0.87
2017	1,630,432,994	2,329,189,991	8,000,000	0.49	0.34	14,744	542.59	1.11
2016	1,631,593,347	2,330,847,639	9,695,000	0.59	0.42	14,744	657.56	1.34
2015	1,623,896,502	2,319,852,146	11,400,000	0.70	0.49	14,744	773.20	1.57
2014	1,614,424,832	2,306,321,189	13,115,000	0.81	0.57	14,744	889.51	1.81
2013	1,611,884,135	2,302,691,621	14,830,000	0.92	0.64	14,744	1,005.83	2.05
2012	1,708,626,277	2,440,894,681	16,545,000	0.97	0.68	14,744	1,122.15	2.29
2011	1,711,956,942	2,445,652,774	18,375,000	1.07	0.75	14,744	1,246.27	2.54
2010	1,694,526,956	2,420,752,794	20,000,000	1.18	0.83	14,744	1,356.48	2.76

¹ US Department of Commerce, Bureau of Census, American Community Survey 2013 - 2017

² Money Income per Capita (2017): Haddam - \$48,008; Killingworth, - \$50,503; RSD No. 17 - \$49,098 (weighted average)

Source: US Department of Commerce, Bureau of Census, American Community Survey 2013 - 2017

Ratios of General Fund Long-Term Debt to Valuation, Population, and Income (cont'd)

Town of Haddam

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Outstanding Long-Term Debt	Ratio of Outstanding Long-Term Debt to Assessed Value (%)	Ratio of Outstanding Long-Term Debt to Estimated Full Value (%)	Population ²	Outstanding Long-Term Debt per Capita	Ratio of Outstanding Debt per Capita to Per Capita Income (%) ³
2019	\$948,517,747	\$1,355,025,353	\$7,790,000	0.82	0.57	8,303	\$ 918.22	1.95
2018	908,688,310	1,298,126,157	8,225,000	0.91	0.63	8,303	990.61	2.13
2017 ¹	906,066,345	1,294,380,493	8,720,000	0.96	0.67	8,303	1,050.22	2.26
2016	912,861,548	1,304,087,926	2,380,000	0.26	0.18	8,303	286.64	0.62
2015	905,164,703	1,293,092,433	2,520,000	0.28	0.19	8,303	303.50	0.65
2014	899,845,277	1,285,493,253	2,660,000	0.30	0.21	8,303	320.37	0.69
2013 ¹	897,304,580	1,281,863,686	2,800,000	0.31	0.22	8,303	337.23	0.73
2012	890,333,108	1,271,904,440	2,800,000	0.31	0.22	8,303	337.23	0.73
2011	898,246,307	1,283,209,010	--	--	--	8,303	--	--
2010	886,660,742	1,266,658,203	--	--	--	8,303	--	--
2009	883,985,299	1,262,836,141	250,000	0.03	0.02	8,303	30.11	0.06

¹ Assessment Ratio, 70%. Revaluation

² US Department of Commerce, Bureau of Census, American Community Survey 2013 - 2017

³ Money Income per Capita (2017): \$48,008 – US Department of Commerce, Bureau of Census, American Community Survey 2013- 2017

Town of Killingworth

Fiscal Year Ended 6/30	Net Assessed Value	Estimated Full Value	Outstanding Long-Term Debt ²	Ratio of Outstanding Long-Term Debt to Assessed Value (%)	Ratio of Outstanding Long-Term Debt to Estimated Full Value (%)	Population ³	Outstanding Long-Term Debt per Capita	Ratio of Outstanding Debt per Capita to Per Capita Income (%) ⁴
2019	\$695,278,625	\$ 993,255,179	\$2,590,000	0.37	0.26	6,441	\$402.11	0.80
2018 ¹	690,850,562	986,929,374	3,000,000	0.43	0.30	6,441	465.77	0.92
2017	724,366,649	1,034,809,499	3,415,000	0.47	0.33	6,441	530.20	1.05
2016	722,716,487	1,032,452,124	3,730,000	0.52	0.36	6,441	579.10	1.15
2015	718,731,799	1,026,759,713	4,115,000	0.57	0.40	6,441	638.88	1.27
2014	714,180,815	1,020,258,307	4,290,000	0.60	0.42	6,441	666.05	1.32
2013 ¹	714,579,555	1,020,827,936	2,395,000	0.34	0.23	6,441	371.84	0.74
2012	818,293,169	1,168,990,241	2,570,000	0.31	0.22	6,441	399.01	0.79
2011	813,710,635	1,162,443,764	2,745,000	0.34	0.24	6,441	426.18	0.84
2010	807,866,214	1,154,094,591	3,095,000	0.36	0.25	6,441	480.52	0.95
2009	806,107,347	1,151,581,924	3,295,000	0.38	0.27	6,441	511.57	1.01

¹ Assessment Ratio, 70%. Revaluation

² Does not include State School Construction Grants.

³ US Department of Commerce, Bureau of Census, American Community Survey 2013 – 2017

⁴ Money Income per Capita (2017): \$50,503 – US Department of Commerce, Bureau of Census, American Community Survey 2013 – 2017

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

Regional School District No. 17

Fiscal Year Ended 6/30	Long-Term General Fund Debt Service	Total General Fund Expenditures ¹	Ratio of Long-Term General Fund Debt Service To Total General Fund Expenditures (%)
2019	\$1,895,962	\$41,379,583	4.58
2018	1,966,463	46,577,300	4.22
2017	2,037,413	47,419,483	4.30
2016	2,103,663	44,895,466	4.69
2015	2,167,063	43,917,564	4.93
2014	2,230,963	43,205,219	5.16
2013	2,294,988	38,894,733	5.90
2012	2,513,065	40,528,112	6.20
2011	2,428,806	37,253,784	6.52
2010	2,412,769	37,884,875	6.37
2009	2,314,981	36,576,607	6.33

¹ Includes State of Connecticut on-behalf-of payment to the State Teachers' Retirement Fund except FY 2019. The District neither received nor expended these funds.

Source: Annual Financial Reports 2009-2018, Regional School District No. 17
Office of Director of Finance and Business Operations, Regional School District No. 17
FY 2019 Estimated/Unaudited

Town of Haddam

Fiscal Year Ended 6/30	Long-Term General Fund Debt Service	Total General Fund Expenditures	Ratio of Long-Term General Fund Debt Service To Total General Fund Expenditures (%)
2019	\$465,000	\$31,523,283	1.48
2018	195,965	30,281,757	0.65
2017	217,787	29,594,055	0.74
2016	254,285	29,688,179	0.86
2015	257,765	28,813,439	0.89
2014	49,921	27,405,281	0.18
2013	49,921	26,988,443	0.18
2012	--	--	--
2011	--	--	--
2010	--	--	--
2009	226,382	27,127,440	0.83

Source: Annual Financial Reports, Town of Haddam, June 30, 2009 - 2018
Finance Director's Office, Town of Haddam, FY 2019, Estimated/Unaudited

**Ratios of Annual Long-Term General Fund Debt
Service Expenditures to General Fund Expenditures (cont'd)**

Town of Killingworth

Fiscal Year Ended 6/30	Annual Debt Service	General Fund Expenditures	Ratio of Debt Service To Total Expenditures
2019	\$454,404	\$21,961,529	2.07
2018	466,036	21,912,805	2.13
2017	459,463	21,036,619	2.18
2016	510,659	20,534,876	2.49
2015	287,559	20,523,836	1.40
2014	267,559	19,642,409	1.36
2013	274,341	20,384,796	1.35
2012	281,122	20,730,259	1.36
2011	310,945	19,871,639	1.56
2010	319,257	19,844,579	1.61

¹ *Estimated. Subject to audit.*

Source: Annual Town Financial Reports, June 30, 2010 – 2018, Town of Killingworth

Finance Director's Office, Town of Killingworth, FY 2019, Estimated/Unaudited

Note: Excludes capital lease payments

VII. LEGAL AND OTHER INFORMATION

Litigation

District Counsel has advised that the District its officers, employees, boards and commissions are named defendants in a number of lawsuits, tax appeals, administrative proceedings, and other miscellaneous claims. After consultation with District officials and with other attorneys with regard to these pending lawsuits, it is the opinion of the District Counsel that such pending litigation will not be finally determined so as to result individually or in the aggregate in final judgments against the District which would materially adversely affect its financial position.

Documents Furnished at Delivery

The winning bidder will be furnished the following documents when the Bonds are delivered:

1. A Signature and No Litigation Certificate stating that at the time of delivery no litigation is pending or threatened affecting the validity of the Bonds or the levy of assessments on the Member Towns or the collection of taxes to pay them.
2. A Certificate on behalf of the District, signed by the Chairperson of the Board of Education and the Treasurer of the Board of Education which will be dated the date of delivery and attached to a signed copy of the Official Statement, and which will certify, to the best of said officials' knowledge and belief, that at the time the Bond Purchase Agreement for the Bonds was executed the description and statements in the Official Statement relating to the District and its finances were true and correct in all material respects and did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that there has been no material adverse change in the financial condition of the District from that set forth in or contemplated by the Official Statement.
3. A receipt for the purchase price of the Bonds.
4. The approving opinion of Robinson & Cole LLP, Bond Counsel, of Hartford, Connecticut, substantially in the form attached hereto as Appendix B.
5. An executed Continuing Disclosure Agreement for the Bonds substantially in the form attached as Appendix C hereto.

A transcript of the proceedings taken by the District authorizing the Bonds will be kept on file at the office of US Bank, National Association Corporate Trust, Hartford, Connecticut and will be available for examination upon reasonable request.

The District has prepared an Official Statement for the Bond issue which is dated October 8, 2019. The District deems such Official Statement final as of its date for purposes of SEC Rule 15c2-12(b)(2), but it is subject to revision or amendment. A reasonable number of final official statements will be provided at no cost to the winning bidder in either electronic or printed form.

Concluding Statement

This Official Statement is not to be construed as a contract or agreement between the District and the purchaser or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion or estimates are not intended to be representations of fact, and no representation is made that any of such opinion or estimate will be realized. No representation is made that past experience, as might be shown by financial or other information herein, will necessarily continue or be repeated in the future. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. References to statutes, charters, or other laws herein may not be complete and such provisions of law are subject to repeal or amendment.

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

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

**REGIONAL SCHOOL DISTRICT NO. 17 OF THE
STATE OF CONNECTICUT**

JOANNE NESTI, *Chairperson of the Board of Education*

PETER SONSKI, *Treasurer*

October 8, 2019

APPENDIX A1

BASIC FINANCIAL STATEMENTS

REGIONAL SCHOOL DISTRICT NO. 17 OF THE STATE OF CONNECTICUT

As of and for the Fiscal Year Ended June 30, 2018

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the
Board of Education
Regional School District No. 17
Higganum, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional School District No. 17 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District'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 U.S. generally accepted accounting policies; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the



entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Regional School District No. 17, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), effective July 1, 2017. The net position of the District has been restated to recognize the net other postemployment benefits liability required in implementing GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 to 16 and the required supplementary information on pages 62 to 64, 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The General Fund budget and actual schedules and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of state financial assistance as required by the State Single Audit Act is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The General Fund budget and actual schedules, the combining and individual nonmajor fund financial statements, the schedule of expenditures of state financial assistance 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Regional School District No. 17's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Seward and Monde

North Haven, Connecticut
December 5, 2018

Regional School District No. 17 Management's Discussion and Analysis

This Annual Financial Report includes financial reporting requirements of the Governmental Accounting Standards Board (GASB) Statement 34. GASB Statement 34 requires that we, as managers of Regional School District No. 17, focus on our most important, or "major" funds, including the general fund.

Fund statements measure and report the "operating results" of many funds by measuring cash on hand and other assets that can easily be converted to cash. These statements show the short-term performance of individual funds using the same measures governments and regional school districts use when financing current operations. Where we charge a fee to users for services, fund information will continue to be based on accrual accounting as are the rest of the financial statements. Showing budgetary compliance has always been an important part of District accountability. Our financial statements include the *original* budget as well as the final amended budget.

Our hope is to provide you, the reader, with an objective and readable analysis of our financial performance for the year. Taken together, the following statements should enable you to assess whether Regional School District No. 17's financial position has improved or declined as a result of the year's operations. The annual report includes district-wide financial statements prepared on the accrual basis for all of the District's activities. Accrual accounting measures not just current assets and current liabilities, but long-term assets and liabilities as well. It also reports all revenues and all costs of providing services each year, not just those received or paid in the current fiscal year (or shortly thereafter).

In summary, the district-wide financial statements will help you:

- Assess the finances of the District in its entirety, including the year's operating results;
- Determine whether our overall financial position improved or declined;
- Evaluate whether our current-year revenues were sufficient to pay for current-year services;
- See how we finance the programs you have asked for - through user fees and other program revenues versus general member town assessments;
- Understand the extent to which your District has invested in capital assets, primarily school buildings, equipment, facilities, and other infrastructure assets;
- Make better comparisons between school districts.

The Annual Financial Report includes the following information and financial statements as defined by GASB Statement 34:

★ **Management's Discussion and Analysis (MD&A)** - An introduction to the basic financial statements and an analytical overview of the District's financial activities. The MD&A provides an objective and easily readable analysis of our financial activities based on currently known facts, decisions, or conditions. The MD&A

- ❑ Includes comparisons of the current year to the prior year based on district-wide information;
- ❑ Provides an analysis of our overall financial position and the results of operations to assist you in assessing whether our financial position has improved or declined as a result of the year's activities;
- ❑ Analyzes significant changes in fund and major budget variances;
- ❑ Describes capital asset and long-term debt activity during the year;
- ❑ Concludes with a description of currently known facts, decisions, or conditions that are expected to have a significant effect on our financial position or the results of our operations.

✱ Basic Financial Statements

- ***District-Wide Financial Statements*** are designed to provide readers with a broad overview of Regional School District No. 17's finances, in a manner similar to private-sector business.
 - They include a *statement of net position* which presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference being 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 District is improving or deteriorating. The *statement of activities* presents information showing how our net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The statement of activities is prepared using the economic resources measurement focus and the accrual basis of accounting. Both of the district-wide financial statements distinguish functions of regional school districts that are principally supported by inter-district revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The district activities of Regional School District No. 17 include instructional, support services, insurance and benefits, library and audio visual, information systems, administrative, property maintenance, transportation, student activity, community service, special education, food service, and interest expense on long-term debt. The District H-K Cubs Daycare service is being accounted for as a business-type activity proprietary fund. The district-wide financial statements include only Regional School District No. 17 (known as the *primary government*). There is no legally separate entity for which the District is financially accountable.
 - Fiduciary activities whose resources are not available to finance our District programs are excluded from these statements.

Capital assets, including infrastructure, are reported along with depreciation expense in the statement of activities. Net position is reported as net investment in capital assets, restricted, and unrestricted. Permanent endowments or permanent fund principal amounts included in restricted net position are shown as either expendable or nonexpendable.

Expenses are presented reduced by program revenues resulting in a measurement of "net (expense) revenue" for each of the District's functions. Program expenses include all direct expenses. General revenues such as member town assessments and special and extraordinary items are reported separately, ultimately arriving at the change in net position for the period. Special items are significant transactions or other events that are either unusual or infrequent and are within the control of management.

- ***Fund Financial Statements*** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. Regional School District No. 17, like other regional and local school districts, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories; District funds, proprietary funds, and fiduciary funds.
 - *District fund* financial statements include financial data for the general fund, the bonded capital projects fund, the special school grants fund, the capital non-recurring fund, and other district (*governmental*) funds and are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. *District funds* are used to account for essentially

the same functions reported as *district activities* in the district-wide financial statements. However, unlike the district-wide financial statements, district fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a district's near-term financing requirements. Because the focus of district funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *district activities* in the district-wide financial statements with similar information presented for *district funds* in the long-term impact of the district-wide financial statements. By doing so, readers may better understand the long-term impact of our near-term financing decisions. Both the district fund balance sheet and the district fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *district funds* and *district activities*. Regional School District No. 17 maintains four major funds (general fund, bonded capital projects fund, special school grants fund, capital non-recurring fund), and two non-major special revenue funds (school cafeteria fund and HK hall of fame fund). Information is presented separately in the District fund balance sheet and in the District fund statement of revenues, expenditures, and changes in fund balances for the general fund, the bonded capital projects fund, the special school grants fund, and the capital non-recurring fund, all of which are considered to be major funds. Data from the other two non-major District funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor district funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate our compliance with this budget.

- *Proprietary fund* financial statements, including financial data for enterprise and internal service funds, are prepared using the economic resources measurement focus and the accrual basis of accounting. Regional School District No. 17 maintains two proprietary funds, the H-K Cubs Daycare Fund and the Medical Self Insurance Fund, an internal service fund. *Internal service funds* are an accounting device used to calculate and allocate costs internally among our various functions. Regional School District No. 17 uses the business-type daycare fund to account for revenues and expenditures arising from providing on-site daycare for children of employees and the internal service fund to account for risk financing activities for medical insurance benefits as allowed by GASB Statement No. 10. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the internal service fund and are combined into a single, aggregated presentation in the proprietary fund financial statements. Because these services predominantly benefit district-type functions, they have been included within *district activities* in the district-wide financial statements.
- *Fiduciary fund* financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for beneficiaries in a purely custodial capacity. Fiduciary funds are *not* reflected in our district-wide financial statement because the resources of those funds are *not* available to support our own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fund financial statements are presented for primary district funds and proprietary funds. District fund statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances. Proprietary fund statements are comprised of a statement of net position, a statement of revenues, expenses, and changes in net fund assets, and a statement of cash flows. A summary reconciliation of the fund and district-wide statements accompanies the fund financial statements.

Separate columns are shown for the general fund and for other major district funds. Major funds are funds whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all district funds and at least 5 percent of the aggregate amount for all district funds. Other funds that we believe are particularly important to you are also reported as a major fund. Non-major funds are reported in the aggregate in a separate column as are internal service funds on the proprietary fund statements.

District fund balances are segregated into restricted, committed, assigned and unassigned categories. Proprietary fund net position is reported in the same categories required for district-wide financial statements. Proprietary fund statements of net position distinguish between current and non-current assets and liabilities and display restricted assets.

The statements distinguish between operating and non-operating revenues and expenses in proprietary fund statements of revenues, expenses, and changes in net fund assets. At the bottom of these statements, we reflect capital contributions, contributions to permanent and term endowments, special and extraordinary items, and transfers in arriving at the all-inclusive change in fund net position.

We present separate fiduciary fund statements used to report assets held in a trustee or agency capacity for others and which cannot be used in our own programs. We must show a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary fund statements also disclose inter-fund loans, inter-fund services provided and used, and inter-fund transfers.

- Notes to the Financial Statements
 - Consist of notes that provide information essential to your understanding of the data provided in the district-wide and fund financial statements.

- Required Supplementary Information (RSI)
 - Schedule of District's Proportionate Share of the Net Pension Liability - Connecticut State Teachers' Retirement System.
 - Schedule of Changes in the District's Total OPEB Liability and Related Ratios
 - Schedule of District's Proportionate Share of the Net OPEB Liability - Connecticut State Teachers' Retirement System.

- Supplementary Information
 - General Fund - Schedule of Revenues and Other Financing Sources - Budget and Actual
 - General Fund - Schedule of Expenditures and Other Financing Uses - Budget and Actual
 - Nonmajor Governmental Funds - Combining Balance Sheet
 - Nonmajor Governmental Funds - Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 - Fiduciary Funds - Agency Fund - Statement of Changes in Assets and Liabilities
 - Schedule of Debt Limitation

The combining statements referred to earlier in connection with nonmajor district funds and internal service funds are presented immediately following the required supplementary information on pensions. As management of Regional School District No. 17, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the district for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished elsewhere in this report.

Financial Highlights

- The total assets and deferred outflows of resources of Regional School District No. 17 exceeded its liabilities at the close of the 2018 fiscal year by \$33,901,228 (net position) which includes net position of \$33,664,441 for governmental activities and \$236,787 for business-type activities. Unrestricted net position for the total primary government, \$1,226,279, may be used to meet the school district's ongoing obligations to citizens, students, and creditors.
- The District's total net position as depicted in the Statement of Activities increased by \$1,817,258 for governmental funds and \$91,060 for business-type activities (see discussion following).
- As of the close of the current fiscal year, our governmental funds reported combining ending fund balances of \$6,983,234, an increase of \$935,112 from FY 2017. Total unassigned fund balance amounted to \$643,858.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$643,858, or 1.35% of total general fund revenues of \$47,808,064. Total general fund balance of \$1,497,882 amounted to 3.13% of general fund revenues. Unassigned fund balance for all funds was also \$643,858, 1.29% of total revenues of \$49,735,588 and total fund balance for all funds of \$6,983,234 was 14.04% of total revenues.
- Our general obligation bonded debt decreased by \$1,680,000 from \$8,000,000 to \$6,320,000 during the current fiscal year reflecting scheduled bond principal payments. We issued new short-term bond anticipation notes (BANs) for \$1,980,000 during the year to fund ongoing work on the HKHS Additions and Renovations project.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of our financial position. In the case of Regional School District No. 17, primary government assets and deferred outflows of resources exceeded liabilities by \$33,901,228 at the close of the 2018 fiscal year.

The largest percentage of our net position (96.38%) reflects our investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. We use these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

There was no *restricted* net position, and *unrestricted* net position of \$1,226,279 is available for future spending.

At the end of the current fiscal year, we are able to report positive balances in the capital and unrestricted categories of net position. For the prior fiscal year, the capital and the unrestricted categories all showed positive balances.

Table 1. Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 9,590,262	\$ 8,783,233	\$ 263,665	\$ 163,448	\$ 9,853,927	\$ 8,946,681
Capital assets - Net	45,270,936	43,794,318	42,908	-	45,313,844	43,794,318
Total assets	<u>54,861,198</u>	<u>52,577,551</u>	<u>306,573</u>	<u>163,448</u>	<u>55,167,771</u>	<u>52,740,999</u>
Deferred Outflows of Resources						
Deferred charge on refunding	179,037	253,488	-	-	179,037	253,488
Liabilities						
Current liabilities	1,737,502	1,539,088	69,786	17,721	1,807,288	1,556,809
Long-term liabilities:						
Due within one year	7,606,767	1,862,620	-	-	7,606,767	1,862,620
Due in more than one year	11,820,234	13,475,324	-	-	11,820,234	13,475,324
Total liabilities	<u>21,164,503</u>	<u>16,877,032</u>	<u>69,786</u>	<u>17,721</u>	<u>21,234,289</u>	<u>16,894,753</u>
Deferred Inflows of Resources						
Deferred charge related to OPEB	211,291	-	-	-	211,291	-
Net Position						
Net investment in capital assets	32,632,041	31,407,942	42,908	-	32,674,949	31,407,942
Unrestricted	1,032,400	4,546,065	193,879	145,727	1,226,279	4,691,792
Total net position	<u>\$ 33,664,441</u>	<u>\$ 35,954,007</u>	<u>\$ 236,787</u>	<u>\$ 145,727</u>	<u>\$ 33,901,228</u>	<u>\$ 36,099,734</u>

District Statement of Activities

Our total net position increased by \$1,908,318 from operations during the current fiscal year. We brought in general revenues of \$40,757,989 which exceeded our net operating expenditures of \$38,849,671 by \$1,908,318. Gross expenses of \$48,935,397 were offset by \$828,574 in charges for services, \$8,314,187 in operating grants and contributions, and \$942,965 in capital grants and contributions. Of the net expenditures, \$24,339,802 represented direct instructional costs after \$8,170,682 in State grants.

It should be noted that the State Teachers' Retirement Board makes an on-behalf contribution to the teachers' pension and OPEB fund which is reflected in the District audited revenues and expenses as offsetting entries which are not known until completion of the fiscal year. This figure, \$6,843,431 for fiscal year 2018, is thus not included in the budget for that fiscal year.

With respect to the remaining gross expenditures, most significant were \$5,944,219 maintenance of property, plant, and equipment, \$3,300,434 for transportation, \$3,076,588 for administration expenses, and \$1,621,540 for special education. The H-K Cubs Daycare proprietary fund generated operating income of \$91,060 after applying \$466,235 of service charges. Virtually all our general revenue of \$40,757,989, aside from investment earnings of \$99,946, was derived from net assessments (after refunds to the member towns totaling \$254,938) on the member towns of Haddam (\$24,056,632 – 59.1682%) and Killingworth (\$16,601,411 – 40.8318%) before refunds.

The following table highlights the significant factors affecting changes in net position:

	Governmental Activities			Business-Type Activities		
	2018	2017	Change	2018	2017	Change
Revenues:						
Program Revenues:						
Charges for services	\$ 362,339	\$ 357,731	\$ 4,608	\$ 466,235	\$ 460,970	\$ 5,265
Operating grants and contributions	8,314,187	7,535,795	778,392	-	-	-
Capital grants and contributions	942,965	-	942,965	-	-	-
General revenues:						
Member town assessments (net)	40,658,043	40,513,452	144,591	-	-	-
Unrestricted investment earnings	97,815	40,824	56,991	2,131	740	1,391
Total revenues	50,375,349	48,447,802	1,927,547	468,366	461,710	6,656
Program expenses:						
Instructional, support services, insurance and benefits	31,809,392	31,505,639	303,753	-	-	-
Library and audio visual	701,092	715,981	(14,889)	-	-	-
Information systems	497,609	523,679	(26,070)	-	-	-
Administrative	3,076,588	3,073,349	3,239	-	-	-
Property maintenance	5,944,219	5,772,534	171,685	-	-	-
Transportation	3,300,434	3,293,141	7,293	-	-	-
Student activity	725,811	717,739	8,072	-	-	-
Community service	6,548	8,169	(1,621)	-	-	-
Special education	1,621,540	1,929,917	(308,377)	-	-	-
Food service	502,471	498,572	3,899	-	-	-
Interest expense	372,387	375,236	(2,849)	-	-	-
H-K Cubs daycare	-	-	-	377,306	368,161	9,145
Total program expenses	48,558,091	48,413,956	144,135	377,306	368,161	9,145
Change in net position	\$1,817,258	\$ 33,846	\$1,783,412	\$ 91,060	\$ 93,549	(\$ 2,489)

- A variety of factors influenced the \$1,817,258 increase in governmental activities net position. The contributing factors to the increase were increases in revenues for state special education and construction grants and member Town assessments as well as minimal overall expense increases.
- Net member town assessments increased by \$144,591 (0.36%) from the prior fiscal year and operating grants and contributions rose by \$778,392 (10.3%).
- Instructional costs, comprising instructional, support services, insurance and benefits, and library audio visual declined \$303,753 due in part to a \$173,041 drop in teacher salaries, a \$63,893 decline in insurance and benefits, \$99,074 less spent for support services, offset by an increase in on-behalf pension and OPEB payments.
- Special Education costs were less this year (\$308,377) as there were fewer students requiring these services.
- The State Teachers' Retirement Board (STRB) made an on-behalf pension and OPEB payment of \$6,843,431 included in insurance and benefits grants) to the State Teachers' Retirement Fund treated, for accounting purposes, both as a revenue and expenditure in the District financial statements. This entry does not reflect an actual increase in expenditures but rather a regulatory accounting entry prepared at the end of the fiscal year. The same payment for last fiscal year amounted to \$6,170,503.

Chart 1 presents the costs of our five largest programs as well as each program's net cost (total cost less revenues generated by the activities). The Net Cost shows the financial burden that was placed on our member town taxpayers by each of these functions.

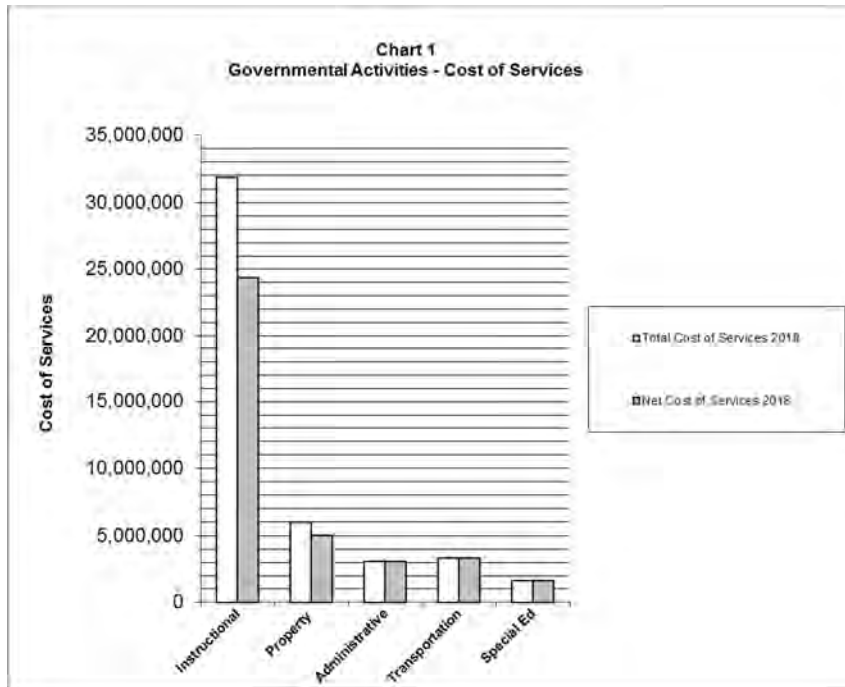
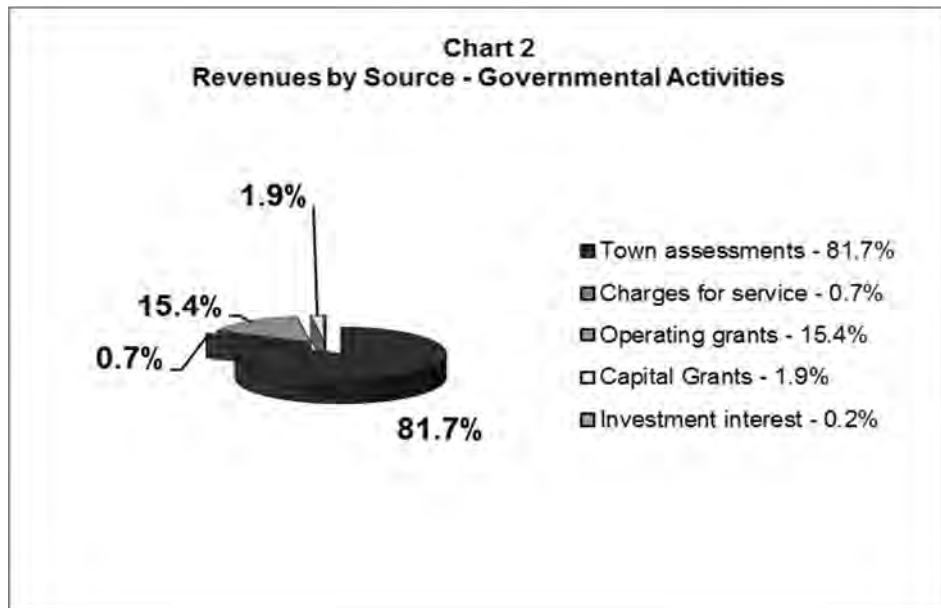


Chart 2 reflects the sources of all our revenues. The district is funded primarily by assessments levied on the member towns of Haddam (59.17%) and Killingworth (40.83%) based on the level of student attendance as of 10/1/16.



Financial Analysis of the District's Funds

As noted earlier, we use fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, our district governmental funds reported combined ending fund balances of \$6,983,234, an increase of \$935,112 from FY 2017. Our net budget variances from the final budget were positive for revenues (\$32,791) and positive for expenditures (\$745,123) for a total budgetary gain of \$777,914.

Fund balance is divided into four categories: restricted, committed, assigned, and unassigned. The precise definition of each category is presented in Note 1. D. Fund Financial Statements and Note 6. Fund Balance of the Notes to the Financial Statements following herein. *Restricted* fund balance of \$3,564,450 consists of \$15,044 for Special School Grants and \$3,549,406 for bonded capital projects. *Committed* fund balance of \$210,454 is comprised of \$203,891 for member town refunds, \$2,692 for accrued sick leave and severance, and \$3,871 for community service. *Assigned* fund balance of \$2,564,472 represents \$647,441 for general operations, \$1,879,143 for capital projects, and \$37,888 for food service. *Unassigned* fund balance for all governmental funds is \$643,858 and will be returned to the member towns as a credit against future assessments.

The **general fund** is our chief operating fund. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$643,858 while total general fund balance closed out at \$1,497,882. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund revenues. Unassigned general fund balance of \$643,858 represents 1.33% of total general fund revenues of \$48,447,825. Total general fund balance of \$1,497,882 amounted to 3.09% of general fund revenues.

Our general fund balance increased by \$951,503 during the current fiscal year. We finished with an operating surplus of \$1,230,764. Lease proceeds of \$141,003 added to our positive operations but were more than offset by a \$420,264 transfer out to the capital non-recurring fund.

Proprietary Funds Regional School District No. 17's proprietary funds, the H-K Cubs Daycare Fund and the Medical Self Insurance Fund, provide the same type of information found in the district-wide financial statements, but in more detail. We use these funds to 1) record payments and expenditures relating to maintaining an on-site day care facility for the children of staff, and 2) record employee and District contributions to a self-insurance health benefit program along with disbursements made for medical claims. Unrestricted net position of the daycare fund was \$236,787, an increase of \$91,060 over the prior year. Total operating revenues of \$466,235 and investment income of \$2,131 exceeded operating expenditures of \$377,306 to produce the positive \$91,060 operating results for the year.

Unrestricted net position of the Medical Self Insurance Fund at the end of the year amounted to \$975,157, down \$307,043 from the prior year's \$1,282,200. Operating revenues amounted to \$7,627,106 plus \$1,110 of investment earnings income. Charges for services, or premiums, represent contributions from the general fund, active employee payroll deductions, and retired employee premium payments. Claims for health care services incurred were \$7,931,929 and administrative costs were \$3,330 in combination generating an operating loss of \$308,153.

General Fund Budgetary Highlights

The original revenue budget was reduced by a \$100,000 reduction for each of the member town assessments (total: \$200,000) from \$41,112,981 to \$40,912,981. With the State in such a turmoil this year, both the Towns of Haddam and Killingworth had their state revenue reduced without warning for 17-18. In the beginning of last year, the total cut both Towns would take ranged anywhere from \$300K to \$1 million. After discussions with both Towns it was agreed that the District would work together with the Town's to share the burden of the state cuts. It eventually all settled and it was agreed that the District would allow each Town to reduce their payments by \$100,000 each – a total reduction of \$200,000. The District in turn, made sure that we “saved” that amount in expenditures to balance everything out.

The original expenditure appropriation budget of \$42,026,428 remained unchanged, but during the year, minor adjustments were made to define line items as conditions decreed, the most significant of which are detailed below. Our net variance for revenues was a positive \$32,791, and expenditures were positive with \$745,123 under budget for an overall positive budget variance of \$777,914.

Revenues

The overall general fund revenue budget realized a \$32,791 positive variance mostly in the investment income line item of \$65,690, meaning we invested BAN proceeds for the HKHS project prior to paying contractors' invoices. Our expected \$140,000 transportation grant was never received but we did receive an extra \$102,515 excess cost grant above the budgeted \$663,257.

Expenditures

Total expenditure variance between the final budget and actual results amounted to a positive \$745,123. There were both positive and negative variances in various line items. Significant variances between the final budget and actual performance are noted below:

- Insurance and Benefits - We enjoyed some savings in this category amounting to \$380,124 as a result of a lower cost benefits including; workers compensation, unemployment, life insurance, and pension.
- Instructional – General instruction and science savings were \$143,696 and \$51,887 respectively. Special education costs \$3,134,735 were \$115,199 in excess of the final budget.
- Support Services – An \$112,855 savings in guidance and \$26,381 saved in instructional improvement contributed to the overall \$146,586 positive variance in this category.
- Transportation - Our final expenditures for this line item were \$97,254 under budget.

Capital Asset and Debt Administration

Capital Assets Regional School District No. 17's investment in capital assets includes land, school buildings and systems, improvements, machinery and equipment, athletic fields, and vehicles. We experienced a net increase in capital assets (after depreciation) of \$1,476,618 as a result of the inclusion of \$2,939,481 of new construction on the HKHS renovation project. In addition, new playground equipment was purchased in the H-K Cubs Daycare Fund.

Table 3. Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Land ¹	\$ 3,148,207	\$ 3,148,207	\$ -	\$ -
Construction in Progress ¹	2,939,481	-	-	-
Land Improvements	8,285,351	8,597,868	-	-
Buildings	30,250,853	31,326,057	-	-
Equipment	577,860	633,609	42,908	-
Vehicles	69,184	88,577	-	-
	<u>\$ 45,270,936</u>	<u>\$ 43,794,318</u>	<u>\$ 42,908</u>	<u>\$ -</u>

Additional information on Regional School District No. 17's capital assets can be found in Note 5, Capital Assets, of this report.

Long-term Debt At the end of the current fiscal year, the District had \$6,320,000 of long-term general obligation bonded debt outstanding and \$5,780,000 of short-term bond anticipation notes (BANs). One hundred percent of our bonded debt is general obligation and backed by the full faith and credit of the District and its member towns of Haddam and Killingworth.

Table 4. Long-Term Debt

Bonds					
Date	Purpose	% Rate	Original Issue	Current Balance	Date of Fiscal Year Maturity
4/6/2005	School	3.85	\$ 7,700,000	\$ 1,200,000	2020
2/28/2012	School - Refunding	2.0 - 4.0	9,450,000	5,120,000	2024
			<u>\$ 17,150,000</u>	<u>\$ 6,320,000</u>	

Our total bonded debt decreased by \$1,680,000 (21.0%) during the current fiscal year. Our short-term BANs outstanding increased by \$1,980,000 to \$5,780,000 as we continued to fund the renovations on the HKHS project.

We currently have \$3,710,000 authorized but unissued debt.

Moody's Investors Service, Inc. (Moody's) has placed an "Aa3" credit rating on our general obligation debt. Moody's rates the member town of Haddam as "Aa3". The town of Killingworth, previously rated "Aa2", had its credit rating withdrawn in 2016 with the defeasement of its outstanding publicly traded securities through a bank loan refunding.

The Connecticut General Statutes provide that the aggregate indebtedness of a regional school district not exceed: (1) for a district providing a K - 12 program, 4.5 times the "annual receipts from taxation" of its member towns for the prior fiscal year. As an alternative to the above options, a regional school district may issue debt in an amount not to exceed 3.5 times its members towns' annual receipts from taxation less the member towns' aggregate indebtedness. In computing the aggregate indebtedness of a regional school district, excluded is debt issued in anticipation of the receipt of: (1) State or member town payments for the

operation of the district's schools, (2) State or federal grant proceeds for which the district has received a written commitment or for which an allocation has been approved by the State Bond Commission, and (3) the proceeds from contracts with the State, a State agency, or another municipality providing for the reimbursement of capital costs, but only to the extent such debt can be paid from such proceeds.

For June 30, 2018, the maximum amount of borrowing permitted under the formula would be \$212,190,660. Our outstanding general obligation debt of \$15,810,000 is \$196,380,660 below the maximum debt limitation as defined by the statutes.

Economic Factors and Next Year's Budget

The fiscal year 2018 - 19 budget was passed at referendum by the member towns on May 8, 2018. The net budget rose \$379,661 (0.92%) to \$41,492,643. The gross budget was \$42,186,149 reflecting an increase of \$159,720 (0.38%). With anticipated offsetting revenues of \$693,506, the net \$41,492,643 budget assessment to the member towns was Haddam (59.40977%) - \$24,650,684 and Killingworth (40.59023%) - \$16,841,958.

The member towns benefited from a FY 2017 general fund surplus credit of \$203,891 (Haddam - \$119,183; Killingworth - \$84,708 based on membership (ADM) as of October 1, 2017. The budget was developed based, in part, on the following considerations:

The unemployment rate for the town of Haddam was 3.3% (down from June 2017 at 3.6%) and Killingworth 3.4% (up from June 2017 at 3.1%) as of June 30, 2018. The current figures compare favorably to the state's average unemployment rate of 4.5% and to the national average rate of 4.2% (none seasonally adjusted) for the same period.

The FY 2019 gross budget increase of \$159,720 over FY 2018 was driven by increased salaries (\$595,160), higher anticipated building and grounds costs (\$190,636), larger transportation expenses (\$113,519) and greater tuition fees (\$152,327). A benefits line item decrease of \$588,878, and learning programs drop of \$110,490 are explained below.

The reduction for Budget FY 2019 in benefits is attributable to several things; first the District made a significant change in insurance moving from a self-insured plan to a fully insured plan as a member of the State of CT Partnership plan. In addition, all employees are contributing 20% co-premium to the cost of the insurance (\$229,070). The other large reduction comes from obligations associated with the Early Retirement Incentive Plan in 2014 have all been met. With this annual obligation now eliminated, we no longer have to budget for it reducing this line by (\$321,003).

There was several new positions budgeted for in the 18/19 budget including a Behaviorist, Transition Coordinator and an Occupational Therapist. It is believed that these positions will reduce the amount of professional services needed outside of the District and will result in a cost savings. There were also several activity advisor positions budgeted for. The total increase for new staff in 18/19 is \$178,899.

The decrease in both the support programs and learning programs are a direct result of the anticipated reduction needed in outsourced help now that we will employ a behaviorist, transition coordinator and occupational therapist, and lower support programs costs of \$105,025 served offset the overall budget increase.

All of these factors were considered in preparing Regional School District No. 17's budget for FY 2019. At the end of the 2017 - 18 fiscal year, the general fund unassigned fund balance closed out at \$643,858.

The FY 2018 - 19 budget contemplates using none of that balance although a portion of this amount will be credited to future member town assessments.

Requests for Information

This financial report is designed to provide a general overview of Regional School District No. 17's finances for all those with an interest in the District's fiscal operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Fiscal Operations, 57 Little City Road, Higganum, CT 06441-2817.

REGIONAL SCHOOL DISTRICT NO. 17
STATEMENT OF NET POSITION
JUNE 30, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash	\$ 9,157,353	\$ 249,217	\$ 9,406,570
Investments	318,478	-	318,478
Receivables:			
Intergovernmental	33,966	-	33,966
Other	80,609	14,304	94,913
Internal balances	(144)	144	-
Total current assets	<u>9,590,262</u>	<u>263,665</u>	<u>9,853,927</u>
Capital assets (net of accumulated depreciation):			
Land	3,148,207	-	3,148,207
Construction in progress	2,939,481	-	2,939,481
Land improvements	8,285,351	-	8,285,351
Buildings and improvements	30,250,853	-	30,250,853
Equipment	577,860	42,908	620,768
Vehicles	69,184	-	69,184
Total capital assets (net of accumulated depreciation)	<u>45,270,936</u>	<u>42,908</u>	<u>45,313,844</u>
Total assets	<u>54,861,198</u>	<u>306,573</u>	<u>55,167,771</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	179,037	-	179,037
Total deferred outflows of resources	<u>179,037</u>	<u>-</u>	<u>179,037</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,414,752	4,928	1,419,680
Internal balances	(64,858)	64,858	-
Accrued interest payable	105,631	-	105,631
Unearned revenue	281,977	-	281,977
Bonds payable	1,665,000	-	1,665,000
Bond anticipation notes	5,780,000	-	5,780,000
Capital leases	130,546	-	130,546
Compensated absences	31,221	-	31,221
Total current liabilities	<u>9,344,269</u>	<u>69,786</u>	<u>9,414,055</u>
Noncurrent liabilities:			
Bonds payable	5,123,117	-	5,123,117
Capital leases	119,269	-	119,269
Compensated absences	489,129	-	489,129
Net OPEB liability	6,088,719	-	6,088,719
Total noncurrent liabilities	<u>11,820,234</u>	<u>-</u>	<u>11,820,234</u>
Total liabilities	<u>21,164,503</u>	<u>69,786</u>	<u>21,234,289</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred charge related to OPEB	211,291	-	211,291
Total deferred inflows of resources	<u>211,291</u>	<u>-</u>	<u>211,291</u>
NET POSITION			
Net investment in capital assets	32,632,041	42,908	32,674,949
Unrestricted	1,032,400	193,879	1,226,279
Total net position	<u>\$ 33,664,441</u>	<u>\$ 236,787</u>	<u>\$ 33,901,228</u>

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

**REGIONAL SCHOOL DISTRICT NO. 17
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Instructional	\$ 15,922,093	\$ -	\$ 1,327,251	\$ -	(\$ 14,594,842)	\$ -	(\$ 14,594,842)
Support services	1,595,279	-	-	-	(1,595,279)	-	(1,595,279)
Insurance and benefits	14,292,020	-	6,843,431	-	(7,448,589)	-	(7,448,589)
Library and audio visual	701,092	-	-	-	(701,092)	-	(701,092)
Information systems	497,609	-	-	-	(497,609)	-	(497,609)
Administrative	3,076,588	-	-	-	(3,076,588)	-	(3,076,588)
Property maintenance	5,944,219	-	-	942,965	(5,001,254)	-	(5,001,254)
Transportation	3,300,434	-	-	-	(3,300,434)	-	(3,300,434)
Student activity	725,811	-	7,521	-	(718,290)	-	(718,290)
Community service	6,548	6,680	-	-	132	-	132
Special education	1,621,540	-	-	-	(1,621,540)	-	(1,621,540)
Food service	502,471	355,659	135,984	-	(10,828)	-	(10,828)
Interest expense	372,387	-	-	-	(372,387)	-	(372,387)
Total Governmental Activities	48,558,091	362,339	8,314,187	942,965	(38,938,600)	-	(38,938,600)
Business-Type Activities:							
H-K Cubs Daycare	377,306	466,235	-	-	-	88,929	88,929
Total Business-Type Activities	377,306	466,235	-	-	-	88,929	88,929
Total Primary Government	\$ 48,935,397	\$ 828,574	\$ 8,314,187	\$ 942,965	(38,938,600)	88,929	(38,849,671)
General Revenues:							
Member Town Assessments, net of refund of \$254,938					40,658,043	-	40,658,043
Investment Earnings					97,815	2,131	99,946
Total General Revenues					40,755,858	2,131	40,757,989
Change in Net Position					1,817,258	91,060	1,908,318
Net Position - July 1, 2017, as restated					31,847,183	145,727	31,992,910
Net Position - June 30, 2018					\$ 33,664,441	\$ 236,787	\$ 33,901,228

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

**REGIONAL SCHOOL DISTRICT NO. 17
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General</u>	<u>Bonded Capital Projects</u>	<u>Special School Grants</u>	<u>Capital Non- Recurring</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash	\$ 1,761,957	\$ 3,546,599	\$ 296,966	\$ 1,715,675	\$ 18,698	\$ 7,339,895
Investments	318,478	-	-	-	-	318,478
Receivables, net:						
Intergovernmental	-	-	8,805	-	25,161	33,966
Other	35,497	-	-	-	-	35,497
Due from other funds	39,674	16,537	3,389	208,739	-	268,339
Total assets	<u>\$ 2,155,606</u>	<u>\$ 3,563,136</u>	<u>\$ 309,160</u>	<u>\$ 1,924,414</u>	<u>\$ 43,859</u>	<u>\$ 7,996,175</u>
LIABILITIES						
Accounts payable	\$ 384,278	\$ 13,730	\$ 12,139	\$ 45,271	\$ 138	\$ 455,556
Due to other funds	273,446	-	-	-	1,962	275,408
Unearned revenue	-	-	281,977	-	-	281,977
Total liabilities	<u>657,724</u>	<u>13,730</u>	<u>294,116</u>	<u>45,271</u>	<u>2,100</u>	<u>1,012,941</u>
FUND BALANCE						
Restricted	-	3,549,406	15,044	-	-	3,564,450
Committed	206,583	-	-	-	3,871	210,454
Assigned	647,441	-	-	1,879,143	37,888	2,564,472
Unassigned	643,858	-	-	-	-	643,858
Total fund balances	<u>1,497,882</u>	<u>3,549,406</u>	<u>15,044</u>	<u>1,879,143</u>	<u>41,759</u>	<u>6,983,234</u>
Total liabilities and fund balance	<u>\$ 2,155,606</u>	<u>\$ 3,563,136</u>	<u>\$ 309,160</u>	<u>\$ 1,924,414</u>	<u>\$ 43,859</u>	<u>\$ 7,996,175</u>

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

REGIONAL SCHOOL DISTRICT NO. 17
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance - governmental funds	\$ 6,983,234
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Beginning capital assets	43,794,318
Capital outlay	2,939,481
Depreciation expense	(1,462,863)
	45,270,936
Internal service funds are used by management to charge the cost of health insurance to individual departments:	
The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	975,157
Deferred inflows of resources resulting from changes in the components of the District's net OPEB liability are reported in the statement of net position	(211,291)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(6,320,000)
BANS payable	(5,780,000)
Unamortized bond premium	(468,117)
Deferred amount on refunding	179,037
Capital leases payable	(249,815)
Net OPEB liability	(6,088,719)
Compensated absences	(520,350)
Accrued interest payable	(105,631)
Net position of governmental activities	\$ 33,664,441

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

REGIONAL SCHOOL DISTRICT NO. 17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Bonded Capital Projects</u>	<u>Special School Grants</u>	<u>Capital Non- Recurring</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Member town assessments, net of refund of \$254,938	\$ 40,658,043	\$ -	\$ -	\$ -	\$ -	\$ 40,658,043
Intergovernmental	7,615,968	942,965	456,873	-	135,984	9,151,790
Investment income	75,973	18,575	-	3,228	39	97,815
Charges for services	97,841	-	7,521	-	362,339	467,701
Total revenues	<u>48,447,825</u>	<u>961,540</u>	<u>464,394</u>	<u>3,228</u>	<u>498,362</u>	<u>50,375,349</u>
EXPENDITURES						
Current:						
Instructional	15,208,784	-	464,052	-	-	15,672,836
Support services	1,595,279	-	-	-	-	1,595,279
Insurance and benefits	14,218,778	-	-	-	-	14,218,778
Library and audio visual	701,092	-	-	-	-	701,092
Information systems	678,015	-	-	-	-	678,015
Administrative	3,076,588	-	-	-	1,246	3,077,834
Property maintenance	4,135,592	-	-	-	-	4,135,592
Transportation	3,281,041	-	-	-	-	3,281,041
Student activity	725,811	-	-	-	-	725,811
Community service	-	-	-	-	6,548	6,548
Tuition	1,629,618	-	-	-	-	1,629,618
Food service	-	-	-	-	501,225	501,225
Debt service	1,966,463	66,470	-	-	-	2,032,933
Capital outlay	-	2,954,039	-	350,599	-	3,304,638
Total expenditures	<u>47,217,061</u>	<u>3,020,509</u>	<u>464,052</u>	<u>350,599</u>	<u>509,019</u>	<u>51,561,240</u>
Excess (deficiency) of revenues over expenditures	<u>1,230,764</u>	<u>(2,058,969)</u>	<u>342</u>	<u>(347,371)</u>	<u>(10,657)</u>	<u>(1,185,891)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from capital lease	141,003	-	-	-	-	141,003
Proceeds from bond anticipation notes	-	1,980,000	-	-	-	1,980,000
Transfers in	-	-	-	420,264	-	420,264
Transfers out	(420,264)	-	-	-	-	(420,264)
Total other financing sources (uses)	<u>(279,261)</u>	<u>1,980,000</u>	<u>-</u>	<u>420,264</u>	<u>-</u>	<u>2,121,003</u>
Net change in fund balances	951,503	(78,969)	342	72,893	(10,657)	935,112
Fund balances - July 1, 2017	<u>546,379</u>	<u>3,628,375</u>	<u>14,702</u>	<u>1,806,250</u>	<u>52,416</u>	<u>6,048,122</u>
Fund balances - June 30, 2018	<u>\$ 1,497,882</u>	<u>\$ 3,549,406</u>	<u>\$ 15,044</u>	<u>\$ 1,879,143</u>	<u>\$ 41,759</u>	<u>\$ 6,983,234</u>

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

REGIONAL SCHOOL DISTRICT NO. 17
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds \$ 935,112

Amounts reported for governmental activities in the statement of activities
are due to:

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.

Depreciation expense	(1,462,863)
Capital outlay	<u>2,939,481</u>

Total	<u>1,476,618</u>
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Debt issued:	
Capital leases	(141,003)
Bond anticipation notes	(1,980,000)
Principal repayments:	
General obligation bonds	1,680,000
Capital leases	<u>180,406</u>

Total	<u>(260,597)</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:

Increase in OPEB expense	(140,002)
Decrease in compensated absences	124,546
Amortization of bond premium	82,529
Amortization of deferred amount on refunding	(74,451)
Increase in accrued interest payable	<u>(19,454)</u>

Total	<u>(26,832)</u>
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Internal service funds are used by management to charge costs of health insurance deductibles to individual departments	<u>(307,043)</u>
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Change in net position of governmental activities	<u>\$ 1,817,258</u>
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The notes to the financial statements are an integral part of this statement.

REGIONAL SCHOOL DISTRICT NO. 17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Member town assessments	\$ 41,112,981	\$ 40,912,981	\$ 40,912,981	\$ -
Intergovernmental	870,677	870,677	839,087	(31,590)
Investment income	10,170	10,170	75,860	65,690
Charges for services	32,600	32,600	31,291	(1,309)
Total revenues	<u>42,026,428</u>	<u>41,826,428</u>	<u>41,859,219</u>	<u>32,791</u>
EXPENDITURES				
Current:				
Instructional	15,307,588	15,360,180	15,232,555	127,625
Support services	1,778,420	1,756,020	1,609,434	146,586
Insurance and benefits	8,285,738	8,217,396	7,837,272	380,124
Library and audio visual	718,565	741,832	724,485	17,347
Information systems	563,366	555,255	537,012	18,243
Administrative	3,096,767	3,118,562	3,088,050	30,512
Property maintenance	4,541,220	4,546,643	4,629,878	(83,235)
Transportation	3,392,197	3,389,347	3,292,093	97,254
Student activity	768,087	766,713	734,445	32,268
Tuition	1,608,017	1,608,017	1,629,618	(21,601)
Debt service	1,966,463	1,966,463	1,966,463	-
Total Expenditures	<u>42,026,428</u>	<u>42,026,428</u>	<u>41,281,305</u>	<u>745,123</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(200,000)</u>	<u>577,914</u>	<u>777,914</u>
Other financing sources (uses):				
Lapsed encumbrances	-	-	65,944	65,944
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>65,944</u>	<u>65,944</u>
Net change in fund balance	<u>\$ -</u>	<u>(\$ 200,000)</u>	<u>643,858</u>	<u>\$ 843,858</u>
Budgetary fund balance - July 1, 2017			<u>203,891</u>	
Budgetary fund balance - June 30, 2018			847,749	
Less, amounts to be refunded to member towns			<u>(203,891)</u>	
Unassigned fund balance - June 30, 2018			<u>\$ 643,858</u>	

Note: The original revenue budget was reduced by \$100,000 for each of the member town assessments (\$200,000 in total) due to the reductions in State funding received by the Towns of Haddam and Killingworth. It was agreed that the District would work together with the Town's to share the burden of the state cuts.

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

REGIONAL SCHOOL DISTRICT NO. 17
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	H-K Cubs Daycare Fund	Medical Self Insurance Fund
ASSETS		
Current assets:		
Cash	\$ 249,217	\$ 1,817,458
Accounts receivable	14,304	45,112
Due from other funds	144	71,783
Total current assets	263,665	1,934,353
Capital assets (net of accumulated depreciation):		
Equipment	42,908	-
Total assets	306,573	1,934,353
LIABILITIES		
Current liability:		
Due to other funds	64,858	-
Claims and accounts payable	4,928	-
Claims incurred but not reported	-	959,196
Total liabilities	69,786	959,196
NET POSITION		
Unrestricted	\$ 236,787	\$ 975,157

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

REGIONAL SCHOOL DISTRICT NO. 17
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	H-K Cubs Daycare Fund	Medical Self Insurance Fund
OPERATING REVENUES		
Charges for services	\$ 466,235	\$ 7,627,106
Total operating revenue	466,235	7,627,106
OPERATING EXPENSES		
Daycare expenses	377,306	-
Claims incurred	-	7,931,929
Administrative expenses	-	3,330
Total operating expenses	377,306	7,935,259
Operating income (loss)	88,929	(308,153)
NONOPERATING REVENUES		
Investment income	2,131	1,110
Total nonoperating revenues	2,131	1,110
Change in net position	91,060	(307,043)
Net position - July 1, 2017	145,727	1,282,200
Net position - June 30, 2018	\$ 236,787	\$ 975,157

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

REGIONAL SCHOOL DISTRICT NO. 17
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities	Governmental Activities
	H-K Cubs Daycare Fund	Medical Self Insurance Fund
Cash Flows from Operating Activities		
Receipts from customers	\$ 459,655	\$ 7,925,794
Payments to employees	(264,737)	-
Payments to suppliers	(60,012)	(7,898,496)
Net cash provided by operating activities	134,906	27,298
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(43,400)	-
Net cash used by capital and related financing activities	(43,400)	-
Cash Flows from Investing Activities		
Investment income	2,131	1,110
Net cash provided by investing activities	2,131	1,110
Net change in cash	93,637	28,408
Cash - July 1, 2017	155,580	1,789,050
Cash - June 30, 2018	\$ 249,217	\$ 1,817,458
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 88,929	(\$ 308,153)
Depreciation	492	
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
(Increase) decrease in:		
Accounts receivables	(6,580)	355,436
Due from other funds	-	(56,748)
Increase (decrease) in:		
Due to other funds	51,231	-
Claims and accounts payable	834	36,763
Net cash provided by operating activities	\$ 134,906	\$ 27,298

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

REGIONAL SCHOOL DISTRICT NO. 17
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Pension Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ -	\$ 244,406
Investments	4,164,763	-
	<u> </u>	<u> </u>
Total assets	4,164,763	\$ 244,406
	<u> </u>	<u> </u>
LIABILITIES		
Due to student groups	-	\$ 244,406
	<u> </u>	<u> </u>
Total liabilities	-	\$ 244,406
	<u> </u>	<u> </u>
NET POSITION		
Net position held in trust for pension benefits	\$ 4,164,763	
	<u> </u>	

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

**REGIONAL SCHOOL DISTRICT NO. 17
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	\$ 172,253
Employee	6,534
Investment return:	
Net appreciation in fair value of investments	341,103
Total additions	519,890
DEDUCTIONS	
Benefits	258,474
Administrative expense	84
Total deductions	258,558
Change in net position	261,332
Net position - July 1, 2017	3,903,431
Net position - June 30, 2018	\$ 4,164,763

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

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Regional School District No. 17 (the "District") was organized under the provisions of the Connecticut General Statutes, after approval by the member towns of Haddam and Killingworth, Connecticut, for the purpose of providing education for grades K through 12. The District provides a full range of educational services to its member districts. The District consists of three elementary schools, one middle school and one high school.

The District is governed by a Regional Board of Education consisting of six members from Haddam and five members from Killingworth. The members of the Board serve two-year or four-year terms. The Superintendent of Schools, selected by the Board of Education, manages the day-to-day affairs of the District.

The District's operating and debt service expenses are paid by the member towns in proportion to the number of attending pupils. The current year assessment percentages are 59.16824% for Haddam and 40.83176% for Killingworth.

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 the Government Accounting Standards Board.

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.

B. Basis of Presentation

The financial statements of the District have been prepared in conformity with U.S. generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies used by the District:

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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 of the nonfiduciary activities of the District. As a general rule, the effect of interfund balances and activity has been eliminated in preparation of these statements. Exceptions to this rule are services provided by one fund used by another fund. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned. Governmental activities, which are normally supported by member town assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the financial position of the District at the end of its fiscal year. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member town assessments and other items, which are properly not included among program revenues, are reported instead as general revenues. The District does not allocate indirect expenses to functions in the Statement of Activities.

Fund Financial Statements

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

The District reports the following major governmental funds:

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

The Bonded Capital Project Fund is a capital projects fund and accounts for the financial revenue and resources to be used for major capital outlays funded mainly through the issuance of debt.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

The Special School Grants Fund is a special revenue fund and accounts for federal, state and local education grants awarded to the District.

The Capital Nonrecurring Fund is a capital projects fund and accounts for the financial revenues to be used for major capital asset construction, maintenance, repair and/or purchases.

The District reports the following major enterprise fund:

The H-K Cubs Daycare Fund accounts for the operating revenues and expenses of the daycare center operated by the District.

Additionally, the District reports the following fund types:

The Medical Self Insurance Fund is an internal service fund used to account for risk financing activities for medical insurance benefits.

The Pension Trust Fund accounts for the activities of the District's pension plan, which accumulates resources for pension benefit payments to qualified employees.

The Agency Fund accounts for funds held by the District on behalf of outside groups or individuals such as student activities.

During the course of operations the District may have activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as gross amounts as transfers in/out. Certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
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C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Agency funds do not have a measurement focus but are accounted for using 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. Member town assessments are recognized as revenues in the year for which they are assessed. Net budget surpluses are returned to member Towns in the following budget year. 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. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
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Like the government-wide statements, all proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's proprietary funds is charges to customers for services. The principal operating revenues of the District's internal service funds is charges to the District's function areas and employees and retirees for medical insurance benefits. Operating expenses for the proprietary funds, including both enterprise and internal service funds include personnel, claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

Cash and Cash Equivalents

The District considers cash and cash equivalents as cash on hand, demand deposits, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Investments

Investments for the District are reported at fair value, based on quoted market prices.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Governmental grants and other receivables are considered to be fully collectable and no allowance for collection losses has been applied.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method in both government-wide and fund financial statements. At June 30, 2018, the District had no prepaid items.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for equipment, \$20,000 for improvements 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.

Capital assets are reported as expenditures and no depreciation is reported in the governmental fund financial statements.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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

Assets	Years
Land improvements	40
Building and improvements	20-60
Equipment and vehicles	10

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, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources related to OPEB in the government-wide statement of net position. A deferred inflow of resources related to OPEB results from changes in assumptions. This amount is deferred and included in OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees).

Compensated Absences

Compensated absences of the District consist of sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30, 2018 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.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
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The total liability for 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. District employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation at various rates.

Net Other Postemployment Benefit (OPEB) Liability

The net OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the OPEB plan's fiduciary net position. The District does not currently have funds set aside in an OPEB Trust. The net position liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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, 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:

- a. 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
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- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

- c. Unrestricted - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Net Position Flow Assumption - Sometimes the government will fund outlays for a particular purpose from both restricted (i.e. 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:

- a. 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.

- b. 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.

- c. Committed Fund Balance - represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal vote of the Board of Education (the highest level of decision making authority of the District) and cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same formal vote.

- d. Assigned Fund Balance - represents amounts that are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. Amounts may be constrained to be used for a specific purpose by the Board of Education or Department Head that has been delegated authority to assign amounts by the Board of Education.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
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- e. 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.

E. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenses and expenditures. Actual results could differ from those estimates.

F. Subsequent Events

Management has evaluated subsequent events through December 5, 2018, the date the financial statements were available to be issued.

G. Application of Accounting Standards

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities. The net position of the District at June 30, 2017 has been restated by \$4,106,824 to recognize the net other postemployment benefits liability required in implementing GASB Statement No. 75.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

2. Stewardship, Compliance and Accountability

Budget and Budgetary Accounting

General Fund

The District adheres to the following procedures in establishing the budgetary data included in the general fund financial statements. A budget for the general fund is authorized annually by the Board of Education.

- The citizens of the districts of Haddam and Killingworth vote on the recommended budget.
- All budget transfers between established line items must be approved by the Board of Education.
- Formal budgetary integration is employed as a management control device during the year for the general fund.
- The legal level of control (the level at which expenditures may not legally exceed appropriations) is at the total expenditure level for the general fund.
- The Board of Education is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Board of Education approval and be approved at member districts' meetings. There were no additional appropriations during the year.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year end are reported in budgetary reports as expenditures in the current year.
- The District does not budget for revenue or expenditures for pension contribution made by the State of Connecticut for District teachers. The amount of this contribution was \$6,843,431.
- The Accrued Sick and Severance Fund is combined for financial reporting purposes and is not budgeted within the General Fund.

Capital Projects

The District does establish project-length budgets for its capital projects fund, which continue until the completion of applicable projects, even when projects extend more than one fiscal year.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
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Budget - GAAP Reconciliation

A reconciliation of revenues, expenditures, and fund balance between the accounting treatment required by GAAP, and budgetary requirements is as follows:

	Revenue and Operating Transfers In	Expenditures and Operating Transfers Out	Fund Balance
Balance, Budgetary Basis (page 23)	\$ 41,859,219	\$ 41,281,305	\$ 643,858
Encumbrances:			
Prior year encumbrances liquidated	-	227	-
Current year encumbrances outstanding	-	(647,441)	647,441
On-behalf payments - State Teachers Retirement System - Pension and OPEB	6,843,431	6,843,431	-
Due to Member Towns	-	-	203,891
Refund to Member Towns	(254,938)	-	-
Capital lease	141,003	141,003	-
Accrued sick and severance fund	113	18,800	2,692
Balance, GAAP Basis (page 20)	<u>\$ 48,588,828</u>	<u>\$ 47,637,325</u>	<u>\$ 1,497,882</u>

The Statement of Revenues, Expenditures and Changes in Fund Balances - GAAP basis reflects for the General Fund, revenues of \$48,447,825 and proceeds from capital lease of \$141,003 totaling \$48,588,828 and expenditures of \$47,217,061 and operating transfers out of \$420,264 totaling \$47,637,325.

3. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. The District follows the State of Connecticut policy that 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
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As of June 30, 2018, \$9,941,298 of the District's bank balance of \$10,444,297 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 8,947,168
Uninsured and collateral held by the pledging bank's trust department, not in District's name	<u>994,130</u>
Total amount subject to custodial credit risk	<u><u>\$ 9,941,298</u></u>

Investments

In general, State of Connecticut General Statutes allow the District to invest in 1) obligations of the United States and its agencies; 2) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof; 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 or its agencies, and repurchase agreements fully collateralized by such obligations.

The Statutes also provide for investment in shares of the State Treasurer's Short-Term Investment Fund (STIF). This investment pool is managed by the State of Connecticut Office of the State Treasurer. Investments must be made in instruments authorized by Connecticut General Statutes 3-27c - 3-27e. Investment guidelines are adopted by the State Treasurer. The fair value of the position in the pool is the same as the value of the pool shares. The pool is rated AAAm by Standard & Poor's.

The Pension Trust Fund is also authorized to invest in corporate bonds, common stocks and mutual funds.

At June 30, 2018, the District's investments consisted of the following:

Type of Investment	Credit Rating	Fair Value	Investment Maturities		
			N/A	Less Than 1 Year	1-5 Years
Pension Trust Fund:					
Equity mutual funds	N/A	\$ 2,123,433	\$ 2,123,433	\$ -	\$ -
Bond mutual funds	N/A	232,277	232,277	-	-
Money market mutual funds	N/A	1,809,053	1,809,053	-	-
Pooled fixed income	AAAm	<u>318,478</u>	<u>318,478</u>	<u>-</u>	<u>-</u>
Totals		<u><u>\$ 4,483,241</u></u>	<u><u>\$ 4,483,241</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The pooled fixed income of \$318,478 was invested in STIF.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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

Credit risk - The District does not have a formal investment policy that limits its investment choices due to credit risk other than policies set forth by State of Connecticut statutes.

Concentration of credit risk - The District does not have a formal investment policy that restricts investments in any one issuer that is in excess of 5% of the District's total investments.

Custodial credit risk - Custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty (the institution that pledges collateral or repurchase agreement securities to the District or that sells investments to or buys them from the District), the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk.

Fair Value Measures - The District utilizes the market approach as the valuation technique to measure fair value of its financial assets. U.S. generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value of financial instruments into three levels.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities where the organization has the ability to access at the measurement date;

Level 2 - Significant other observable inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly (i.e. quoted prices in inactive markets, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency);

Level 3 - Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the organization's own data that reflects assumptions that market participants would use in pricing the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The District's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The District has no financial assets measured using Level 2 or Level 3 at June 30, 2018.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

4. Interfund Transactions

Interfund Balances

Interfund balances consisted of the following at June 30, 2018, as reported in the fund financial statements:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 39,674	\$ 273,446
Major Funds:		
Bonded capital projects	16,537	-
Special school grants	3,389	-
Capital nonrecurring	208,739	-
H-K Cubs Daycare	144	64,858
Medical self insurance	71,783	-
	300,592	64,858
Non-major Funds - aggregate	-	1,962
	\$ 340,266	\$ 340,266

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

Interfund Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported in the fund financial statements:

Transfers In	Transfers Out	Amount
Capital Nonrecurring	General Fund	\$ 420,264

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

5. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,148,207	\$ -	\$ -	\$ 3,148,207
Construction in progress	-	2,939,481	-	2,939,481
Total capital assets, not being depreciated	<u>3,148,207</u>	<u>2,939,481</u>	<u>-</u>	<u>6,087,688</u>
Capital assets, being depreciated:				
Land improvements	11,936,017	-	-	11,936,017
Buildings and improvements	55,306,548	-	-	55,306,548
Equipment	2,167,681	-	-	2,167,681
Vehicles	283,725	-	-	283,725
Total capital assets, being depreciated:	<u>69,693,971</u>	<u>-</u>	<u>-</u>	<u>69,693,971</u>
Total capital assets	<u>72,842,178</u>	<u>2,939,481</u>	<u>-</u>	<u>75,781,659</u>
Less, accumulated depreciation for:				
Land improvements	3,338,149	312,517	-	3,650,666
Buildings and improvements	23,980,491	1,075,204	-	25,055,695
Equipment	1,534,072	55,749	-	1,589,821
Vehicles	195,148	19,393	-	214,541
Total accumulated depreciation	<u>29,047,860</u>	<u>1,462,863</u>	<u>-</u>	<u>30,510,723</u>
Total capital assets, being depreciated, net	<u>40,646,111</u>	<u>(1,462,863)</u>	<u>-</u>	<u>39,183,248</u>
Governmental activities capital assets, net	<u>\$ 43,794,318</u>	<u>\$ 1,476,618</u>	<u>\$ -</u>	<u>\$ 45,270,936</u>

Depreciation expense was charged to programs of the District, as follows:

Property maintenance	\$ 1,443,470
Transportation	<u>19,393</u>
Total depreciation expense	<u>\$ 1,462,863</u>

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Business-Type Activities:				
Capital assets, being depreciated:				
Equipment	\$ -	\$ 43,400	\$ -	\$ 43,400
Total capital assets, being depreciated:	-	43,400	-	43,400
Less, accumulated depreciation for:				
Equipment	-	492	-	492
Total accumulated depreciation	-	492	-	492
Total capital assets, being depreciated, net	-	42,908	-	42,908
Business-Type activities capital assets, net	<u>\$ -</u>	<u>\$ 42,908</u>	<u>\$ -</u>	<u>\$ 42,908</u>

Depreciation expense was charged to programs of the District, as follows:

H-K Cubs Daycare	\$ 492
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Long-Term Obligations

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

Description	Balance July 1, 2017 as restated	Additions	Deductions	Balance June 30, 2018	Current Portion
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 8,000,000	\$ -	\$ 1,680,000	\$ 6,320,000	\$ 1,665,000
Bond anticipation notes	3,800,000	1,980,000	-	5,780,000	5,780,000
Unamortized amounts:					
Premiums	550,646	-	82,529	468,117	-
Total Bonds Payable	12,350,646	1,980,000	1,762,529	12,568,117	7,445,000
Capital leases	289,218	141,003	180,406	249,815	130,546
Compensated absences	644,896	-	124,546	520,350	31,221
Net OPEB liability	6,160,008	-	71,289	6,088,719	-
Governmental activities long-term liabilities	<u>\$ 19,444,768</u>	<u>\$ 2,121,003</u>	<u>\$ 2,138,770</u>	<u>\$ 19,427,001</u>	<u>\$ 7,606,767</u>

Bonds payable and other liabilities are generally liquidated by the General Fund.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

General Obligation Bonds

A summary of general obligations bonds outstanding at June 30, 2018 is as follows:

Purpose of Bonds	Final Maturity Date	Interest Rates	Amount Outstanding
Governmental Activities			
General obligation bonds issued 4/6/05, original amount \$7,700,000	4/1/2020	3.85%	1,200,000
General obligation refunding bonds issued 2/28/12, original amount \$9,450,000	5/15/2024	2.0%-4.0%	<u>5,120,000</u>
			<u>\$ 6,320,000</u>

The annual debt service requirements to maturity at June 30, 2018 are as follows:

Fiscal Year Ended June 30,	Principal Payments	Interest Payments
2019	\$ 1,665,000	\$ 230,963
2020	1,640,000	165,263
2021	950,000	100,563
2022	920,000	62,563
2023	860,000	25,763
2024	<u>285,000</u>	<u>6,408</u>
Total	<u>\$ 6,320,000</u>	<u>\$ 591,522</u>

Bond Anticipation Notes

On March 3, 2017, the District issued bond anticipation notes for \$3,800,000 with an interest rate of 1.73% which mature on February 27, 2019, to fund various school improvement projects.

On March 1, 2018, the District issued bond anticipation notes for \$1,980,000 with an interest rate of 2.14% which mature on February 27, 2019, to fund various school improvement projects.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Capital Leases

At June 30, 2018, the District is committed under lease agreements for the acquisition of technology used in schools. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease term) and, therefore, have been recorded at the lower of the present value of the future minimum lease payments or the fair value of the leased assets at the date of the inception of the leases.

The annual future lease payments as of June 30, 2018 are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2019	\$ 130,546	\$ 5,732
2020	83,621	2,660
2021	<u>35,648</u>	<u>832</u>
Total	<u>\$ 249,815</u>	<u>\$ 9,224</u>

Authorized/Unissued Bonds

At June 30, 2018, the District had \$3,710,000 authorized but unissued debt.

Statutory Debt Limitations

The District's indebtedness does not exceed the legal debt limitations as required by Connecticut General Statutes. The statutes allow for debt up to 4.5 times the annual receipts of taxation of the member towns. The District's debt limitation is as follows:

<u>Category</u>	<u>Debt Limit</u>	<u>Total Indebtedness June 30, 2018</u>	<u>Balance</u>
Schools	\$ 212,190,660	\$ 15,810,000	\$ 196,380,660

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

6. Fund Balance

	General Fund	Bonded Capital Projects	Special School Grants	Capital Nonrecurring	Non-major Governmental Funds	Total
Fund balances:						
Restricted for:						
Instruction	\$ -	\$ -	\$ 15,044	\$ -	\$ -	\$ 15,044
Capital projects	-	3,549,406	-	-	-	3,549,406
Committed to:						
Member towns	203,891	-	-	-	-	203,891
Accrued sick and severance	2,692	-	-	-	-	2,692
Community service	-	-	-	-	3,871	3,871
Assigned to:						
General operations	647,441	-	-	-	-	647,441
Capital projects	-	-	-	1,879,143	-	1,879,143
Food service	-	-	-	-	37,888	37,888
Unassigned	643,858	-	-	-	-	643,858
Total fund balances	<u>\$ 1,497,882</u>	<u>\$ 3,549,406</u>	<u>\$ 15,044</u>	<u>\$ 1,879,143</u>	<u>\$ 41,759</u>	<u>\$ 6,983,234</u>

Encumbrances at June 30, 2018 are contained in the above table in the assigned category of the General Fund.

7. Pension Plans

Defined Contribution Plan

The District provides pension plan benefits for all noncertified employees working 20 hours per week or more through a defined contribution plan (Regional School District No. 17 Money Purchase Pension Plan). The plan is considered to be part of the District's financial reporting entity and is included in the District's basic financial statements as a pension trust fund. The plan does not issue separate, stand-alone, financial reports. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Employees are eligible to participate upon attaining age 21 or after completing one year of service. The District's contributions for each employee (and related earnings allocated to the employer contributions account) become fully vested at the earlier of the following dates: (a) the date of the participant's death; (b) the date the participant incurs total disability; (c) the date the participant attains the normal retirement age; (d) the date of termination of this plan or the date of the complete cessation of employer contributions hereunder; or (e) the date the participant becomes 100% vested.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Prior to becoming fully vested, the participant shall earn a vested interest in his employer contributions account in accordance with the following schedule:

Vesting Service	Vested Interest
Less than 3 years	0%
At least 3 years	20%
At least 4 years	40%
At least 5 years	60%
At least 6 years	80%
7 or more years	100%

Administration costs

Administration costs are financed by the General Fund.

Benefit Provisions

Participants are always fully vested in their own contributions (and related earnings allocated to the participant contribution account). Plan members may make voluntary contributions ranging from 1% to 10% of their compensation. The Board of Education has authority over how the plan is established, maintained and amended.

Employer Contributions

The District's total payroll for the year ended June 30, 2018, was approximately \$19,067,000. The District's contribution amounted to \$172,253, net of \$50,000 in forfeitures applied, which is equivalent to 5% of the annual active participants' payroll of approximately \$4,616,000. Enrollment in the plan now totals 183 participants.

Connecticut State Teachers' Retirement System

Plan Description

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

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

TRS is a cost sharing multi-employer pension plan with a special funding situation administered by the Connecticut State Teachers' Retirement Board. The State Teachers' Retirement Board (TRB) is responsible for the administration of the Connecticut Teachers' Retirement System. The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Benefit Provisions

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

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times the years of credited service (maximum benefit is 75% of average annual salary during the 3 years of highest salary).

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

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

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

Contributions

Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut is amended and certified by the State Teachers' Retirement Board and appropriated by the General Assembly. The Statutes require the State of Connecticut to contribute 100% of each school districts' contributions, which are actuarially determined as an amount that, when combined with employee contributions and investment earning, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

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

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Effective July 1, 1992, each teacher is required to contribute 6% of pensionable salary for the pension benefit. Effective January 1, 2018, the required contribution increased to 7% of pensionable salary.

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

At June 30, 2018, the District reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the District		<u>53,632,120</u>
Total		<u><u>\$53,632,120</u></u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2018, the District has no proportionate share of the net pension liability.

For the year ended June 30, 2018, the District recognized pension expense and revenue of \$6,203,670 for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75%
Salary increases, including inflation	3.25 - 6.50%
Long-term investment rate of return, net of pension investment expense, including inflation	8.00%

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 - June 30, 2015.

Future cost-of-living increases for members vary depending on year of retirement.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equities	21.00 %	5.80 %
Developed non-U.S. equities	18.00	6.60
Emerging markets (non-U.S.)	9.00	8.30
Real estate	7.00	5.10
Private equity	11.00	7.60
Alternative investments	8.00	4.10
Core fixed income	7.00	1.30
High yield bonds	5.00	3.90
Emerging market bond	5.00	3.70
Inflation linked bond fund	3.00	1.00
Cash	6.00	0.40
	100.00 %	

Discount Rate: The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

8. Other Post-employment Benefits (OPEB)

District Plan

Plan Description

The District provides post-retirement medical benefits to eligible retirees and their spouses through a single-employer, contributory, defined benefit OPEB plan. The District does not issue stand-alone financial statements for this program. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefit Provisions

Administrators and teachers are eligible for medical coverage upon meeting one of the following criteria:

1. Normal retirement at age 60 with 20 years of service or any age with 35 years of service or
2. Early retirement at age 60 with 10 years of service, age 55 with 20 years of service or any age with 25 years of service.

Support services employees and school nurses are eligible for medical coverage upon retiring at age 60 with at least 15 years of service.

Plan Membership

Membership in the plan consisted of the following at June 30, 2016, the date of the last actuarial valuation:

Inactive employees or beneficiaries currently receiving benefit payments	37
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>259</u>
Total	<u><u>296</u></u>

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Funding Policy

The District funding and payment of postemployment benefits are account for in the General Fund. The District has not established a trust fund to segregate assets to fund the liability associated with postemployment benefits. The District does not currently have a funding strategy to provide for normal cost and the amortization of the accrued liability. The District currently contributes enough money to the plan to satisfy the current obligations on a pay-as-you go basis.

The contribution requirement of plan members and the District are negotiated with the various unions representing the employees. Retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of health insurance premiums as follows:

Retirees and spouses pay 100% of the premium, less the \$1,320 annual CT Teachers Retirement Board subsidy for certified employees.

Total OPEB Liability

The District's total OPEB liability of \$6,088,719 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2016 and increased by service cost and interest and decreased by benefit payments through the measurement date.

Actuarial assumptions and other inputs - The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	3.5%, including inflation
Discount rate	3.87%
Healthcare cost trend rates	5.10% - 4.40% over 58 years

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates for teachers and administrators were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, projected forward 19 years using Scale AA. Mortality rates for all others were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females with generational projection per Scale AA.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2017	\$ 6,160,008
Changes for the year:	
Service cost	234,922
Interest	223,753
Changes in assumptions or other inputs	(237,702)
Benefit payments	<u>(292,262)</u>
Net changes	<u>(71,289)</u>
Balance, June 30, 2018	<u><u>\$ 6,088,719</u></u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.58% in 2017 to 3.87% in 2018.

Sensitivity of the total OPEB liability to changes in the discount rate - the following presents the total OPEB liability of the District, calculated using the discount rate of 3.87%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 6,968,719	\$ 6,088,719	\$ 5,361,689

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - the following presents the total OPEB liability of the District, calculated using the healthcare cost trend rate of 5.10%, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.10%) or 1-percentage-point higher (6.10%) than the current rate:

	1% Decrease (4.10% decreasing 3.40%)	Healthcare Cost Trend Rates (5.10% decreasing 4.40%)	1% Increase (6.10% decreasing 5.40%)
Total OPEB liability	\$ 5,132,891	\$ 6,088,719	\$ 7,309,126

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$432,264. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>
Changes of assumptions	<u>\$ 211,291</u>
	<u>\$ 211,291</u>

The changes of assumptions are being amortized over 9 years.

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

<u>Year ending June 30</u>	
2019	\$ 26,411
2020	26,411
2021	26,411
2022	26,411
2023	26,411
Thereafter	79,236

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Connecticut State Teachers' Retirement System

Plan Description

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

TRS is a cost sharing multi-employer defined benefit OPEB plan with a special funding situation administered by the Connecticut State Teachers' Retirement Board. The State Teachers' Retirement Board (TRB) is responsible for the administration of the Connecticut Teachers' Retirement System. The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Benefit Provisions

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

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

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

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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

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

Contributions

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

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

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

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

At June 30, 2018, the District reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows, due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the District as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$	-
State's proportionate share of the net OPEB liability associated with the District		<u>13,804,310</u>
Total		<u><u>\$ 13,804,310</u></u>

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. At June 30, 2018, the District has no proportionate share of the net OPEB liability.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

For the year ended June 30, 2018, the District recognized pension expense and revenue of \$639,761 for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75%
Real wage growth	0.50%
Wage inflation	3.25%
Salary increases, including inflation	3.25 - 6.50%
Long-term investment rate of return, net of OPEB investment expense, including inflation	2.75%
Discount rate	3.01%
Healthcare cost trend rate	7.25% for 2017 decreasing to an an ultimate rate of 5.00% by 2022

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 - June 30, 2015.

The target asset allocation and best estimates of geometric real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected 10-Year Geometric Real Rate of Return</u>
U.S. treasuries	100.00 %	0.04 %

Discount Rate: The discount rate used to measure the total pension liability was 3.56%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2016.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

In addition to the actuarial methods and assumptions of the June 30, 2016 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annual at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.
- For future plan members, contribution inflows were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be depleted in 2018 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

9. Risk Management

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets, errors and omissions for public officials, injuries to employees and natural disasters. The District purchases commercial insurance for all risks of loss, including blanket and umbrella policies. Settled claims have not needed commercial coverage in any of the past three years, and there have not been any significant reductions in insurance coverage from amounts held in prior year.

The District established as an internal service fund (the medical self-insurance fund) to account for and finance the retained risk of loss for the District. A private vendor administers the plan for which the fund pays a fee. The medical self-insurance fund provides coverage for all eligible District employees. The District has purchased a stop loss policy for total claims in any one year exceeding an aggregate of 120% of expected claims and for individual claims exceeding \$175,000 for hospital and major medical. The Town of Haddam participates in this medical self-insurance program and pays 100% of its insurance claims and administrative expenses.

REGIONAL SCHOOL DISTRICT NO. 17
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

The District's payments to the fund are based upon estimates by number of employees and type of coverage (single or family) and trends in the insurance claims and estimates for administration.

	Claims Payable July 1	Claims and Changes in Estimates	Claims Paid	Claims Payable June 30
2015 - 2016	\$ 790,246	\$ 7,041,655	\$ 6,999,124	\$ 832,777
2016 - 2017	832,777	8,071,342	7,981,686	922,433
2017 - 2018	922,433	7,931,929	7,895,166	959,196

10. Contingencies

There are various suits and claims pending against the District, 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 District's financial position.

The District 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, District management believes such disallowances, if any, will not be material.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**REGIONAL SCHOOL DISTRICT NO. 17
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.00 %	0.00 %	0.00 %	0.00 %
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the District	<u>53,632,120</u>	<u>56,582,297</u>	<u>47,430,645</u>	<u>43,840,126</u>
Total	<u>\$ 53,632,120</u>	<u>\$ 56,582,297</u>	<u>\$ 47,430,645</u>	<u>\$ 43,840,126</u>
District's covered payroll	<u>\$ 16,226,002</u>	<u>\$ 16,162,830</u>	<u>\$ 15,938,000</u>	<u>\$ 16,114,000</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00 %</u>	<u>0.00 %</u>	<u>0.00 %</u>	<u>0.00 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>55.93 %</u>	<u>52.26 %</u>	<u>59.50 %</u>	<u>61.51 %</u>

Notes to Schedule

Change in Benefits

None

Change of Assumptions

In 2016, rates of inflation, salary increases and investment rate of return were adjusted to more closely reflect actual and anticipated experience. These assumptions were recommended as part of the Experience Study for the System for the five year period ended June 30, 2015.

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

**REGIONAL SCHOOL DISTRICT NO. 17
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR**

	2018
Total OPEB liability	
Service cost	\$ 234,922
Interest	223,753
Effect of assumptions changes or inputs	(237,702)
Benefit payments, including refunds of member contributions	<u>(292,262)</u>
Net change in total OPEB liability	(71,289)
Total OPEB liability - beginning	<u>6,160,008</u>
Total OPEB liability - ending	<u><u>\$ 6,088,719</u></u>
Covered payroll	\$ 16,580,089
Net OPEB liability as a percentage of covered payroll	36.72 %

Notes to Schedule

Change in benefits terms	None
Change of assumptions	None

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

**REGIONAL SCHOOL DISTRICT NO. 17
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM
LAST FISCAL YEAR**

	2018
District's proportion of the net OPEB liability	0.00 %
District's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the District	13,804,310
Total	\$ 13,804,310
District's covered payroll	\$ 16,226,002
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00 %
Plan fiduciary net position as a percentage of the total OPEB liability	1.79 %

Notes to Schedule

Change in Benefits	None
Change of Assumptions	None

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

APPENDIX A2

BASIC FINANCIAL STATEMENTS

TOWN OF HADDAM, CONNECTICUT

As of and for the Fiscal Year Ended June 30, 2018

Independent Auditors' Report

To the Board of Finance
Town of Haddam, 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 Haddam, Connecticut, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Haddam, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Haddam, Connecticut, as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the pension schedules, as listed in the table of contents, 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Haddam, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2019 on our consideration of the Town of Haddam, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Haddam, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Haddam, Connecticut's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
January 25, 2019



Management's Discussion and Analysis



Management's Discussion and Analysis For the Year Ended June 30, 2018

As management of the Town of Haddam, we offer readers of the Town's financial statements this overview and analysis of the financial activities of the Town of Haddam for the fiscal year ended June 30, 2018.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$27,732,452 (*net position*). Of this amount, \$8,138,131 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$665,815. This was due substantially to capital asset additions in excess of depreciation and the difference in the basis of account for debt service principal payments offset by an increase in pension expense of \$172,671.
- As of the close of the current fiscal year, the Town's funds reported combined ending fund balances of \$12,896,875 a decrease of \$763,127 in comparison with the prior year. This decrease is substantially due to spending of the bond proceeds for road reconstruction that was issued in a prior year of \$1,400,429. In addition, the increase in fund balances in the capital and nonrecurring fund of \$576,670 is due to the year-end transfer of \$355,320 of an additional amount from the general fund to the capital nonrecurring fund.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,886,482, which represents 15.5% percent of total general fund expenditures and transfers out.
- Long-term liabilities decreased by a net of \$306,540 mostly due to scheduled principal payments of \$465,000.

Overview of the Basic Financial Statements

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

Government-wide financial statements. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The *statement of net position* and *statement of activities* report information for the Town as whole and attempt to present information in a way that helps answer this question. These statements are presented using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

The *statement of net position* presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflow of resources 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* health, or position of the Town, is improving or deteriorating.

30 Field Park Drive, Haddam, CT 06438
Phone (860) 345-8531*Fax (860) 345-3730

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

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

Fund financial statements. The fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required by State law and others by grants agreements or Board of Finance action. However, the Town establishes many other funds to help it maintain control and manage resources that have been segregated for specific activities or objectives. Funds are also established to ensure and demonstrate compliance with finance related legal requirements for using certain grants. All of the funds of the 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 evaluating a Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental 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.

For 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, the Capital Nonrecurring Fund and the Road Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in Exhibits B-1 and B-2 in this report.

Fiduciary funds. The Town is the trustee, or fiduciary, for its employees' and volunteer firefighters' pension plans. It is also responsible for other assets that the Town has custody of, but belong to others. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position (Exhibits V and VI). We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) regarding the Town's pension funds.

The Town adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found in Exhibits B-1 and B-2 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. The Town's total net position increased by \$665,815 to \$27,732,452. This was substantially due to pension expense and related activity. This was due substantially to capital asset additions in excess of depreciation and the difference in the basis of account for debt service principal payments offset by an increase in pension expense of \$172,671.

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

**Summary Statement of Net Position
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 14,100,668	\$ 15,336,118
Capital assets, net	<u>24,063,575</u>	<u>22,990,971</u>
Total assets	<u>38,164,243</u>	<u>38,327,089</u>
 Deferred outflows of resources	 <u>610,963</u>	 <u>655,821</u>
Other liabilities outstanding	508,510	982,713
Long-term liabilities outstanding	<u>10,387,999</u>	<u>10,694,539</u>
Total liabilities	<u>10,896,509</u>	<u>11,677,252</u>
 Deferred inflows of resources	 <u>146,245</u>	 <u>239,021</u>
Net investment in capital assets	19,497,944	19,347,962
Restricted	96,377	78,726
Unrestricted	<u>8,138,131</u>	<u>7,639,949</u>
 Total Net Position	 <u>\$ 27,732,452</u>	 <u>\$ 27,066,637</u>

A portion of the Town's net position (\$96,377) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net position increased by \$665,815 as presented in the Statement of Changes in Net Position below:

**Statement of Changes in Net Position
For the Years Ended June 30, 2018 and 2017**

	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 518,678	\$ 491,898
Operating grants and contributions	2,067,690	2,493,850
Capital grants and contributions	377,190	392,009
General revenues:		
Property taxes	29,016,224	28,347,096
Grants and contributions not restricted to specific programs	165,627	89,185
Unrestricted investment earnings	57,582	38,159
Other general revenues	64,885	6,647
Total revenues	32,267,876	31,858,844
Expenses:		
General government	2,753,937	2,913,689
Public safety	1,088,719	1,043,013
Public works	2,460,422	3,176,518
Health and welfare	420,490	458,998
Miscellaneous organizations/recreation	570,320	529,400
Education	24,076,806	23,682,299
Interest expense	231,367	197,538
Total expenses	31,602,061	32,001,455
Change in net position	665,815	(142,611)
Net Position at Beginning of Year	27,066,637	27,209,248
Net Position at End of Year	\$ 27,732,452	\$ 27,066,637

Key elements of this decrease are as follows:

- Operating grants and contributions decreased by \$426,160 due to a decrease in state grants.
- General government expenses decreased by \$159,752 due to the reclassification of the public buildings department from general government to Public Works.
- Public works expenses decreased by \$716,096 due to the decrease in labor and overtime costs of \$157,518, a decrease in depreciation expense of \$131,750 and certain one-time projects that were completed in the prior year.
- Education expenses increased \$394,507 due to the increase in the Region School District budget assessment to the Town.

Financial Analysis of the Town's Funds

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

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term 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 spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$12,896,875. The Town's components of fund balance are as follows: 1) Nonspendable for loans issued under the federal Small Cities program (\$85,540), 2) restricted for grants (\$96,377), committed for capital projects, and special revenue activities (\$6,882,792), assigned for debt service (\$945,684) and unassigned of (\$4,886,482).

The total fund balance decreased by \$763,127, which is substantially due to spending of the bond proceeds for road reconstruction that were issued in a prior year of \$1,400,429 offset by the increase in fund balance of the capital and nonrecurring fund of \$576,670. The balance of the Road Fund bond proceeds is expected to be spent by June 30, 2019.

General Fund. The general fund is the operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the general Fund was \$4,886,482. As a measure of the general fund's liquidity, it is useful to compare unassigned fund balance to total expenditures. Unassigned fund balance represents 15.5% of total general fund expenditures and transfers out.

General fund operating results were an increase in fund balance of \$200,070. Key factors related to the operating results of the general fund were as follows:

Revenue factors

- Property taxes was in excess of budget by \$305,448 due to improved collection activity.
- Intergovernmental revenues were under budget by \$725,461. This was a result of both cuts in State funding for certain grants and the Town adopting our budget before the State finalized the Town's funding in October of 2017.
- Charges for services was in excess of budget by \$88,171 due to an increase in the building permit fees implemented during the year.

Expenditure factors

General Fund Budgetary Highlights

- The contingency line was underspent by \$51,193
- Police line was under budget by \$39,992 due to the retirement of the officer assigned to the Town and the new trooper assigned at a lower salary
- Public works was underspent by \$111,475 due to less of a need to use outside contractors and saving in the material line.
- Education was underspent by \$137,118 due to the budget being developed before the State approved the Town funding until October 2017.

Budget Transfers

- Transfers out to the capital and nonrecurring fund was increased by \$355,320 funded from Regional School District budget under expended amount as result of the State not finalizing funding to the Town and Regional School District until October 2017. Other budget transfers were as follows:
- \$19,155 for Town Counsel due substantially to two union contract negotiations occurring during the year.
- \$48,807 of contingency was used for union contract settlements.
- \$13,003 for engineering due to various projects including bridge replacements that were applied for by the Town.

Capital Nonrecurring Fund. This fund accounts for the Town's annual budget appropriation that is the funding for the Town's ten-year capital plan. The ten-year capital plan includes funding for over 100 separate projects, many of which are being funded over multiple years. The capital nonrecurring fund's revenues and transfers exceeded its expenditures by \$576,670 due substantially to the additional year-end transfer from the general fund of \$355,320 to the capital nonrecurring fund during the year to fund future capital purchases. Total fund balance at year end totaled \$2,549,922.

Road Fund. This fund accounts for the bonds issued for road reconstruction projects. The bonds were issued in the prior fiscal year. The Road Fund reported expenditures of \$1,400,429 during the year. The fund balance that remaining of \$3,985,622 is expected to be spent by June 30, 2019.

Capital Assets and Debt Administration

Capital assets. The Town's investment in capital assets totaled \$24,063,575 (net of accumulated depreciation). The net increase in the Town's investment in capital assets for the current fiscal year was \$1,072,604. This increase is largely due to the increase in construction in progress related to the Town's road projects began during the year and continued through the fall. The Town capital asset purchases are approved in the capital budget.

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

- Construction in progress activity for road reconstruction projects totaled \$1,400,429.
- New vehicles purchased totaling \$374,534. The vehicles included a wheeled excavator, new plow truck and a new loader.

**Capital Assets
(Net of Accumulated Depreciation)**

	2018	2017
Land	\$ 934,383	\$ 934,383
Construction in progress	3,209,548	1,704,266
Land improvements	3,603,282	3,688,218
Buildings and improvements	3,241,594	3,370,858
Machinery and equipment	139,277	163,552
Infrastructure	10,541,936	10,801,983
Motor vehicles	2,393,555	2,327,711
Total	\$ 24,063,575	\$ 22,990,971

Additional information on the Town's capital assets can be found in Note 5.

Long-term debt. At the end of the current fiscal year, the Town had total debt outstanding of \$8,255,000. All debt is backed by the full faith and credit of the Town.

	<u>2018</u>	<u>2017</u>
Bonds payable	\$ <u>8,255,000</u>	\$ <u>8,720,000</u>

The Town's long-term debt decreased during the year by \$465,000 due to scheduled debt service payments.

The Town maintains a AAA bond rating from Standard and Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to seven times total prior year tax collections including interest and lien fees. The current debt limitation for the Town is \$198,429,672, which is significantly in excess of the Town's outstanding general obligation debt.

Additional information on the Town's long-term debt can be found in Note 7.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is 3.3%, which is an increase from a rate of 3.6% a year ago. The Town's rate is favorable as compared to the State rate of 4.4% and comparable to the Hartford Labor Market rate of 4.5%.
- The Town continues to be under fiscal pressure to control tax increases. While the general government portion of the budget has remained flat, Haddam's portion of the regional education budget has increase due to the continued shift in enrollment. The Town also has identified improvements that are needed to its infrastructure (road and bridges) and the possible future development of water and sewer systems.

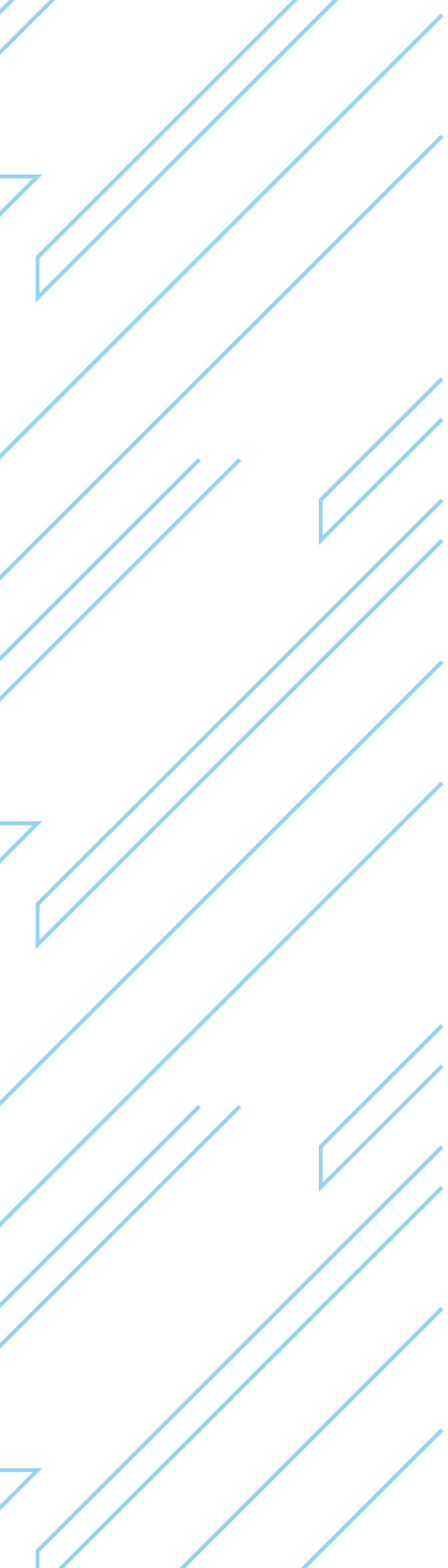
The Town and School District have begun meeting on a regular basis to work together to maintain an affordable tax rate/burden.

- State revenues estimates are proving to be unreliable and therefore adding an additional obstacle to our efforts to maintain modest annual tax increases

These factors were considered in preparing the Town's budget for the 2019 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chairman, Board of Finance, Town of Haddam, 30 Field Park Drive, Haddam, CT 06438.



Basic Financial Statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2018

Assets:	
Cash	\$ 6,487,309
Investments	6,782,110
Receivables:	
Property taxes, net of allowance for uncollectibles of \$700,000	431,631
Interest on property taxes, net of allowance for uncollectibles of \$1,000,000	310,780
Intergovernmental	2,484
Other	86,354
Capital assets:	
Nondepreciable	4,143,931
Depreciable, net	19,919,644
Total assets	<u>38,164,243</u>
Deferred Outflows of Resources:	
Deferred outflows of resources related to pensions	<u>610,963</u>
Liabilities:	
Accounts payable	275,084
Claims payable	19,192
Accrued salaries and benefits payable	2,609
Performance bonds	180,504
Unearned revenue	31,121
Noncurrent liabilities:	
Due within one year	486,136
Due in more than one year	9,901,863
Total liabilities	<u>10,896,509</u>
Deferred Inflows of Resources:	
Deferred inflows of resources related to pensions	<u>146,245</u>
Net Position:	
Net investment in capital assets	19,497,944
Restricted for:	
General government	36,476
Health and welfare	45,776
Town Clerk	14,125
Unrestricted	<u>8,138,131</u>
Total Net Position	<u>\$ 27,732,452</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 2,753,937	\$ 484,347	\$ 72,710	\$	\$ (2,196,880)
Public safety	1,088,719	32,838	17,686		(1,038,195)
Public works	2,460,422	1,493	266,714	377,190	(1,815,025)
Health and welfare	420,490				(420,490)
Culture and recreation	570,320				(570,320)
Education	24,076,806		1,710,580		(22,366,226)
Interest expense	231,367				(231,367)
Total	\$ 31,602,061	\$ 518,678	\$ 2,067,690	\$ 377,190	(28,638,503)
General revenues:					
Property taxes, levied for general purposes					29,016,224
Grants and contributions not restricted to specific programs					165,627
Unrestricted investment earnings					57,582
Other					64,885
Total general revenues					<u>29,304,318</u>
Change in Net Position					665,815
Net Position at Beginning of Year					<u>27,066,637</u>
Net Position at End of Year					<u>\$ 27,732,452</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF HADDAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 1,176,321	\$ 1,328,221	\$ 3,968,642	\$ 14,125	\$ 6,487,309
Investments	6,254,634	226,706		300,770	6,782,110
Receivables:					
Property taxes	1,131,631				1,131,631
Intergovernmental		2,484			2,484
Other	814			85,540	86,354
Due from other funds		992,511	16,980	1,124,727	2,134,218
Total Assets	<u>\$ 8,563,400</u>	<u>\$ 2,549,922</u>	<u>\$ 3,985,622</u>	<u>\$ 1,525,162</u>	<u>\$ 16,624,106</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 217,649				\$ 217,649
Claims payable				19,192	19,192
Accrued salaries and benefits payable	12,916				12,916
Performance bonds	180,504				180,504
Unearned revenue				31,121	31,121
Due to other funds	2,134,218				2,134,218
Total liabilities	<u>2,545,287</u>	<u>-</u>	<u>-</u>	<u>50,313</u>	<u>2,595,600</u>
Deferred inflows of resources:					
Unavailable revenue - property taxes	1,131,631				1,131,631
Fund balances:					
Nonspendable				85,540	85,540
Restricted				96,377	96,377
Committed		2,549,922	3,985,622	347,248	6,882,792
Assigned				945,684	945,684
Unassigned	4,886,482				4,886,482
Total fund balances	<u>4,886,482</u>	<u>2,549,922</u>	<u>3,985,622</u>	<u>1,474,849</u>	<u>12,896,875</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,563,400</u>	<u>\$ 2,549,922</u>	<u>\$ 3,985,622</u>	<u>\$ 1,525,162</u>	<u>\$ 16,624,106</u>

(Continued on next page)

TOWN OF HADDAM, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2018

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position:

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

Total fund balances for governmental funds (Exhibit III)	\$	12,896,875
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Capital assets	\$	70,454,327
Less accumulated depreciation and amortization		<u>(46,390,752)</u>
Total capital assets, net		24,063,575
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred or not recorded in the funds:		
Property tax receivables		1,131,631
Interest receivable on property taxes		1,310,780
Deferred outflows of resources related to pensions		610,963
Allowance for uncollectible taxes not reported in the governmental funds.		(1,700,000)
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported in the funds:		
Bonds payable		(8,255,000)
Unamortized bond premium		(296,253)
Compensated absences		(47,402)
Net pension liability		(1,557,210)
Deferred inflows of resources related to pensions		(146,245)
Interest payable on bonds		(47,128)
Landfill closure and post closure costs		<u>(232,134)</u>
Net Position (Exhibit I)	\$	<u><u>27,732,452</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>General Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes, interest and lien fees	\$ 29,037,666	\$	\$	\$	\$ 29,037,666
Intergovernmental	2,174,981	357,805		55,821	2,588,607
Charges for services	516,671			8,892	525,563
Income from investments	54,309	2,276		998	57,583
Other				86,185	86,185
Total revenues	<u>31,783,627</u>	<u>360,081</u>	<u>-</u>	<u>151,896</u>	<u>32,295,604</u>
Expenditures:					
Current:					
General government	2,367,671			59,467	2,427,138
Public safety	753,049				753,049
Public works	1,948,665			19,036	1,967,701
Health and welfare	420,490				420,490
Culture and recreation	519,111				519,111
Education	24,076,806				24,076,806
Debt service	195,965			514,631	710,596
Capital outlay		783,411	1,400,429		2,183,840
Total expenditures	<u>30,281,757</u>	<u>783,411</u>	<u>1,400,429</u>	<u>593,134</u>	<u>33,058,731</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,501,870</u>	<u>(423,330)</u>	<u>(1,400,429)</u>	<u>(441,238)</u>	<u>(763,127)</u>
Other Financing Sources (Uses):					
Transfers in		1,000,000		301,800	1,301,800
Transfers out	(1,301,800)				(1,301,800)
Total other financing sources (uses)	<u>(1,301,800)</u>	<u>1,000,000</u>	<u>-</u>	<u>301,800</u>	<u>-</u>
Net Change in Fund Balances	200,070	576,670	(1,400,429)	(139,438)	(763,127)
Fund Balances at Beginning of Year	<u>4,686,412</u>	<u>1,973,252</u>	<u>5,386,051</u>	<u>1,614,287</u>	<u>13,660,002</u>
Fund Balances at End of Year	<u>\$ 4,886,482</u>	<u>\$ 2,549,922</u>	<u>\$ 3,985,622</u>	<u>\$ 1,474,849</u>	<u>\$ 12,896,875</u>

(Continued on next page)

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities:

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

Net change in fund balances for governmental funds (Exhibit IV)	\$	(763,127)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. The amount by which depreciation exceeded capital outlays in the current period is as follows:

Capital outlay	\$	1,879,814	
Depreciation expense		<u>(807,210)</u>	
Net adjustment			1,072,604

Under the modified accrual basis of accounting used in the governmental funds, expenditures are recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available:

Change in compensated absences	(7,882)
Change in landfill closure and post-closure costs	9,286
Change in net pension liability	(172,671)
Change in deferred inflows of resources related to pensions	92,776
Change in deferred inflows of resources related to property tax	(28,032)

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

Change in interest receivable	28,490
Change in deferred outflows of resources related to pensions	(44,858)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term obligations is as follows:

Amortization of bond premiums	12,807
Accrued interest	1,422
Principal repayments on bonds	<u>465,000</u>

Change in Net Position	\$	<u><u>665,815</u></u>
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The accompanying notes are an integral part of the financial statements

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	Pension Trust Funds
	<u> </u>
Assets:	
Investments:	
Mutual funds:	
International stocks	\$ 1,095,777
Small-cap stocks	251,370
Mid-cap stocks	498,457
Large cap stocks	1,847,555
Bonds	2,018,627
Real estate	190,212
Guaranteed investment contracts	<u>260,147</u>
Total assets	<u>6,162,145</u>
Net Position:	
Net Position Restricted for Pensions	<u>\$ 6,162,145</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF HADDAM, CONNECTICUT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Pension Trust Funds</u>
Additions:	
Employer contributions	\$ 363,671
Investment gains:	
Interest, dividends and changes in fair value of investments	<u>277,636</u>
Total additions	641,307
Deductions:	
Benefit payments	<u>456,016</u>
Change in Net Position	185,291
Net Position at Beginning of Year	<u>5,976,854</u>
Net Position at End of Year	<u>\$ 6,162,145</u>

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town of Haddam, Connecticut, was incorporated in 1668. The Town operates under the Board of Selectmen, Town Meeting and Board of Finance form of government and provides a full range of services including public safety, roads, sanitation, health, social services, culture and recreation, education, planning and zoning, and general administrative services to its residents. The Town is a member of Regional School District No. 17 (the District) along with the Town of Killingworth. The District provides education for grades K-12.

The basic financial statements of the Town include only the funds of the Town, as no component units exist based on operational or financial relationships with the Town.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental 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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds use the accrual basis of accounting but have no measurement focus since they report only assets and liabilities.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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. Only property taxes collected during the year are recorded as revenues. The Town considers reimbursement grant revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to landfill closure and postclosure and claims and judgments, are recorded only when payment is due.

Grants and contracts, and interest associated with the current period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the Town.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Town reports the following major governmental funds:

General Fund

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

Capital Nonrecurring Fund

This fund is to account for the projects approved as part of the Town's five-year capital plan.

Road Fund

This fund is to account for the construction and maintenance of Town roads.

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

Pension Trust Funds

These funds are used to account for resources held in trust for the members and beneficiaries of the Town's defined benefit pension plans. The Town utilizes these funds to account for activities of the following plans: The Town of Haddam Retirement Plan and the Town of Haddam Volunteer Firefighters' Merit Service Retirement Plan.

**TOWN OF HADDAM, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

D. Deposits and Investments

The Town’s cash is considered to be cash on hand and demand deposits. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and certain other investments.

Investments are reported at fair value.

E. Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

F. Capital Assets

Capital assets, which include property, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 for equipment, \$20,000 for building improvements and \$20,000 for infrastructure, and an estimated useful life of at least five years. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of the donation.

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	50
Buildings and improvements	40 - 75
Machinery and equipment	5 - 25
Motor vehicles	5 - 15
Infrastructure	30 - 50

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period or periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources related to pensions for changes in assumptions, net difference between projected and actual earnings of the pension plan investments and differences in expected and actual pension experience. The deferred outflow related to the change in assumptions and deferred outflows related to differences in expected and actual pension experience will be amortized over the average remaining service life of all plan members. The deferred outflow for the net difference between projected and actual earnings of the pension plan investments will be amortized over a five-year period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period or periods and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports a deferred inflow of resources for deferred inflows of resources related to pensions. A deferred inflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees). For governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources (revenue) in the period in which the amounts become available.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Net Pension Liability

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

J. Equity

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

This component consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

Nonspendable Fund Balance

This represents amounts that cannot be spent due to form (e.g., inventories, loans and prepaid amounts).

Restricted Fund Balance

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

Committed Fund Balance

This represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority (Town of Haddam Board of Finance).

Assigned Fund Balance

This balance represents amounts constrained for the intent to be used for a specific purpose by the Board of Finance.

Unassigned Fund Balance

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

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

The Town Boards shall propose budgets that provide for an unassigned general fund balance minimum of 10% of the total operating general fund expenditures.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

K. Property Taxes

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1.

Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest and lien fees of \$700,000 and \$1,000,000, respectively, as of June 30, 2018.

Taxes not paid within 30 days of the due date are subject to an interest charge of 1.5% per month. The Town files liens against property if taxes that are due July 1 remain unpaid on the following June 30.

Property tax revenues are recognized when they become available. Available means due or past due and received in the current period. Property taxes receivable outstanding as of the end of the fiscal year are reflected in unavailable revenue in the fund financial statements. The entire receivable is recorded as revenue in the government-wide financial statements. Property taxes collected prior to June 30 that are applicable to the subsequent year's assessment are reflected as advance tax collections in both the fund financial statements and the government-wide financial statements.

L. Accounting Estimates

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data included in the General Fund financial statements.

- At the annual Town Meeting in May, at which taxpayer comments are obtained, the proposed operating budget for the fiscal year commencing July 1 is presented. The operating budget, which is prepared by fund, function and department, includes proposed expenditures and the means of financing them.
- Prior to July 1, the budget is legally enacted at a Town Meeting.
- The Board of Selectmen is authorized to transfer budgeted amounts within departments. Transfers of budgeted amounts between departments must be approved by the Board of Finance. The Board of Finance can approve additional appropriations for a department provided such additional appropriations do not exceed \$20,000, or is a second request. Appropriations in excess of \$20,000 must be submitted to a Town Meeting for approval. Management of the Town is not authorized to transfer budgeted amounts or to approve additional appropriations. There were no additional appropriations made during the year.
- The Regional School District is responsible for the administration of the Board of Education budget.

**TOWN OF HADDAM, CONNECTICUT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018**

- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on the modified accrual basis of accounting.
- The legal level of control, the level at which expenditures may not legally exceed appropriations, is at the department level.

3. CASH

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

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

A. Deposits

Deposit Custodial Credit Risk

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

Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, \$11,461,830 of the Town’s bank balance of \$12,393,334 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 10,265,647
Uninsured and collateralized with securities held by the pledging bank’s trust department or agent but not in the Town’s name	<u>1,196,183</u>
	<u>\$ 11,461,830</u>

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

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

B. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity.

4. INVESTMENTS

The Town's investments consisted of the following:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Investment Maturities (Years)</u>		
			<u>Less Than 1</u>	<u>1 - 10</u>	<u>More Than 10</u>
Interest-bearing investments:					
Certificate of Deposit	*	\$ 1,027,261	\$ <u>284,348</u>	\$ <u>742,913</u>	\$ <u>-</u>
Money Market	*	5,754,849			
Other investments:					
Mutual Funds	N/A	5,901,998			
Guaranteed Investment Contracts	N/A	<u>260,147</u>			
Total Investments		\$ <u>12,944,255</u>			

N/A - Not Applicable

* Subject to coverage by Federal Depository Insurance and Collateralization.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Equity securities:				
Mutual Funds	\$ 5,901,998	\$ 5,901,998	\$ -	\$ -
Investments not recorded at fair value:				
Certificate of Deposit	1,027,261			
Money Market	5,754,849			
Guaranteed Investment Contracts	<u>260,147</u>			
Total Investments	\$ <u>12,944,255</u>			

Mutual Funds

Mutual funds are valued using Level 1 inputs, which consist of the quoted price of shares held at year end.

Interest Rate Risk

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

Credit Risk

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut State Statutes. Connecticut State Statutes permit the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The Pension Trust Funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments are not exposed to custodial credit risk at June 30, 2018. The Town does not have a policy for custodial credit risk.

Concentrations of Credit Risk

The Town places no limit on the amount of investment in any one issuer. More than 5% of the Pension Trust Fund investments are in mutual funds, but are not exposed to concentrations of credit risk, as these investments are considered to be diversified by nature.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year consisted of the following:

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 934,383	\$	\$	\$ 934,383
Construction in progress	<u>1,704,266</u>	<u>1,505,282</u>	<u></u>	<u>3,209,548</u>
Total capital assets not being depreciated	<u>2,638,649</u>	<u>1,505,282</u>	<u>-</u>	<u>4,143,931</u>
Capital assets being depreciated:				
Buildings and improvements	6,047,864			6,047,864
Land improvements	4,249,826			4,249,826
Machinery and equipment	750,378			750,378
Vehicles	6,562,664	374,532		6,937,196
Infrastructure	<u>48,325,132</u>	<u></u>	<u></u>	<u>48,325,132</u>
Total capital assets being depreciated	<u>65,935,864</u>	<u>374,532</u>	<u>-</u>	<u>66,310,396</u>
Less accumulated depreciation for:				
Buildings and improvements	2,677,006	129,264		2,806,270
Land improvements	561,608	84,936		646,544
Machinery and equipment	586,826	24,275		611,101
Vehicles	4,234,953	308,688		4,543,641
Infrastructure	<u>37,523,149</u>	<u>260,047</u>	<u></u>	<u>37,783,196</u>
Total accumulated depreciation	<u>45,583,542</u>	<u>807,210</u>	<u>-</u>	<u>46,390,752</u>
Total capital assets being depreciated, net	<u>20,352,322</u>	<u>(432,678)</u>	<u>-</u>	<u>19,919,644</u>
Capital Assets, Net	<u>\$ 22,990,971</u>	<u>\$ 1,072,604</u>	<u>\$ -</u>	<u>\$ 24,063,575</u>

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

General government	\$ 15,348
Public safety	257,735
Public works	487,568
Culture and recreation	<u>46,559</u>
Total Depreciation Expense	<u>\$ 807,210</u>

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Construction Commitments

The Town has active construction projects for various public works projects and road improvements as follows:

<u>Project</u>	<u>Authorized Amount</u>	<u>Cumulative Expenditures</u>	<u>Balance</u>
Road Improvement	\$ 6,480,000	\$ 2,991,352	\$ 3,488,648

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds:		
Road Fund	General Fund	\$ 16,980
Capital Nonrecurring Fund	General Fund	992,511
Nonmajor Governmental Funds	General Fund	<u>1,124,727</u>
Total		<u>\$ 2,134,218</u>

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

Interfund transfers during the year consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental funds:		
Capital Nonrecurring Fund	General Fund	\$ 1,000,000
Nonmajor Governmental Funds	General Fund	<u>301,800</u>
Total		<u>\$ 1,301,800</u>

Transfers are used to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

7. LONG-TERM LIABILITIES

A. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bond payable:					
Bonds payable	\$ 8,720,000	\$	\$ 465,000	\$ 8,255,000	\$ 465,000
Bond premium	309,060		12,807	296,253	
Total bonds payable	9,029,060	-	477,807	8,551,253	465,000
Net pension liability	1,384,539	172,671		1,557,210	
Landfill post-closure costs	241,420		9,286	232,134	9,285
Compensated absences	39,520	15,786	7,904	47,402	11,851
Long-Term Liabilities	<u>\$ 10,694,539</u>	<u>\$ 188,457</u>	<u>\$ 494,997</u>	<u>\$ 10,387,999</u>	<u>\$ 486,136</u>

Governmental fund bonds bear interest at rates ranging from 1.45% to 4.00% and mature in fiscal years ending 2019 through 2037. These obligations are direct obligations and pledge the full faith and credit of the government and will be paid from General Fund revenues.

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds as discussed above that are currently outstanding are as follows:

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Outstanding June 30, 2018</u>
Bonds payable:					
General Bonds	8/30/2012	\$ 2,800,000	2.00-3.00%	8/15/2032	\$ 2,100,000
General Bonds	5/25/2017	6,480,000	1.45-4.00%	5/15/2037	<u>6,155,000</u>
					<u>\$ 8,255,000</u>

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 465,000	\$ 271,390	\$ 736,390
2020	465,000	255,815	720,815
2021	465,000	240,240	705,240
2022	465,000	224,665	689,665
2023	465,000	209,090	674,090
2024-2028	2,325,000	822,623	3,147,623
2029-2033	2,325,000	458,465	2,783,465
2034-2037	1,280,000	112,000	1,392,000
	<u>\$ 8,255,000</u>	<u>\$ 2,594,288</u>	<u>\$ 10,849,288</u>

B. Debt Limitations

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$198,429,672 at year end. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at year end.

Category	Debt Limit	Net Indebtedness	Balance
General purpose	\$ 63,780,966	\$ 8,255,000	\$ 55,525,966
Schools	127,561,932	3,754,697	123,807,235
Sewers	106,301,610		106,301,610
Urban renewal	92,128,062		92,128,062
Pension deficit	85,041,288		85,041,288

C. Regional School District Commitments

The Town is a member of Regional School District No. 17, which provides education facilities for grades kindergarten through twelve for the towns of Haddam and Killingworth. As of June 30, 2018, the outstanding bonded indebtedness of the District was \$6,320,000. The Town's share will be 59.41% of the outstanding indebtedness, or \$3,754,697. These are general obligations of Regional School District No. 17 and its member towns. However, the Town is not required to record its share in its financial statements.

D. Landfill Post-Closure Care Costs

State and federal laws and regulations require landfill closures to meet certain standards. The Town has completed the final capping of the landfill in June 2013. Estimated monitoring costs for the next 25 years at \$9,285 per year are \$232,134. These amounts are based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

8. FUND BALANCES

The components of fund balance for the governmental funds are as follows:

	<u>General Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Road Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Fund balances:					
Nonspendable:					
Loans receivable	\$ _____	\$ _____	\$ _____	\$ 85,540	\$ 85,540
Restricted:					
General government				36,476	36,476
Health and welfare				45,776	45,776
Town Clerk				14,125	14,125
Total restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,377</u>	<u>96,377</u>
Committed:					
General government				113,305	113,305
Public works				15,577	15,577
Capital projects		2,549,922	3,985,622	179,043	6,714,587
Open space				39,323	39,323
Total committed	<u>-</u>	<u>2,549,922</u>	<u>3,985,622</u>	<u>347,248</u>	<u>6,882,792</u>
Assigned to:					
Debt service				945,684	945,684
Unassigned	<u>4,886,482</u>				<u>4,886,482</u>
Total Fund Balances	<u>\$ 4,886,482</u>	<u>\$ 2,549,922</u>	<u>\$ 3,985,622</u>	<u>\$ 1,474,849</u>	<u>\$ 12,896,875</u>

9. TAX ABATEMENT

The Town provides a tax abatement under the High Meadow tax abatement program. The High Meadow tax abatement agreement was created to provide a real property tax abatement to facilitate the provision of low income elderly housing within the Town pursuant to Connecticut General Statutes Section 8-215. Under the terms of the agreement moneys equivalent to taxes abated are to be utilized for either or both the following purpose:

- The reduction of rents below levels, which would be achieved in the absence of such an abatement program.
- To provide necessary related facilities or services in such housing.

In performing the above, the property owner receives an abatement of 100% of the real property taxes. Continuation of the agreement is conditioned upon continued compliance with the provisions of the agreement and is terminated upon sale or transfer of the property for any other purpose unless the Town has consented thereto. For the fiscal year ended June 30, 2018, taxes abated through this program total \$30,867. No other commitments have been made by the Town to the abatement recipient under this program.

10. PENSION PLANS

A. Plan Administration

Plan Descriptions

The Town maintains two single-employer defined benefit pension plans: The Town of Haddam Retirement Plan (the Town Employees’ Pension Plan) and the Town of Haddam Volunteer Firefighters’ Merit Service Retirement Plan (the Volunteer Firefighters’ Pension Plan) (collectively the Plans). Benefit provisions of the Plans are established and can be amended by the Board of Selectmen. The Plans do not issue stand-alone financial statements and are part of the Town’s financial reporting entity. As such, the Plans are accounted for in the fiduciary fund financial statements as Pension Trust Funds.

Benefit Provisions

Town Employees’ Pension Plan

Each employee of the Town who is scheduled to work at least 30 hours per week for 12 months of the year is eligible to participate in the plan. The plan provides retirement benefits as well as death and disability benefits. Participants are 100% vested after seven years. Annual retirement benefits for plan participants are 2% of an employees’ final average compensation multiplied by the number of years of credited service, up to a maximum of 30 years.

Volunteer Firefighters’ Pension Plan

Each volunteer firefighter whose name is on the roster of the Haddam Volunteer Fire Company and the Haddam Neck Volunteer Fire Department as of the effective date of the plan is eligible to participate in the Volunteer Firefighters’ Pension Plan, following one year of credited service. This plan does not provide disability benefits. Under the provisions of the plan, the Town must provide annual contributions sufficient to satisfy the actuarially determined contribution requirements. Benefits and contributions are established by the Town. The State of Connecticut Statutes assign the authority to establish and amend the benefit provisions of the plan to the Town.

Plan Membership

Membership of the plans consisted of the following at the date of the latest actuarial valuations:

	<u>Town Plan</u>	<u>Firefighters’ Plan</u>
Retirees and beneficiaries currently receiving benefits	21	25
Vested terminated plan members	8	47
Active plan members	<u>21</u>	<u>57</u>
	<u>50</u>	<u>129</u>

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Contributions

Contribution requirements of the plan members and the Town are established, and may be amended, by the Board of Selectmen. The Town is required to annually contribute an actuarially determined amount to fund benefits.

Employer contributions to the Town Employees' Pension Plan represented 22.83% of covered payroll. Employer contributions for the Firefighters' Plan were an actuarial determined amount of \$107,708.

Investments

Investment Policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan Trustees by a majority vote of its members. It is the policy of the plan to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (see the discussion of the pension plan's investment policy) for both plans are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	38%	6.25%
International equity	18%	3.75%
Fixed income	40%	2.75%
Real estate and alternatives	4%	7.00%
Total	<u>100%</u>	

Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for the Town Employees' Pension Plan and the Volunteer Firefighters' Pension Plan was 4.63% and 4.35%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Concentrations

There were no investments in any one organization that represent 5% or more of the pension plan net position.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Net Pension Liability of the Town

The Town's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 for the Volunteer Firefighters' Merit Service Retirement Plan and January 1, 2018 for the Employees' Pension Plan.

The components of the net pension liability of the Town at June 30, 2018 were as follows:

	<u>Town Plan</u>	<u>Firefighters' Plan</u>
Total pension liability	\$ 5,437,836	\$ 2,281,519
Plan fiduciary net position	<u>4,482,209</u>	<u>1,679,936</u>
 Net Pension Liability	 \$ <u>955,627</u>	 \$ <u>601,583</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>82.43%</u>	 <u>73.63%</u>

Actuarial Assumptions

The total Town pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	4.00%
Investment rate of return	6.50%

The total firefighters' pension liability was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	6.50%

Mortality rates for the Town pension plan were based on the RP-2014 mortality table adjusted to 2006 separately for males and females projected with mortality improvement scale MP-2017 with zero mortality pre-commencement. Mortality rates for the volunteer fire plan were based on the RP-2014 adjusted to 2006 (RP-2015) blue collar separately for males and females projected with mortality improvement scale MP-2017.

The actuarial assumptions used in the July 1, 2017 valuation for the firefighters' plan and in the January 1, 2018 valuation for the employees' plan are based on the mortality tables used for the Connecticut state employees' retirement system.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Discount Rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

Town Employees' Pension Plan			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of July 1, 2017	\$ 5,267,749	\$ 4,376,923	\$ 890,826
Changes for the year:			
Service cost	122,689		122,689
Interest on total pension liability	338,780		338,780
Differences between expected and actual experience	20,588		20,588
Changes in assumptions	44,903		44,903
Employer contributions		255,963	(255,963)
Net investment income		206,196	(206,196)
Benefit payments, including refund to employee contributions	(356,873)	(356,873)	-
Net changes	170,087	105,286	64,801
Balances as of June 30, 2018	\$ 5,437,836	\$ 4,482,209	\$ 955,627
Volunteer Firefighters' Merit Service Retirement Plan			
	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of July 1, 2017	\$ 2,093,644	\$ 1,599,931	\$ 493,713
Changes for the year:			
Service cost	32,997		32,997
Interest on total pension liability	139,401		139,401
Differences between expected and actual experience	180,934		180,934
Changes in assumptions	(66,314)		(66,314)
Employer contributions		107,708	(107,708)
Net investment income		71,440	(71,440)
Benefit payments, including refund to employee contributions	(99,143)	(99,143)	-
Net changes	187,875	80,005	107,870
Balances as of June 30, 2018	\$ 2,281,519	\$ 1,679,936	\$ 601,583

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

The following presents the net pension liability of the Town, calculated using the discount rate of 6.50%, 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 (5.50%) or 1 percentage point higher (7.50%) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
Town Employees' Plan	\$ 1,500,265	\$ 955,627	\$ 489,637
Firefighters' Plan	917,661	601,583	341,085

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

During the year, the Town recognized pension expense of \$493,030. The Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Town Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 52,499
Changes of assumptions	157,814	11,562
Net difference between projected and actual earning on pension plan investments	<u>125,130</u>	<u></u>
Total	<u>\$ 282,944</u>	<u>\$ 64,061</u>
	<u>Firefighters' Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 207,144	\$ 25,343
Changes of assumptions	72,555	56,841
Net difference between projected and actual earning on pension plan investments	<u>48,320</u>	<u></u>
Total	<u>\$ 328,019</u>	<u>\$ 82,184</u>

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

<u>Year Ending June 30,</u>	<u>Town Plan</u>	<u>Firefighters' Plan</u>	<u>Total</u>
2019	\$ 158,105	\$ 73,018	\$ 231,123
2020	62,156	56,216	118,372
2021	(17,795)	34,726	16,931
2022	16,417	48,103	64,520
2023		25,076	25,076
Thereafter		8,696	8,696
Total	<u>\$ 218,883</u>	<u>\$ 245,835</u>	<u>\$ 464,718</u>

Combining Statement of Net Position

	<u>Pension Trust Funds</u>		
	<u>Town Employees' Pension Plan</u>	<u>Volunteer Firefighters' Pension Plan</u>	<u>Total</u>
Assets:			
Investments, at Fair Value	<u>\$ 4,482,209</u>	<u>\$ 1,679,936</u>	<u>\$ 6,162,145</u>
Net Position:			
Net Position Restricted for Pension Benefits	<u>\$ 4,482,209</u>	<u>\$ 1,679,936</u>	<u>\$ 6,162,145</u>

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Combining Statement of Changes in Plan Net Position

	Pension Trust Funds		
	Town Employees' Pension Plan	Volunteer Firefighters' Pension Plan	Total
Additions:			
Employer contributions	\$ 255,963	\$ 107,708	\$ 363,671
Investment gains:			
Interest, dividends and changes in fair value	<u>206,196</u>	<u>71,440</u>	<u>277,636</u>
Total additions	462,159	179,148	641,307
Deductions:			
Benefit payments	<u>356,873</u>	<u>99,143</u>	<u>456,016</u>
Change in Net Position	105,286	80,005	185,291
Net Position at Beginning of Year	<u>4,376,923</u>	<u>1,599,931</u>	<u>5,976,854</u>
Net Position at End of Year	<u>\$ 4,482,209</u>	<u>\$ 1,679,936</u>	<u>\$ 6,162,145</u>

11. 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 that 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 expenditures disallowed under terms of the grant. Based upon prior experience, Town management believes such disallowance, if any, will not be material.

12. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God for which the Town carries commercial insurance. Neither the Town nor its insurers have settled any claims that exceeded the Town's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

**TOWN OF HADDAM, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

The Town is also a member in Regional School District No. 17's medical health insurance fund, a public entity risk pool established for the purpose of administering medical benefits for each participating entity in the fund. The Town pays an annual contribution for its coverage. The fund is to be self-sustaining through members' premiums, but reinsures in excess of \$75,000 for each insured occurrence. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining; it is not possible to estimate the amount of such additional assessments.

The Town purchases commercial insurance for all other risks of loss, including blanket and umbrella policies.

13. SUBSEQUENT EVENT

In July 2018, the Town acquired land and related infrastructure through a tax sale. Unpaid property taxes for the property is included in the allowance for uncollectible amount at year end. Property was recorded at its acquisition cost based on taxes forgone of \$730,267.



Required Supplementary Information

TOWN OF HADDAM, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual	Variance With Final Budget
	Original Budget	Additional Appropriations and Transfers	Final Budget		
Revenues:					
Taxes, interest and lien fees	\$ 28,732,218	\$	\$ 28,732,218	\$ 29,037,666	\$ 305,448
Intergovernmental	2,900,442		2,900,442	2,174,981	(725,461)
Charges for services	428,500		428,500	516,671	88,171
Interest income	36,000		36,000	54,309	18,309
Total revenues	<u>32,097,160</u>	<u>-</u>	<u>32,097,160</u>	<u>31,783,627</u>	<u>(313,533)</u>
Expenditures:					
Current:					
General government	2,489,554	(16,195)	2,473,359	2,367,671	105,688
Public safety	816,046		816,046	753,049	62,997
Public works	2,089,279	13,003	2,102,282	1,948,665	153,617
Health and welfare	441,574	3,192	444,766	420,490	24,276
Culture and recreation	544,818		544,818	519,111	25,707
Education	24,569,244	(355,320)	24,213,924	24,076,806	137,118
Debt service	200,165		200,165	195,965	4,200
Total expenditures	<u>31,150,680</u>	<u>(355,320)</u>	<u>30,795,360</u>	<u>30,281,757</u>	<u>513,603</u>
Excess of revenues over expenditures	<u>946,480</u>	<u>355,320</u>	<u>1,301,800</u>	<u>1,501,870</u>	<u>200,070</u>
Other financing uses:					
Transfers out	<u>(946,480)</u>	<u>(355,320)</u>	<u>(1,301,800)</u>	<u>(1,301,800)</u>	<u>-</u>
Net Change in Fund Balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	200,070	\$ <u>200,070</u>
Fund Balance at Beginning of Year				<u>4,686,412</u>	
Fund Balance at End of Year				\$ <u>4,886,482</u>	

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget
	Original	Additional Appropriations and Transfers	Final		
Taxes, Interest and Lien Fees:					
General property taxes	\$ 28,790,100	\$	\$ 28,790,100	\$ 28,877,538	\$ 87,438
Elderly tax abatement	(95,000)		(95,000)		95,000
Interest and lien fees	13,000		13,000	138,228	125,228
Telecommunications property tax grant	21,118		21,118	16,889	(4,229)
South Central Water Authority	3,000		3,000	5,011	2,011
Total taxes, interest and lien fees	<u>28,732,218</u>	<u>-</u>	<u>28,732,218</u>	<u>29,037,666</u>	<u>305,448</u>
Intergovernmental:					
Education cost-sharing	1,351,362		1,351,362	1,710,580	359,218
Special education	792,206		792,206		(792,206)
PILOT: State-owned real property	40,753		40,753	19,311	(21,442)
Motor vehicle revenue share grant	245,344		245,344		(245,344)
Tax relief for the elderly	46,000		46,000		(46,000)
Veterans' exemption	4,742		4,742	5,070	328
Mashantucket Pequot grant	22,842		22,842	22,842	-
Local capital improvement grant	135,008		135,008	134,369	(639)
Emergency Management	3,623		3,623		(3,623)
Town Aid Road	246,062		246,062	246,005	(57)
DUI Grants	7,500		7,500	17,686	10,186
Miscellaneous state	5,000		5,000	19,118	14,118
Total intergovernmental	<u>2,900,442</u>	<u>-</u>	<u>2,900,442</u>	<u>2,174,981</u>	<u>(725,461)</u>
Charges for Services:					
Licenses and permits	228,000		228,000	313,041	85,041
Town clerk state fees	5,000		5,000	5,756	756
Real estate conveyance tax	90,000		90,000	88,267	(1,733)
Cell tower rent	24,000		24,000	2,000	(22,000)
Miscellaneous	81,500		81,500	107,607	26,107
Total charges for services	<u>428,500</u>	<u>-</u>	<u>428,500</u>	<u>516,671</u>	<u>88,171</u>
Interest Income	<u>36,000</u>		<u>36,000</u>	<u>54,309</u>	<u>18,309</u>
Total Revenues	<u>\$ 32,097,160</u>	<u>\$ -</u>	<u>\$ 32,097,160</u>	<u>\$ 31,783,627</u>	<u>\$ (313,533)</u>

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual	Variance With Final Budget
	Original Budget	Additional Appropriations and Transfers	Final		
General Government:					
Selectman's office	\$ 199,337	\$	\$ 199,337	\$ 176,062	\$ 23,275
Finance department	129,014	3,294	132,308	132,308	-
Probate court	2,661		2,661	2,661	-
Elections	53,600		53,600	46,255	7,345
Board of finance	43,995		43,995	40,358	3,637
Assessor	127,340		127,340	125,196	2,144
Board of assessment appeals	310		310	50	260
Tax collector's office	78,426	3,059	81,485	81,485	-
Treasurer's office	14,579	364	14,943	14,943	-
Town counsel	60,000	19,155	79,155	79,155	-
Town clerk	106,539	2,092	108,631	108,631	-
Planning and zoning	200		200		200
Zoning board of appeals	110		110	110	-
Wetlands	100		100		100
Central services	128,834		128,834	128,267	567
Insurance and other benefits	1,149,353	4,648	1,154,001	1,154,001	-
Economic development	21,500		21,500	10,687	10,813
Land use offices	271,656		271,656	266,502	5,154
Conservation	2,000		2,000	1,000	1,000
Contingency	100,000	(48,807)	51,193		51,193
Total general government	<u>2,489,554</u>	<u>(16,195)</u>	<u>2,473,359</u>	<u>2,367,671</u>	<u>105,688</u>
Public Safety:					
Fire protection	221,570		221,570	212,505	9,065
Police	428,654		428,654	388,662	39,992
Animal control	23,550		23,550	18,561	4,989
Emergency management	7,029		7,029		7,029
Fire marshal	20,201		20,201	18,279	1,922
Dispatch services	115,042		115,042	115,042	-
Total public safety	<u>816,046</u>	<u>-</u>	<u>816,046</u>	<u>753,049</u>	<u>62,997</u>
Public Works:					
Public works	1,125,655		1,125,655	1,014,180	111,475
Snow and ice removal	320,000		320,000	307,294	12,706
Public buildings	276,624		276,624	274,128	2,496
Engineering	50,000	13,003	63,003	63,003	-
Fire hydrants	3,000		3,000	69	2,931
Waste disposal	314,000		314,000	289,991	24,009
Total public works	<u>2,089,279</u>	<u>13,003</u>	<u>2,102,282</u>	<u>1,948,665</u>	<u>153,617</u>

(Continued on next page)

TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Final	Actual	Variance With Final Budget
	Original Budget	Additional Appropriations and Transfers			
Health and Welfare:					
Social services	\$ 30,000	\$	\$ 30,000	\$ 22,509	\$ 7,491
Senior services	57,655		57,655	49,216	8,439
Senior transportation	38,405	3,131	41,536	41,536	-
Health district	85,822		85,822	85,822	-
Youth and family	80,000		80,000	80,000	-
Water pollution and control	8,000	61	8,061	8,061	-
Ambulance and paramedic services	141,692		141,692	133,346	8,346
Total health and welfare	<u>441,574</u>	<u>3,192</u>	<u>444,766</u>	<u>420,490</u>	<u>24,276</u>
Culture and Recreation:					
Haddam park and recreation commission	65,000		65,000	40,884	24,116
Regional recreational authority	113,606		113,606	113,606	-
Culture and recreation	360,306		360,306	359,215	1,091
Community organizations	5,906		5,906	5,406	500
Total culture and recreation	<u>544,818</u>	<u>-</u>	<u>544,818</u>	<u>519,111</u>	<u>25,707</u>
Education	<u>24,569,244</u>	<u>(355,320)</u>	<u>24,213,924</u>	<u>24,076,806</u>	<u>137,118</u>
Debt Service	<u>200,165</u>		<u>200,165</u>	<u>195,965</u>	<u>4,200</u>
Total Expenditures	<u>31,150,680</u>	<u>(355,320)</u>	<u>30,795,360</u>	<u>30,281,757</u>	<u>513,603</u>
Other Financing Uses:					
Transfer out	<u>946,480</u>	<u>355,320</u>	<u>1,301,800</u>	<u>1,301,800</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 32,097,160</u>	<u>\$ -</u>	<u>\$ 32,097,160</u>	<u>\$ 31,583,557</u>	<u>\$ 513,603</u>

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TOWN EMPLOYEES' PENSION PLAN
LAST FIVE YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:					
Service cost	\$ 122,689	\$ 132,292	\$ 167,624	\$ 168,836	\$ 168,836
Interest	338,780	323,985	318,674	315,305	285,670
Differences between expected and actual experience	20,588	(233,719)	44,324	(118,691)	111,968
Changes of assumptions	44,903	383,635	(46,251)	194,605	
Benefit payments, including refunds of member contributions	<u>(356,873)</u>	<u>(645,672)</u>	<u>(159,641)</u>	<u>(163,836)</u>	<u>(125,095)</u>
Net change in total pension liability	170,087	(39,479)	324,730	396,219	441,379
Total pension liability - beginning	<u>5,267,749</u>	<u>5,307,228</u>	<u>4,982,498</u>	<u>4,586,279</u>	<u>4,144,900</u>
Total pension liability - ending	<u>5,437,836</u>	<u>5,267,749</u>	<u>5,307,228</u>	<u>4,982,498</u>	<u>4,586,279</u>
Plan fiduciary net position:					
Contributions - employer	255,963	273,000	256,564	240,000	227,608
Net investment income (loss)	206,196	447,615	(24,561)	57,117	523,998
Benefit payments, including refunds of member contributions	(356,873)	(645,672)	(159,641)	(163,836)	(125,095)
Other					11,243
Net change in plan fiduciary net position	<u>105,286</u>	<u>74,943</u>	<u>72,362</u>	<u>133,281</u>	<u>637,754</u>
Plan fiduciary net position - beginning	<u>4,376,923</u>	<u>4,301,980</u>	<u>4,229,618</u>	<u>4,096,337</u>	<u>3,458,583</u>
Plan fiduciary net position - ending	<u>4,482,209</u>	<u>4,376,923</u>	<u>4,301,980</u>	<u>4,229,618</u>	<u>4,096,337</u>
Net Pension Liability - Ending	<u>\$ 955,627</u>	<u>\$ 890,826</u>	<u>\$ 1,005,248</u>	<u>\$ 752,880</u>	<u>\$ 489,942</u>
Plan fiduciary net position as a percentage of the total pension liability	82.43%	83.09%	81.06%	84.89%	89.32%
Covered payroll	\$ 1,121,054	\$ 776,316	\$ 845,364	\$ 989,549	\$ 1,096,743
Net pension liability as a percentage of covered payroll	85.24%	114.75%	118.91%	76.08%	44.67%

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
VOLUNTEER FIREFIGHTERS' PENSION PLAN
LAST FIVE YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:					
Service cost	\$ 32,997	\$ 40,115	\$ 39,598	\$ 35,108	\$ 34,543
Interest	139,401	123,339	122,360	119,279	111,006
Differences between expected and actual experience	180,934	22,095	(40,547)	75,106	(17,856)
Changes of assumptions	(66,314)	65,356		51,745	89,800
Benefit payments, including refunds of member contributions	<u>(99,143)</u>	<u>(109,566)</u>	<u>(103,147)</u>	<u>(102,370)</u>	<u>(96,232)</u>
Net change in total pension liability	187,875	141,339	18,264	178,868	121,261
Total pension liability - beginning	<u>2,093,644</u>	<u>1,952,305</u>	<u>1,934,041</u>	<u>1,755,173</u>	<u>1,633,912</u>
Total pension liability - ending	<u>2,281,519</u>	<u>2,093,644</u>	<u>1,952,305</u>	<u>1,934,041</u>	<u>1,755,173</u>
Plan fiduciary net position:					
Contributions - employer	107,708	96,615	60,922	83,000	82,646
Net investment income (loss)	71,440	160,819	(10,975)	20,591	196,428
Benefit payments, including refunds of member contributions	<u>(99,143)</u>	<u>(109,566)</u>	<u>(103,147)</u>	<u>(102,370)</u>	<u>(96,232)</u>
Net change in plan fiduciary net position	80,005	147,868	(53,200)	1,221	182,842
Plan fiduciary net position - beginning	<u>1,599,931</u>	<u>1,452,063</u>	<u>1,505,263</u>	<u>1,504,042</u>	<u>1,321,200</u>
Plan fiduciary net position - ending	<u>1,679,936</u>	<u>1,599,931</u>	<u>1,452,063</u>	<u>1,505,263</u>	<u>1,504,042</u>
Net Pension Liability - Ending	<u>\$ 601,583</u>	<u>\$ 493,713</u>	<u>\$ 500,242</u>	<u>\$ 428,778</u>	<u>\$ 251,131</u>
Plan fiduciary net position as a percentage of the total pension liability	73.63%	76.42%	74.38%	77.83%	85.69%
Covered payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

N/A - Not applicable. Plan members are volunteers

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.

**TOWN OF HADDAM, CONNECTICUT
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 TOWN EMPLOYEE'S PENSION PLAN
 LAST TEN YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 255,963	\$ 255,222	\$ 256,565	\$ 233,178	\$ 227,608	\$ 262,526	\$ 294,688	\$ 295,860	\$ 186,591	\$ 235,001
Contributions in relation to the actuarially determined contribution	<u>255,963</u>	<u>273,000</u>	<u>256,564</u>	<u>240,000</u>	<u>227,608</u>	<u>262,526</u>	<u>294,688</u>	<u>187,000</u>	<u>312,000</u>	<u>420,834</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>(17,778)</u>	\$ <u>1</u>	\$ <u>(6,822)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>108,860</u>	\$ <u>(125,409)</u>	\$ <u>(185,833)</u>
Covered payroll	\$ 1,121,054	\$ 1,027,021	\$ 1,258,691	\$ 1,096,743	\$ 1,001,353	\$ 1,012,849	\$ 1,150,309	\$ 1,131,163	\$ 1,021,432	\$ 1,036,824
Contributions as a percentage of covered payroll	22.83%	26.58%	20.38%	21.88%	22.73%	25.92%	25.62%	16.53%	30.55%	40.59%

Notes to Schedule

Valuation date: January 01, 2018
 Measurement date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	3.2883 years as of July 1, 2017
Asset valuation method	Fair value
Inflation	3.00%
Salary increases	4.00%
Investment rate of return	6.50%
Retirement age	Normal retirement is age 65 and 5 years of participation Early retirement is age 55 and 7 years of service
Mortality	RP-2014 adjusted to 2006 Mortality Table with Scale MP-2017

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
VOLUNTEER FIREFIGHTERS' PENSION PLAN
LAST TEN YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 107,708	\$ 96,615	\$ 60,922	\$ 56,936	\$ 73,893	\$ 77,239	\$ 82,657	\$ 101,037	\$ 100,909	\$ 65,649
Contributions in relation to the actuarially determined contribution	<u>107,708</u>	<u>96,615</u>	<u>60,922</u>	<u>83,000</u>	<u>82,646</u>	<u>92,000</u>	<u>108,110</u>	<u>75,000</u>	<u>75,000</u>	<u>59,080</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ (26,064)	\$ (8,753)	\$ (14,761)	\$ (25,453)	\$ 26,037	\$ 25,909	\$ 6,569
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: July 1, 2017
Measurement date: June 30, 2018
Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	6.67 years as of July 1, 2017
Asset valuation method	Fair value
Inflation	3.00%
Salary increases	N/A
Investment rate of return	6.50%
Retirement age	Normal retirement is age 65 and 5 years of participation Early retirement is age 55 and 10 years of service
Mortality	RP-2015 blue collar Mortality Table with Scale MP-2017

N/A - Not applicable. Plan members are volunteers

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF INVESTMENT RETURNS
LAST FIVE YEARS***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense:					
Town Employees' Pension Plan	4.63%	11.05%	-0.56%	1.38%	13.72%
Volunteer Firefighters' Pension Plan	4.35%	11.15%	-0.73%	1.37%	15.05%

*Note - This schedule is intended to show information for ten years. Additional information will be added as it becomes available.



Combining and Individual Fund Statements and Schedules



General Fund

**TOWN OF HADDAM, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2018**

Grand List Year	Balance Uncollected July 1, 2017	Current Levy	Lawful Corrections		Transfers to Suspense	Balance To Be Collected	Collections				Balance Uncollected June 30, 2018
			Additions	Deductions			Taxes	Interest	Lien Fees	Total	
2016	\$	\$ 29,002,758	\$ 55,647	\$ 141,784	\$	\$ 28,916,621	\$ 28,665,940	\$ 73,906	\$ 852	\$ 28,740,698	\$ 250,681
2015	274,575		11,346	16,233		269,688	168,994	32,387	816	202,197	100,694
2014	107,028		10,033	10,499	31,278	75,284	29,090	12,644	348	42,082	46,194
2013	39,214			3,585		35,629	3,263	1,909	24	5,196	32,366
2012	44,110			3,477		40,633	3,087	2,422	24	5,533	37,546
2011	40,100			4,707		35,393	3,113	2,942	24	6,079	32,280
2010	33,869			3,232		30,637	3,032	3,411	24	6,467	27,605
2009	26,291			1,652		24,639	2,722	3,552	24	6,298	21,917
2008	18,718			1,338		17,380	2,623	2,895	24	5,542	14,757
2007	8,526			1,069		7,457				-	7,457
2006	5,700			1,028		4,672				-	4,672
2005	547,866			1,029		546,837				-	546,837
2004	3,004					3,004				-	3,004
2003	2,859					2,859				-	2,859
2002	2,762					2,762				-	2,762
	<u>\$ 1,154,622</u>	<u>\$ 29,002,758</u>	<u>\$ 77,026</u>	<u>\$ 189,633</u>	<u>\$ 31,278</u>	<u>\$ 30,013,495</u>	<u>\$ 28,881,864</u>	<u>\$ 136,068</u>	<u>\$ 2,160</u>	<u>\$ 29,020,092</u>	<u>\$ 1,131,631</u>



Nonmajor Governmental Funds

**TOWN OF HADDAM, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Special Revenue Funds					
	Medical Insurance Reserve Fund	Material Testing	Small Cities Fund	Grants	Town Clerk	Historic Documents Preservation
ASSETS						
Cash and cash equivalents	\$	\$	\$	\$	\$ 10,265	\$ 3,860
Investments	132,497	15,577	65,204	48,169		
Loans receivable			85,540			
Due from other funds						
Total Assets	<u>\$ 132,497</u>	<u>\$ 15,577</u>	<u>\$ 150,744</u>	<u>\$ 48,169</u>	<u>\$ 10,265</u>	<u>\$ 3,860</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 19,192	\$	\$	\$	\$	\$
Unearned revenue			19,428	11,693		
Total liabilities	<u>19,192</u>	<u>-</u>	<u>19,428</u>	<u>11,693</u>	<u>-</u>	<u>-</u>
Fund Balances:						
Nonspendable			85,540			
Restricted			45,776	36,476	10,265	3,860
Committed	113,305	15,577				
Assigned						
Total fund balances	<u>113,305</u>	<u>15,577</u>	<u>131,316</u>	<u>36,476</u>	<u>10,265</u>	<u>3,860</u>
Total Liabilities and Fund Balances	<u>\$ 132,497</u>	<u>\$ 15,577</u>	<u>\$ 150,744</u>	<u>\$ 48,169</u>	<u>\$ 10,265</u>	<u>\$ 3,860</u>

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**TOWN OF HADDAM, CONNECTICUT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 JUNE 30, 2018**

	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total</u>
	<u>Debt Service Fund</u>	<u>Open Space Fund</u>	<u>Silver Spring Road Fund</u>	
ASSETS				
Cash and cash equivalents	\$	\$	\$	\$ 14,125
Investments		39,323		300,770
Loans receivable				85,540
Due from other funds	<u>945,684</u>		<u>179,043</u>	<u>1,124,727</u>
Total Assets	<u>\$ 945,684</u>	<u>\$ 39,323</u>	<u>\$ 179,043</u>	<u>\$ 1,525,162</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$	\$	\$	\$ 19,192
Unearned revenue				31,121
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,313</u>
Fund Balances:				
Nonspendable				85,540
Restricted				96,377
Committed		39,323	179,043	347,248
Assigned	<u>945,684</u>			<u>945,684</u>
Total fund balances	<u>945,684</u>	<u>39,323</u>	<u>179,043</u>	<u>1,474,849</u>
Total Liabilities and Fund Balances	<u>\$ 945,684</u>	<u>\$ 39,323</u>	<u>\$ 179,043</u>	<u>\$ 1,525,162</u>

(Concluded)

**TOWN OF HADDAM, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue Funds					
	Medical Insurance Reserve Fund	Material Testing	Small Cities Fund	Grants	Town Clerk	Historic Documents Preservation
Revenues:						
Intergovernmental	\$	\$	\$	\$ 51,821	\$	\$ 4,000
Charges for services					2,260	6,632
Interest income	464		235	31		
Other	28,185					
Total revenues	<u>28,649</u>	<u>-</u>	<u>235</u>	<u>51,852</u>	<u>2,260</u>	<u>10,632</u>
Expenditures:						
Current:						
General government			4,085	44,476	1,500	9,406
Excess (Deficiency) of Revenues over Expenditures	28,649	-	(3,850)	7,376	760	1,226
Other Financing Sources:						
Transfers in						
Net Change in Fund Balances	28,649	-	(3,850)	7,376	760	1,226
Fund Balances at Beginning of Year	<u>84,656</u>	<u>15,577</u>	<u>135,166</u>	<u>29,100</u>	<u>9,505</u>	<u>2,634</u>
Fund Balances at End of Year	<u>\$ 113,305</u>	<u>\$ 15,577</u>	<u>\$ 131,316</u>	<u>\$ 36,476</u>	<u>\$ 10,265</u>	<u>\$ 3,860</u>

(Continued on next page)

**TOWN OF HADDAM, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Debt Service</u>	<u>Capital Projects</u>		<u>Total</u>
	<u>Debt Service Fund</u>	<u>Open Space Fund</u>	<u>Silver Spring Road Fund</u>	
Revenues:				
Intergovernmental	\$	\$	\$	\$ 55,821
Charges for services				8,892
Interest income		268		998
Miscellaneous			58,000	86,185
Total revenues	<u>-</u>	<u>268</u>	<u>58,000</u>	<u>151,896</u>
Expenditures:				
Current:				
General government				59,467
Public works			19,036	19,036
Debt service	514,631			514,631
Total expenditures	<u>514,631</u>	<u>-</u>	<u>19,036</u>	<u>593,134</u>
Excess (Deficiency) of Revenues over Expenditures	(514,631)	268	38,964	(441,238)
Other Financing Sources:				
Transfers in	301,800			301,800
Net Change in Fund Balances	(212,831)	268	38,964	(139,438)
Fund Balances at Beginning of Year	1,158,515	39,055	140,079	1,614,287
Fund Balances at End of Year	<u>\$ 945,684</u>	<u>\$ 39,323</u>	<u>\$ 179,043</u>	<u>\$ 1,474,849</u>

(Concluded)

APPENDIX A3

BASIC FINANCIAL STATEMENTS

TOWN OF KILLINGWORTH, CONNECTICUT

As of and for the Fiscal Year Ended June 30, 2018

SEWARD AND MONDE

CERTIFIED PUBLIC ACCOUNTANTS
296 STATE STREET
NORTH HAVEN, CONNECTICUT 06473-2165
(203) 248-9341
FAX (203) 248-5813

INDEPENDENT AUDITORS' REPORT

To the Honorable Members of
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 (the Town), as of and for the year ended June 30, 2018, 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 U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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. Those procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the



financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of 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, 2018, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (OPEB), effective July 1, 2017. There was no change in net position of the Town in order to recognize the net other postemployment benefits liability required in implementing GASB No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 - 12, the budgetary comparison information on pages 58 - 62, the retirement system schedules on pages 63 - 67 and other postemployment benefits (OPEB) schedule on page 68 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements as a whole. The combining and individual nonmajor fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the financial statements. 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 also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, supplemental schedules and the schedule of expenditures of state financial assistance 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 U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Towns' internal control over financial reporting and compliance.

Seward and Monde

North Haven, Connecticut
November 21, 2018

Town of Killingworth, Connecticut

Management's Discussion and Analysis

For the Year Ended June 30, 2018

This discussion and analysis of the Town of Killingworth, Connecticut's (the Town) financial performance is provided by management and provides an overview of the Town's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Town's financial performance.

FINANCIAL HIGHLIGHTS

- On the government-wide basis, the total net position increased by \$21,769 or .08%, from \$27,077,311 to 27,099,080. The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,099,080. Of this amount, \$5,785,859 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total liabilities decreased \$411,253 primarily due to principal payments on general obligation bond.
- At the close of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$7,225,098 which was a decrease of \$307,737 from the prior year. Of this amount, \$4,500,797 is unassigned and available for spending at the Town's discretion, which is a decrease of \$416,856 from the prior year restated unassigned fund balance.
- The Town's long-term liabilities decreased by \$392,170 during the current fiscal year primarily due to the general obligation bond principal payment of \$415,000.
- The General Fund budget showed an overall under expenditure of \$57,681 between final budgeted and actual expenditures.

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 13 - 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into 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 eleven 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 for Capital and Nonrecurring Expenditures Fund which are considered to be major funds. Data from the other nine 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 69 - 70.

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 15 - 18 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 19 - 20 of this report

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 21 - 57 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Town's budgetary compliance as well as its progress in funding its obligation to provide pension and other post-employment benefits (OPEB) to its employees. Required supplementary information can be found on pages 58 - 68 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and other schedules are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and other schedules can be found on pages 69 - 75 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.

	Statement of Net Position			
	June 30, 2018	Changes During the Year		June 30, 2017
		Dollars	Percent	
Current and other assets	\$ 7,449,870	(\$ 355,524)	-4.6%	\$ 7,805,394
Capital assets	24,313,221	(27,769)	-0.1%	24,340,990
Total assets	<u>31,763,091</u>	<u>(383,293)</u>	<u>-1.2%</u>	<u>32,146,384</u>
Deferred outflows of resources	<u>435,091</u>	<u>247,063</u>	<u>131.4%</u>	<u>188,028</u>
Long-term liabilities	4,598,150	(392,170)	-7.9%	4,990,320
Other Liabilities	133,712	(19,083)	-12.5%	152,795
Total liabilities	<u>4,731,862</u>	<u>(411,253)</u>	<u>-8.0%</u>	<u>5,143,115</u>
Deferred inflows of resources	<u>367,240</u>	<u>238,107</u>	<u>184.4%</u>	<u>129,133</u>
Net investment in capital assets	21,313,221	387,231	1.9%	20,925,990
Unrestricted	5,785,859	(350,315)	-5.7%	6,136,174
Total net position	<u>\$ 27,099,080</u>	<u>\$ 36,916</u>	<u>0.1%</u>	<u>\$ 27,062,164</u>

By far the largest portion of the Town's net position (78.6%) 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.

The remaining balance of \$5,785,859 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.

	Statement of Activities			
	2018	Change		2017
		Dollars	Percent	
Revenues:				
Program Revenues:				
Charges for services	\$ 436,054	\$ 54,635	14.32%	\$ 381,419
Operating grants and contributions	2,220,495	(407,801)	-15.52%	2,628,296
Capital grants and contributions	301,951	78,954	35.41%	222,997
General revenues:				
Property taxes	19,149,735	227,875	1.20%	18,921,860
Grants and contributions	73,911	58,721	386.58%	15,190
Interest and investment earnings	35,411	22,083	165.69%	13,328
Other general revenues	33,553	(94,554)	-73.81%	128,107
Total revenues	<u>22,251,110</u>	<u>(60,087)</u>	<u>-0.27%</u>	<u>22,311,197</u>
Expenses:				
Program expenses:				
General government	1,462,467	333,177	29.50%	1,129,290
Public safety	757,773	97,059	14.69%	660,714
Highway	2,162,776	(104,605)	-4.61%	2,267,381
Sanitation and health	272,833	(21,113)	-7.18%	293,946
Conservation and land use	67,270	(1,445)	-2.10%	68,715
Recreation	237,867	51,993	27.97%	185,874
Community Services	597,991	97,053	19.37%	500,938
Welfare	20,449	11,810	136.71%	8,639
Capital outlays	-	(86,137)	-100.00%	86,137
Education	16,581,237	(249,916)	-1.48%	16,831,153
Interest on long-term debt	68,678	(40,457)	-37.07%	109,135
Total program expenses	<u>22,229,341</u>	<u>87,419</u>	<u>0.39%</u>	<u>22,141,922</u>
Increase in net position	<u>\$ 21,769</u>	<u>(\$ 147,506)</u>	<u>-87.14%</u>	<u>\$ 169,275</u>

- Operating grants and contributions decreased \$407,801, due primarily to a decrease in a \$287,466 decrease in education cost share funding from the State.
- Property taxes increased by \$227,875 (1.20%) due to an increase in the mill rate and a higher than anticipated collection rate.
- General government program expense increased by \$333,177 (29.50%) primarily as a result in increased pension and OPEB expense in the currently year.
- Community services increased by \$97,053 (19.37%) due to an increase in tax refunds.
- Capital outlays decreased by \$86,137 (100.00%) as current year outlays not meeting the capitalization threshold were allocated among the appropriate program function.
- Education expenses decreased by \$249,916 (1.48%) due to a reduction in the ADM and a reduced assessment by Regional School District No. 17.
- Interest on long-term debt decreased by \$40,457 (37.07%) due to the overall reduction in debt and the prior year refunding at a lower rate.

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.

	Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
General government	\$ 1,462,467	\$ 1,129,290	\$ 333,177	\$ 1,077,728	\$ 717,777	\$ 359,951
Public safety	757,773	660,714	97,059	735,192	637,856	97,336
Highway	2,162,776	2,267,381	(104,605)	1,577,268	2,015,729	(438,461)
Sanitation and health	272,833	293,946	(21,113)	250,690	277,412	(26,722)
Conservation and land use	67,270	68,715	(1,445)	67,270	68,715	(1,445)
Recreation	237,867	185,874	51,993	237,867	168,864	69,003
Community services	597,991	500,938	97,053	540,416	384,210	156,206
Welfare	20,449	8,639	11,810	20,449	8,639	11,810
Capital outlays	-	86,137	(86,137)	-	(136,860)	136,860
Education	16,581,237	16,831,153	(249,916)	14,695,283	14,657,733	37,550
Interest on long-term debt	68,678	109,135	(40,457)	68,678	109,135	(40,457)
Totals	<u>\$22,229,341</u>	<u>\$22,141,922</u>	<u>\$ 87,419</u>	<u>\$19,270,841</u>	<u>\$18,909,210</u>	<u>\$ 361,631</u>

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, 2018, the Town's governmental funds reported combined fund balances of \$7,225,098, a decrease of \$307,737 in comparison with the prior year. Approximately 62.3% of this amount (\$4,500,797) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either restricted, committed or assigned to indicate that it is 1) restricted or committed for particular purposes (\$1,083,157), or 2) assigned for particular purposes (\$1,641,144).

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year unassigned fund balance of the general fund was \$4,500,797. Assigned fund balance represents the amount approved for use in the fiscal year 2019 budget. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers out. Unassigned fund balance and total fund balance represent 20.7% and 23.4%, respectively, of total general fund expenditures and transfers out.

The fund balance of the Town's general fund increased by \$166,037 during the current fiscal year.

The reserve for capital and nonrecurring expenditures fund, a major fund, had a \$484,780 decrease in fund balance during the current fiscal year, while the other governmental funds had an increase of \$11,006. Major projects in the reserve for capital and nonrecurring expenditures fund included \$803,601 in road projects and \$422,000 for a Class A pumper truck.

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:

General Fund - Budget Summary

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Property taxes	\$ 18,880,049	\$ 19,163,135	\$ 283,086
Intergovernmental	2,625,075	2,255,526	(369,549)
Licenses, fees and permits	125,000	177,851	52,851
Charges for goods and services	115,000	184,688	69,688
Interest income	10,000	28,777	18,777
Appropriation of prior year fund balance	68,126	68,126	-
Other revenues	100,000	102,828	2,828
Total revenues	<u>21,923,250</u>	<u>21,980,931</u>	<u>57,681</u>
Expenditures			
General government	2,178,393	2,107,556	70,837
Public safety	585,285	582,199	3,086
Highway	956,351	945,440	10,911
Sanitation and health	285,104	272,137	12,967
Conservation and land use	79,809	67,375	12,434
Recreation	150,134	141,552	8,582
Community services	579,245	573,809	5,436
Welfare	10,100	8,776	1,324
Debt and lease obligation	466,036	466,036	-
Education	16,632,793	16,581,237	51,556
Total program expenses	<u>21,923,250</u>	<u>21,746,117</u>	<u>177,133</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ 234,814</u>	<u>\$ 234,814</u>

Property tax revenue was \$283,086 higher than budgeted due primarily to higher than anticipated overall tax collections. Intergovernmental revenues were \$369,549 under budget as the State reduced the education cost sharing, elderly homeowners and municipal revenue sharing grants after the Town's budget was approved. Town budgeted for an appropriation of \$68,126 which proved to be unnecessary. Interest and investment income were higher than of budgetary estimates as interest rates being paid on Town's deposits rose.

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, 2018, the Town had a net amount of \$24,313,221 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and infrastructure. This represents a net decrease (including additions and deductions) of \$27,769 from the prior year. During the current fiscal year, the Town completed the Alders Bridge Road Drainage project, paving of other Town roads, playgrounds at Sheldon and KRP recreational parks. In addition, a Class A pumper truck was purchased for KVFD. The overall decrease in net capital assets was a result of a slightly higher depreciation expense as compared to asset additions.

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 3,821,535	\$ 3,821,535
Construction in progress	431,196	-
Land improvements	1,334,636	1,396,990
Buildings and improvements	2,577,976	2,600,512
Equipment and vehicles	929,227	965,486
Infrastructure	<u>15,218,651</u>	<u>15,556,467</u>
Totals	<u>\$ 24,313,221</u>	<u>\$ 24,340,990</u>

The Town’s 2018/2019 budget anticipates \$1,727,227 in road projects, as well as improvements to the recreational parks, IT upgrades, and radio and communication equipment for the volunteer fire company.

Long-Term Debt

As of June 30, 2018, the Town had \$3,000,000 in general obligation bonds outstanding, a decrease of \$415,000 from the prior year, as shown in the analysis below.

Town of Killingworth's Outstanding Debt

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
General obligation bonds	\$ 3,000,000	\$ 3,415,000
Totals	<u>\$ 3,000,000</u>	<u>\$ 3,415,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Town's elected and appointed officials considered many factors when setting the fiscal year 2018 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 2019 budget of \$21,978,776 has a decrease of 0.39% on the Town side and a 0.46% increase for Regional School District No. 17. The mill rate was unchanged at 27.47.

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, CT, 323 Route 81, Killingworth, CT 06419.

TOWN OF KILLINGWORTH, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 7,307,051
Property taxes and interest receivable, net	142,819
Capital assets not being depreciated:	
Land	3,821,535
Construction in progress	431,196
Capital assets, net of accumulated depreciation:	
Land improvements	1,334,636
Buildings and improvements	2,577,976
Equipment and vehicles	929,227
Infrastructure	15,218,651
Total assets	<u>31,763,091</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges related to pensions	435,091
Total deferred outflows of resources	<u>435,091</u>
LIABILITIES	
Accounts payable and accrued expenses	133,712
Long-term liabilities:	
Due within one year	485,509
Due in more than one year	4,112,641
Total liabilities	<u>4,731,862</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred charges related to pensions	353,863
Deferred charges related to OPEB	13,377
Total deferred outflows of resources	<u>367,240</u>
NET POSITION	
Net investment in capital assets	21,313,221
Unrestricted	5,785,859
Total net position	<u>\$ 27,099,080</u>

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

**TOWN OF KILLINGWORTH, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions\Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Primary Government					
Governmental Activities:					
General government	\$ 1,462,467	\$ 380,739	\$ 4,000	\$ -	(\$ 1,077,728)
Public safety	757,773	11,090	11,491	-	(735,192)
Highway	2,162,776	5,558	277,999	301,951	(1,577,268)
Sanitation and health	272,833	22,143	-	-	(250,690)
Conservation and land use	67,270	-	-	-	(67,270)
Recreation	237,867	-	-	-	(237,867)
Community services	597,991	16,524	41,051	-	(540,416)
Welfare	20,449	-	-	-	(20,449)
Education	16,581,237	-	1,885,954	-	(14,695,283)
Interest	68,678	-	-	-	(68,678)
Total governmental activities	\$ 22,229,341	\$ 436,054	\$ 2,220,495	\$ 301,951	(\$ 19,270,841)
General revenues:					
Property taxes					19,149,735
Grants and contributions not restricted to specific programs					73,911
Unrestricted investment earnings					35,411
Miscellaneous					33,553
Total general revenues and transfers					19,292,610
Change in net position					21,769
Net position - July 1, 2017, as restated					27,077,311
Net position - June 30, 2018					\$ 27,099,080

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

**TOWN OF KILLINGWORTH, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	Reserve for Capital and Nonrecurring Expenditures Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,165,643	\$ 2,028,391	\$ 113,017	\$ 7,307,051
Property tax and interest receivable, net of allowance of \$11,511	142,819	-	-	142,819
Total assets	<u>\$ 5,308,462</u>	<u>\$ 2,028,391</u>	<u>\$ 113,017</u>	<u>\$ 7,449,870</u>
LIABILITIES				
Accounts payable and accrued expenses	\$ 116,070	\$ -	\$ -	\$ 116,070
Total liabilities	116,070	-	-	116,070
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	108,702	-	-	108,702
FUND BALANCES				
Restricted	-	-	113,017	113,017
Committed	-	970,140	-	970,140
Assigned	582,893	1,058,251	-	1,641,144
Unassigned	4,500,797	-	-	4,500,797
Total fund balances	5,083,690	2,028,391	113,017	7,225,098
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,308,462</u>	<u>\$ 2,028,391</u>	<u>\$ 113,017</u>	<u>\$ 7,449,870</u>

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

**TOWN OF KILLINGWORTH, CONNECTICUT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2018**

Fund balances - total governmental funds \$ 7,225,098

Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental capital assets	62,066,181
Less accumulated depreciation	(37,752,960)
Net capital assets	<u>24,313,221</u>

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

Property tax and interest receivables greater than 60 days	108,702
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Deferred outflows and inflows of resources resulting from changes in the components of the Town's net pension and OPEB liabilities are reported in the statement of net position	67,851
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds payable	(3,000,000)
Compensated absences	(156,132)
Net pension obligation	(1,314,766)
Other postemployment benefits	(127,252)
Interest payable on bonds	<u>(17,642)</u>

Net position of governmental activities	<u><u>\$ 27,099,080</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

TOWN OF KILLINGWORTH, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General	Reserve for Capital and Nonrecurring Expenditures Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 19,163,135	\$ -	\$ -	\$ 19,163,135
Intergovernmental	2,255,526	301,951	4,000	2,561,477
Licenses, permits and fees	177,851	-	12,476	190,327
Charges for goods and services	184,688	-	16,205	200,893
Interest and investment income	28,777	6,634	-	35,411
Capital surcharge	-	2,376	-	2,376
Miscellaneous	102,828	10,237	10,635	123,700
	<u>21,912,805</u>	<u>321,198</u>	<u>43,316</u>	<u>22,277,319</u>
Total revenues				
EXPENDITURES				
Current:				
General government	1,358,763	-	6,225	1,364,988
Public safety	582,199	-	28,453	610,652
Highway	944,314	-	-	944,314
Sanitation and health	272,833	-	-	272,833
Conservation and land use	67,270	-	-	67,270
Recreation	141,552	-	-	141,552
Community services	553,809	-	5,938	559,747
Welfare	8,755	-	11,694	20,449
Education	16,581,237	-	-	16,581,237
Debt service	466,036	-	-	466,036
Capital outlays	-	1,555,978	-	1,555,978
	<u>20,976,768</u>	<u>1,555,978</u>	<u>52,310</u>	<u>22,585,056</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	936,037	(1,234,780)	(8,994)	(307,737)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	750,000	26,622	776,622
Operating transfers out	(770,000)	-	(6,622)	(776,622)
	<u>(770,000)</u>	<u>750,000</u>	<u>20,000</u>	<u>-</u>
Total other financing sources (uses)				
Net change in fund balances	166,037	(484,780)	11,006	(307,737)
Fund balances - July 1, 2017, as restated	<u>4,917,653</u>	<u>2,513,171</u>	<u>102,011</u>	<u>7,532,835</u>
Fund balances - June 30, 2018	<u>\$ 5,083,690</u>	<u>\$ 2,028,391</u>	<u>\$ 113,017</u>	<u>\$ 7,225,098</u>

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

**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
FOR THE YEAR ENDED JUNE 30, 2018**

Net change in fund balances - total governmental funds (\$ 307,737)

Amounts reported for governmental activities in the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	1,482,394
Depreciation expense	(1,510,163)

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

Property taxes and interest receivable - accrual basis change	(26,209)
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The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Principal payments on general obligation bonds	415,000
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	(17,642)
Change in compensated absences	5,062
Change in net pension liability	(8,722)
Change in net OPEB liability	<u>(10,214)</u>

Change in net position of governmental activities	<u>\$ 21,769</u>
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The accompanying notes to the financial statements are an integral part of this statement.

**TOWN OF KILLINGWORTH, CONNECTICUT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 125,446	\$ 809
Investments	<u>3,253,617</u>	<u>-</u>
Total assets	<u>3,379,063</u>	<u>\$ 809</u>
LIABILITIES		
Due to other groups	<u>\$ -</u>	<u>\$ 809</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 3,379,063</u>	

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

**TOWN OF KILLINGWORTH, CONNECTICUT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

ADDITIONS

Employer contributions	\$	223,759
Investment return:		
Investment income		84,353
Net increase in fair value of investments		<u>88,381</u>
Total investment return		172,734
Less investment expenses		<u>23,107</u>
Net investment return		<u>149,627</u>
Total additions		<u>373,386</u>

DEDUCTIONS

Benefits paid		<u>229,095</u>
Total deductions		<u>229,095</u>
Change in net position		144,291
Net position - July 1, 2017, as restated		<u>3,234,772</u>
Net position - June 30, 2018	\$	<u><u>3,379,063</u></u>

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

**TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Town of Killingworth, Connecticut was named in 1667. The Town of Killingworth, Connecticut operates under a Selectmen/Town Meeting form of government. 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 Town operates under the provisions of its charter and the General Statutes of the State of Connecticut. The legislative powers of the Town are vested in the Town Meeting. A town meeting is required to make appropriations, levy tax and borrow money. The executive body is made up of a Board of Selectmen, consisting of a First Selectman, who is the chief executive officer, and two other board members. A six-member Board of Finance is responsible for presenting and overseeing fiscal operating budgets.

The Town is a member of Regional School District No. 17 with the Town of Haddam. The District provides educational services and facilities for children of the two towns from grades K through 12. The District's board, which is elected on a proportional basis by residents of the participating towns, controls the operation of the District.

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 the Governmental Accounting Standards Board (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. The following related organizations, to which the Town appropriates funds annually, does not meet the above criteria and are not included in the reporting entity:

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 \$255,621 for the year ended June 30, 2018.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
... Continued ...

B. Basis of Presentation

The financial statements of the Town of have been prepared in conformity with U.S. generally accepted accounting principles as applied to government units. GASB is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies used by the Town:

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 of the nonfiduciary activities of the Town. As a general rule, the effect of interfund balances and activity has been eliminated in preparation of these statements. Exceptions to this rule are services provided by one fund used by another fund. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned. Governmental activities, which are normally supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town does not have any business-type activities.

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 the 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, 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. Property taxes and other items not properly included among program revenues are reported instead as general revenues. The Town does not allocate indirect expenses to functions in the Statement of Activities.

Fund Financial Statements

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

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

The Town reports the following major governmental funds:

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

The Reserve Fund for Capital and Nonrecurring Expenditures is a capital projects fund which 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.

Additionally, the Town reports the following fund types:

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

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.

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

During the course of operations the Town may have activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported as gross amounts as transfers in/out. Certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized 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. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments for the Town are reported at fair value, generally based on quoted market prices.

Property Taxes and Other Receivables

The Town's property tax is levied and payable each July 1 on the assessed value listed as of the prior October 1 for all real and personal property located in the Town. Assessed values are established by the Town's Assessor's office at 70% of appraised value. These taxes are billed and due in two installments, July 1 and the following January 1. Taxes become overdue one month after the installment due date. Interest at the rate of 1.5% per month accrued on all overdue tax balances. Liens are effective on the assessment date and are generally continued by filing in May following the due date.

Section 12-165 of the General Statutes of the State of Connecticut requires each municipality to write-off, on an annual basis, the property taxes which are deemed uncollectible. Property taxes and related interest receivable at June 30, 2018 are stated net of an allowance for uncollectible amounts of \$11,511.

State statutes require that a revaluation be done every four years. The last revaluation completed and enacted was for the list of October 1, 2016.

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

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. At June 30, 2018, the Town had no prepaid items.

Capital Assets

Capital assets, which include land and related improvements, buildings and related improvements, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements.

Capital assets used in governmental fund operations are accounted for as capital outlays, or departmental expenditures in the fund financial statements upon acquisition.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement.

Depreciation is computed using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Land improvements	20
Equipment and vehicles	5-20
Infrastructure	20-50

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred outflows of resources related to pension in the government-wide statement of net position. A deferred outflow of resources related to pension results from changes in assumptions and differences between projected and actual earnings. These amounts are deferred and included in pension expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees).

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, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports deferred inflows of resources related to pensions and OPEB in the government-wide statement of net position. A deferred inflow of resources related to pension results from differences between expected and actual experience. A deferred inflow of resources related to OPEB results from changes in assumptions and differences between expected and actual experience. These amounts are deferred and included in pension and OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active and inactive employees). Also, for the governmental funds, the Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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 employees 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 at June 30, 2018 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.

Net Pension Liability

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

Net Other Postemployment Benefit (OPEB) Liability

The net OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service (total pension liability), net of the OPEB plan's fiduciary net position. The Town does not currently have funds set aside in an OPEB Trust. The net position liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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, 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:

- a. 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.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- c. 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.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Fund Financial Statements

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

- a. 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.
- b. 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.
- c. Committed Fund Balance - represents amounts constrained for a specific purpose by a government using its highest level of decision-making authority. The Town Meeting is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.
- d. 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.
- e. 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.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

The Town does not have a minimum fund balance policy.

E. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues, expenses and expenditures. Actual results could differ from those estimates.

F. Subsequent Events

Management has evaluated subsequent events through November 21, 2018, the date the financial statements were available to be issued.

G. Application of Accounting Standards

The Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities.

H. Prior Period Adjustments

The Reserve for Capital and Nonrecurring Expenditures Fund was restated for \$15,149 to properly reflect cash balances as of June 30, 2017. The Pension Trust Funds were restated for \$5,586 to properly reflect investment values as of June 30, 2017.

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, 2018
...Continued...

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. No additional appropriations were needed during the year.

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.

3 - Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

The following is a summary of cash and cash equivalents at June 30, 2018:

	Government-Wide Statement of Net Position	Fiduciary Funds Statement of Net Position
Cash and cash equivalents:		
Cash on hand and on deposit	\$ 7,307,051	\$ 809
Money market funds	-	125,446
Total cash and cash equivalents	\$ 7,307,051	\$ 126,255

As of year-end, the Town's bank balances were \$7,408,815.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. Of the June 30, 2018 bank balance, \$500,000 was covered by Federal Depository Insurance. All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. 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 collateralized with assets segregated from the financial institutions assets at the Federal Reserve Bank and identified as being pledged to the Town. The Town has a deposit policy for custodial risk.

Investments

The Connecticut General Statutes permit municipalities to invest in: (a) obligations of the United States and its agencies, (b) highly rated obligations of any state of the United States or of any political subdivision, authority or agency thereof, and (c) shares or other interest in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market or mutual funds (with constant or fluctuating new asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations.

The Pension Trust Fund is also authorized to invest in U.S. government obligations, corporate bonds, common stocks and mutual funds.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

As of June 30, 2018, the Town's investments consisted of the following:

	<u>Government-Wide</u> Statement of Net Position	<u>Fiduciary Funds</u> Statement of Net Position
U.S. government and related obligations	\$ -	\$ 451,352
Corporate bonds	-	383,824
Equity mutual funds	-	2,015,333
Fixed income mutual funds	-	403,108
	<hr/>	<hr/>
Total investments	<u>\$ -</u>	<u>\$ 3,253,617</u>

At June 30, 2018, the Town had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
U.S. Government and Related Obligations	\$ 451,352	\$ -	\$ 341,457	\$ 109,509	\$ 386
Corporate Bonds	<u>383,824</u>	<u>-</u>	<u>275,347</u>	<u>108,477</u>	<u>-</u>
	835,176	<u>\$ -</u>	<u>\$ 616,804</u>	<u>\$ 217,986</u>	<u>\$ 386</u>
Mutual Funds **	<u>2,418,441</u>				
	<u>\$3,253,617</u>				

** Mutual funds do not mature.

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.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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, 2018, 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.

Fair Value Measures - The Town utilizes the market approach as the valuation technique to measure fair value of its financial assets. U.S. generally accepted accounting principles establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value of financial instruments into three levels.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities where the organization has the ability to access at the measurement date;

Level 2 - Significant other observable inputs other than quoted prices included in Level 1, which are observable for the asset or liability, either directly or indirectly (i.e. quoted prices in inactive markets, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency);

Level 3 - Unobservable inputs are used to the extent that observable inputs are unavailable due to little, if any, market activity for the asset or liability. Unobservable inputs are developed based on the best information available, which might include the organization's own data that reflects assumptions that market participants would use in pricing the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Town's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The Town has no financial assets measured using Level 2 or Level 3 at June 30, 2018.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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:

	<u>General Fund</u>
Receivables:	
Taxes	\$ 125,786
Interest	<u>28,544</u>
Gross receivables	154,330
Less: allowance for uncollectibles	<u>(11,511)</u>
Net total receivables	<u><u>\$ 142,819</u></u>

5 - Interfund Transactions

A. Interfund Balances

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

Internal balances between governmental funds are eliminated on the government-wide financial statements.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

B. Interfund Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported in the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 770,000
Major Governmental Fund:		
Reserve Fund for Capital and Nonrecurring Expenditures	750,000	-
Nonmajor Governmental Funds:		
Dog Fund	23,998	
The Attie Fund	-	3,998
Parmelee Farm	2,624	-
Community Gardens	-	2,624
	<u>\$ 776,622</u>	<u>\$ 776,622</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

6 - Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital Assets, not being depreciated				
Land	\$ 3,821,535	\$ -	\$ -	\$ 3,821,535
Construction in progress	-	431,196	-	431,196
Total capital assets, not being depreciated	<u>3,821,535</u>	<u>431,196</u>	<u>-</u>	<u>4,252,731</u>
Capital assets, being depreciated				
Land improvements	2,476,118	21,932	-	2,498,050
Buildings and improvements	4,231,931	63,845	-	4,295,776
Equipment and vehicles	4,696,033	174,601	-	4,870,634
Infrastructure	45,358,170	790,820	-	46,148,990
Total capital assets, being depreciated	<u>56,762,252</u>	<u>1,051,198</u>	<u>-</u>	<u>57,813,450</u>
Less: accumulated depreciation for:				
Land improvements	1,079,129	84,285	-	1,163,414
Buildings and improvements	1,630,008	87,792	-	1,717,800
Equipment and vehicles	3,737,550	203,857	-	3,941,407
Infrastructure	29,796,110	1,134,229	-	30,930,339
Total accumulated depreciation	<u>36,242,797</u>	<u>1,510,163</u>	<u>-</u>	<u>37,752,960</u>
Total capital assets, being depreciated, net	<u>20,519,455</u>	<u>(458,965)</u>	<u>-</u>	<u>20,060,490</u>
Total Government-Wide Capital Assets, net	<u>\$ 24,340,990</u>	<u>(\$ 27,769)</u>	<u>\$ -</u>	<u>\$ 24,313,221</u>

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
... Continued ...

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

General government	\$ 44,434
Public safety	133,948
Highway	1,201,625
Recreation	89,296
Community services	<u>40,860</u>
 Total	 <u><u>\$ 1,510,163</u></u>

7 - Long-Term Obligations

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Governmental Activities:					
General obligation bond	\$ 3,415,000	\$ -	\$ 415,000	\$ 3,000,000	\$ 410,000
Net pension liability	1,283,711	31,055		1,314,766	
Net OPEB liability	130,415	-	3,163	127,252	
Compensated absences	<u>161,194</u>	<u>37,535</u>	<u>42,597</u>	<u>156,132</u>	<u>75,509</u>
	<u><u>\$ 4,990,320</u></u>	<u><u>\$ 68,590</u></u>	<u><u>\$ 460,760</u></u>	<u><u>\$ 4,598,150</u></u>	<u><u>\$ 485,509</u></u>

General Obligation Bond Payable

At June 30, 2018, the Town had a general obligation bond in the amount of \$3,000,000 outstanding. The bond, dated November 7, 2016, matures over 10 years at an interest rate of 1.59%.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
... Continued ...

The annual debt service requirements on this general obligation bond, including interest, are as follows as of June 30:

Fiscal Year Ending	Principal	Interest
2019	\$ 410,000	\$ 44,441
2020	405,000	37,961
2021	400,000	31,562
2022	390,000	25,281
2023	385,000	19,120
2024-2027	1,010,000	24,012
	\$ 3,000,000	\$ 182,377

Payments on all long-term debt that pertain to the Town's governmental activities are made by the General Fund.

Killingworth is a member of Regional School District No. 17, which provides education facilities for grades K through twelve for the towns of Haddam and Killingworth. As of June 30, 2018, the outstanding bonded indebtedness of the District was \$12,100,000 with Killingworth's share being 40.83176% or \$4,940,643. These are general obligations of Regional School District No. 17 and its member towns.

Authorized/Unissued Bonds

There are no authorized, unissued bonds at June 30, 2018.

Debt Limitation

The Town's total authorized debt falls within the debt limitation set forth by the Connecticut General Statutes.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
... Continued ...

8 - Fund Balance

	General Fund	Reserve Fund For Capital and Nonrecurring Expenditures	Non-major Governmental Funds	Total
Fund balances:				
Restricted for:				
General government	\$ -	\$ -	\$ 4,379	\$ 4,379
Public safety	-	-	58,477	58,477
Community services	-	-	37,301	37,301
Welfare	-	-	12,860	12,860
Committed to:				
Capital projects	-	970,140	-	970,140
Assigned to:				
Subsequent year's budget	582,893	-	-	582,893
Capital projects	-	1,058,251	-	1,058,251
Unassigned	<u>4,500,797</u>	<u>-</u>	<u>-</u>	<u>4,500,797</u>
Total fund balances	<u>\$5,083,690</u>	<u>\$ 2,028,391</u>	<u>\$ 113,017</u>	<u>\$ 7,225,098</u>

9 - Defined Benefit Pension Plan

The Town administers two single employer defined benefit public employees retirement system (PERS) pension plans, one covering all eligible full-time employees and the second covering volunteer firefighters. The PERS are considered to be a part of the Town's financial reporting entity and are included in the Town's financial statements as pension trust funds. The plans do not issue separate, stand alone, financial reports.

Management of the plans rest with the administrative pension board appointed by the Board of Selectmen.

A. Municipal Employees

Plan Description

The 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 is closed to new participants.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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. Members are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.5% of final earnings times years of service, to a maximum of 30 years.

The Plan contains a provision for early retirement at age 60 with at least 15 years of service. Benefit is reduced actuarially to reflect early retirement. 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.

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.

Plan Membership

Membership in the Plan consisted of the following at June 30, 2018:

Inactive plan members or beneficiaries currently receiving benefits	9
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>10</u>
Total	<u><u>20</u></u>

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.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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.

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, 2018
... Continued ...

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:

<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.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
... Continued ...

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

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

Town 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.

Plan Membership

Membership in the Plan consisted of the following at June 30, 2018:

Inactive plan members or beneficiaries currently receiving benefits	46
Inactive plan members entitled to but not yet receiving benefits	25
Active plan members	<u>24</u>
Total	<u><u>95</u></u>

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.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

The individual plan net position at June 30, 2018 and changes in net position for the year then ended are as follow:

	Town Employees	Volunteer Fire	Total
ASSETS			
Cash and cash equivalents	\$ 80,715	\$ 44,731	\$ 125,446
Investments	2,083,859	1,169,758	3,253,617
	\$ 2,164,574	\$ 1,214,489	\$ 3,379,063
Net position held in trust for pension benefits	\$ 2,164,574	\$ 1,214,489	\$ 3,379,063
ADDITIONS			
Contributions:			
Employer	\$ 112,425	\$ 111,334	\$ 223,759
Total contributions	112,425	111,334	223,759
Investment return:			
Investment income	54,769	29,584	84,353
Net increase in the fair value of investments	55,120	33,261	88,381
Total investment return	109,889	62,845	172,734
Less investment expenses	14,845	8,262	23,107
Net investment return	95,044	54,583	149,627
Total additions	207,469	165,917	373,386
DEDUCTIONS			
Benefit payments	122,057	107,038	229,095
Total deductions	122,057	107,038	229,095
Change in net position	85,412	58,879	144,291
NET POSITION, beginning	2,079,162	1,155,610	3,234,772
NET POSITION, ending	\$ 2,164,574	\$ 1,214,489	\$ 3,379,063

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Investments

Investment policy - the Plans' policy in regard to the allocation of invested assets is established and amended by the Board of Finance. It is the policy of the Board of Finance to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

The following was the Board's adopted asset allocation policy for all plans as of June 30, 2018:

<u>Asset Class</u>	<u>Municipal Employees Target Allocation</u>	<u>Volunteer Fire Target Allocation</u>
Large Cap	22.10 %	21.10 %
Mid Cap	8.70	9.80
Small Cap	5.60	6.60
International Equity	13.30	13.70
International Emerging Markets	4.20	5.90
REIT's	2.80	3.90
High Yield Bonds	3.90	8.60
Short-term Bonds	9.80	3.80
Intermediate-term Bonds	24.40	21.80
Cash Equivalents	5.20	4.80
	<u>100.00 %</u>	<u>100.00 %</u>

Rate of return - For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension investment expense, was as follows:

Municipal Employees	4.61 %
Volunteer Fire	4.79

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

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Net Pension Liability

The components of the net pension liability of the Town at June 30, 2018, were as follows:

	<u>Town Employees</u>	<u>Volunteer Fire</u>	<u>Total</u>
Total pension liability	\$ 2,599,722	\$ 2,094,107	\$ 4,693,829
Plan fiduciary net position	<u>2,164,574</u>	<u>1,214,489</u>	<u>3,379,063</u>
Town's net pension liability	<u>\$ 435,148</u>	<u>\$ 879,618</u>	<u>\$ 1,314,766</u>
Plan fiduciary net position as a percentage of the total pension liability	83.26 %	58.00 %	

Actuarial assumptions - the total pension liability was determined by an actuarial valuation as of July 1, 2017 and increased by service cost and interest and decreased by benefit payments to estimate the total pension liability as of June 30, 2018. Actuarial assumptions were as follows:

	<u>Town Employees</u>	<u>Volunteer Fire</u>
Inflation	2.25%	2.25%
Salary increases	3.50%	N/A
Investment rate of return	6.50%	6.50%

Mortality rates for the Town Employees and Volunteer Fire Plan were based on the RP-2014 Combined Healthy Mortality with MP-2017 mortality improvements.

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

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 (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 Long-term Expected Real Rate of Return</u>
Large Cap	6.74 %	6.74 %
Mid Cap	7.09	7.09
Small Cap	7.94	7.94
International Equity	8.40	8.40
International Emerging Markets	10.68	10.68
REIT's	6.10	6.10
High Yield Bonds	5.15	5.15
Short-term Bonds	3.11	3.11
Intermediate-term Bonds	3.52	3.52
Cash Equivalent	2.01	2.01

Discount rate - the discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the Town contributions will be made at rates equal to the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Changes in the Net Pension Liability

Town Employees Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances, June 30, 2017	\$ 2,528,942	\$ 2,079,162	\$ 449,780
Changes for the year:			
Service cost	57,237	-	57,237
Interest	160,414	-	160,414
Differences between expected and actual experience	(169,721)	-	(169,721)
Effect of assumptions changes or inputs	144,907	-	144,907
Contributions - employer	-	112,425	(112,425)
Net investment return	-	95,044	(95,044)
Benefit payments, including refunds of member contributions	(122,057)	(122,057)	-
Net changes	70,780	85,412	(14,632)
Balances, June 30, 2018	<u>\$ 2,599,722</u>	<u>\$ 2,164,574</u>	<u>\$ 435,148</u>

Volunteer Fire Plan	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances, June 30, 2017	\$ 1,989,541	\$ 1,155,610	\$ 833,931
Changes for the year:			
Service cost	29,523	-	29,523
Interest	125,841	-	125,841
Difference between expected and actual experience	(96,813)	-	(96,813)
Effect of assumptions changes or inputs	153,053	-	153,053
Contributions - employer	-	111,334	(111,334)
Net investment return	-	54,583	(54,583)
Benefit payments	(107,038)	(107,038)	-
Net changes	104,566	58,879	45,687
Balances, June 30, 2018	<u>\$ 2,094,107</u>	<u>\$ 1,214,489</u>	<u>\$ 879,618</u>

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Sensitivity of the net pension liability to changes in the discount rate - the following presents the net pension liability of the Town, calculated using the discount rate of 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Town Employees net pension liability	\$ 181,049	\$ 435,148	\$ 732,467
Volunteer Fire net pension liability	\$ 655,138	\$ 879,618	\$ 1,152,116

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Town recognized pension expense of \$108,104 and \$96,534 for the Town Employees and Volunteer Fire Plans, respectively.

The Town reported deferred outflows and inflows of resources related to pensions from the following sources:

	Town Employees Plan	Volunteer Fire Plan	Total
Deferred Outflows:			
Net difference between projected and actual earnings on pension plan investments	\$ 113,130	\$ 50,207	\$ 163,337
Changes of assumptions	127,171	144,583	271,754
	<u>\$ 240,301</u>	<u>\$ 194,790</u>	<u>\$ 435,091</u>
Deferred Inflows:			
Differences between actual and expected experience	\$ 234,073	\$ 119,790	\$ 353,863

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

The net differences between projected and actual earnings are amortized over 5 years. The changes in assumptions and differences between actual and expected experience is amortized over 8.17 and 18.07 years for the Town Employee and Volunteer Fire Plans, respectively.

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

Year ending June 30	Town Employee	Volunteer Fire	Total
2019	\$ 49,502	\$ 28,376	\$ 77,878
2020	20,527	14,259	34,786
2021	(9,749)	(128)	(9,877)
2022	(5,290)	3,448	(1,842)
2023	(14,535)	(1,063)	(15,598)
Thereafter	(34,227)	30,108	(4,119)

Defined Contribution Plan

Plan Description

The Town is the administrator of the Town of Killingworth 401(a) Plan established to provide benefits at retirement to substantially all full-time Town employees hired on or after July 1, 2015.

Plan provisions and contribution requirements are established and may be amended by the Board of Selectmen. At June 30, 2018, there were 5 plan members. UPSEU plan members are required to contribute a minimum of 4.0% to the plan. Other plan members may contribute amounts up to legal limits but have no minimum requirement. The Town is required to contribute an amount equal to the plan members' contribution up to 4.0% of covered salary. Plan members and the Town each contributed \$5,688, not including rollover contributions and forfeitures, to the plan in the year ended June 30, 2018. Plan members are 100% vested in their employee contributions. Plan members are 20% vested in their employer contribution after 1 year of service, with an additional 20% for each year thereafter. Forfeitures shall be used to pay plan expenses or reduce future employer contributions.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

10 - Other Post-Employment Benefits (OPEB)

Plan Description

The Town, in accordance with collective bargaining agreements, provides post-retirement medical benefits to eligible retirees and their spouses through a single-employer, contributory, defined benefit OPEB plan. The Town does not issue a separate stand-alone financial statement for this program. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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.

Plan Membership

Membership in the Plan consisted of the following at July 1, 2018:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>6</u>
Total	<u><u>6</u></u>

Funding Policy

The Town funding and payment of postemployment benefits are accounted for in the General Fund. The Town has not established a trust fund to segregate irrevocable assets to fund the liability associated with postemployment benefits. The Town does not currently have a funding strategy to provide for normal cost and the amortization of the accrued liability. The Town currently contributes enough money to the Plan to satisfy the current obligations on a pay-as-you go basis.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Plan benefits for retirees require a contribution of 14 percent regardless of coverage.

Total OPEB Liability

The Town's total OPEB liability of \$127,252 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	N/A
Discount rate	3.62%
Healthcare cost trend rates	3.0% per year

The discount rate was based on the Fidelity 20-Year Go Municipal Bond Index.

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table with MP-2017 mortality improvements.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2017	\$ 130,415
Changes for the year:	
Service cost	7,379
Interest	4,721
Differences between expected and actual experience	(10,860)
Changes in assumptions or other inputs	(4,403)
Net change	(3,163)
Balance, June 30, 2018	\$ 127,252

Changes in assumptions and other inputs reflect a change in the mortality tables and healthcare cost trend rates.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

Sensitivity of the total OPEB liability to changes in the discount rate - the following presents the total OPEB liability of the Town, calculated using the discount rate of 3.62%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.62%) or 1-percentage-point higher (4.62%) than the current rate:

	1% Decrease (2.62%)	Discount Rate (3.62%)	1% Increase (4.62%)
Total OPEB liability	\$ 134,126	\$ 127,252	\$ 120,685

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates - the following presents the total OPEB liability of the Town, calculated using the healthcare cost trend rate of 3.00%, as well as what the Town's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current rate:

	1% Decrease (2.00%)	Healthcare Cost Trend Rate (3.00%)	1% Increase (4.00%)
Total OPEB liability	\$ 126,037	\$ 127,252	\$ 128,477

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
... Continued ...

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized OPEB expense of \$10,214. At June 30, 2018, the Town reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Changes of assumptions	(\$ 9,518)
Differences between actual and expected experience	<u>(3,859)</u>
	<u><u>(\$ 13,377)</u></u>

The changes in assumptions and differences between actual and expected experience is amortized over 8.09 years.

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

<u>Year ending June 30</u>	
2019	(\$ 1,886)
2020	(1,886)
2021	(1,886)
2022	(1,886)
2023	(1,886)
Thereafter	(3,947)

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, 2018, 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.

TOWN OF KILLINGWORTH, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018
...Continued...

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
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Revised Budget	Actual	Variance With Final Budget
Property Taxation:				
General tax receipts	\$ 18,850,049	\$ 18,850,049	\$ 19,084,000	\$ 233,951
Other tax collections	30,000	30,000	79,135	49,135
	<u>18,880,049</u>	<u>18,880,049</u>	<u>19,163,135</u>	<u>283,086</u>
Intergovernmental Revenues:				
Education equalization grant	2,158,948	2,158,948	1,885,954	(272,994)
Pequot/Mohegan grant	15,229	15,229	15,190	(39)
Town aid roads	253,148	253,148	251,817	(1,331)
PILOT - State owned property	62,657	62,657	48,005	(14,652)
Local capital improvement program	53,448	53,448	-	(53,448)
Youth services	18,937	18,937	18,639	(298)
Tax relief for the elderly	38,000	38,000	-	(38,000)
Veterans tax relief	4,300	4,300	5,274	974
Disabled grant	300	300	294	(6)
Municipal revenue sharing/grants for municipal projects	20,108	20,108	5,148	(14,960)
Other federal, state and local grants	-	-	25,205	25,205
	<u>2,625,075</u>	<u>2,625,075</u>	<u>2,255,526</u>	<u>(369,549)</u>
Licenses, Fees and Permits	125,000	125,000	177,851	52,851
Charges for Goods and Services	115,000	115,000	184,688	69,688
Interest Income	10,000	10,000	28,777	18,777
Other Revenues	100,000	100,000	102,828	2,828
Appropriation of Prior Year Fund Balance	<u>68,126</u>	<u>68,126</u>	<u>68,126</u>	<u>-</u>
Total Revenues	<u>\$ 21,923,250</u>	<u>\$ 21,923,250</u>	21,980,931	<u>\$ 57,681</u>

Budgetary revenues are different from GAAP revenues because:

Appropriation of prior year fund balance is not recognized as revenues for GAAP purposes (68,126)

Total revenues and other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds \$ 21,912,805

**TOWN OF KILLINGWORTH, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget	Revised Budget	Actual	Variance With Final Budget
General Government:				
First Selectman - salary	\$ 73,634	\$ 73,634	\$ 73,634	\$ -
First Selectman - meeting expense	500	500	205	295
First Selectman - mileage	1,500	1,500	1,156	344
Selectman's salary	8,160	8,160	8,160	-
Town office building- secretary	14,608	14,608	10,846	3,762
Finance Director - salary	71,941	71,941	71,941	-
Selectman's secretary - salary	46,866	46,866	46,866	-
Office expense	16,150	16,150	11,812	4,338
Probate court support	2,130	2,130	2,130	-
Board of Elections - salaries	10,000	10,000	7,786	2,214
Board of Elections - expenses	26,300	26,300	15,003	11,297
Board of Finance - expenses	3,000	3,335	3,335	-
Board of Finance - audit	22,000	22,000	22,000	-
Annual capital transfer - transfer to capital reserve	730,000	730,000	730,000	-
Annual capital transfer - sinking fund vacation sick time	20,000	20,000	20,000	-
Contingency	25,000	-	-	-
Grant writer	1	1	-	1
Assessor - salary	28,000	28,000	26,188	1,812
Assessor assistant - salary	21,165	21,165	18,706	2,459
Assessor - expenses	4,550	7,223	7,223	-
Board of assessment appeals - expenses	500	500	150	350
Tax collector - salary	51,268	51,268	51,268	-
Tax collector clerk - salary	21,912	21,912	17,757	4,155
Tax collector - expenses	8,010	8,010	2,024	5,986
Treasurer - salary	4,199	4,199	4,199	-
Treasurer - expenses	800	800	800	-
Town Counsel - fees	40,000	76,635	76,634	1
Town Engineer - fees	50,000	6,819	6,819	-
Town Clerk - salary	63,775	63,775	63,775	-
Town Clerk Assistant A - salary	51,375	51,375	51,213	162
Town Clerk Assistant B - salary	15,580	15,580	12,426	3,154
Town Clerk - expenses	30,800	30,800	24,484	6,316
Building official - salary	36,000	37,737	37,737	-
Building official - expenses	5,100	5,100	4,777	323
Land use secretary - salary	18,170	19,105	19,105	-
Water testing fees	2,944	2,944	2,639	305
Buildings and grounds	46,225	46,225	43,188	3,037
Duplicating expense	2,700	2,700	2,582	118
Postage/meter rental	12,500	12,500	8,614	3,886
Mapping machine	1,400	1,400	250	1,150
Telephone expense	7,000	7,188	7,188	-
Town office building - custodian	6,500	6,500	4,605	1,895
Electricity	27,000	28,637	28,637	-
Fire/liability/casualty insurance	67,756	67,756	65,383	2,373
Workers compensation insurance	45,893	45,893	45,889	4
Unemployment insurance	1	1	-	1
Social security/medicare	78,000	78,000	73,049	4,951
Medical/dental insurance	200,000	163,293	163,293	-
Life/disability insurance	8,300	8,300	7,766	534
Pension plans	120,630	120,630	118,112	2,518
Actuarial expense	3,000	3,550	3,550	-
Medical buyout	-	-	-	-
Computer hardware and supplies	6,000	6,000	5,993	7
Computer licenses and support	30,190	30,190	27,721	2,469
IT network support	39,504	41,438	41,438	-
Town website	3,000	3,000	2,381	619
GIS applications	3,500	3,500	3,500	-
Internet access	1,620	1,620	1,619	1
Total General Government	2,236,657	2,178,393	2,107,556	70,837

... Continued ...

TOWN OF KILLINGWORTH, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
... Continued ...

	Original Budget	Revised Budget	Actual	Variance With Final Budget
Public Safety:				
KVFC/KAA life insurance	\$ 21,000	\$ 22,986	\$ 22,986	\$ -
Fire company	125,750	125,750	125,750	-
Ambulance/fire company incentive program	111,334	111,334	111,334	-
Actuarial expense	3,000	6,310	6,310	-
Fire Marshal - salary	5,950	5,952	5,952	-
Fire Marshal - expenses	3,600	3,600	2,420	1,180
Open burning official - salary	1,000	1,000	1,000	-
Office of emergency management	4,750	4,750	2,845	1,905
Emergency planning committee	1	1	-	1
Resident State Trooper - salary	173,000	181,085	181,085	-
Resident State Trooper - expenses	25,160	32,419	32,419	-
Valley Shore emergency communications	83,573	83,573	83,573	-
Paramedic obligation	6,525	6,525	6,525	-
Total Public Safety	<u>564,643</u>	<u>585,285</u>	<u>582,199</u>	<u>3,086</u>
Highway:				
Snow removal	236,922	312,536	312,536	-
Highway wages	327,918	282,262	279,526	2,736
Highway - other	408,628	351,053	347,474	3,579
Cemetery care	10,500	10,500	5,904	4,596
Total Highway	<u>983,968</u>	<u>956,351</u>	<u>945,440</u>	<u>10,911</u>
Sanitation and Health:				
Compactor - supervisor's salary	18,280	18,280	17,474	806
Compactor - attendant salary	27,669	29,732	29,732	-
Compactor - maintenance and operations	24,401	24,401	23,259	1,142
Carting and disposal expense	95,000	74,525	74,025	500
Bulky waste disposal	69,800	69,800	60,592	9,208
Bethke site	1	1	-	1
Mosquito control	1	1	-	1
Hazardous waste collection	11,806	13,090	13,090	-
Health Director	50,374	50,374	49,797	577
Restaurant sanitarian	2,100	2,100	1,922	178
Sanitarian - expenses	2,300	2,300	2,171	129
Public health nurse	300	300	75	225
Vital statistics	200	200	-	200
Total Sanitation and Health	<u>302,232</u>	<u>285,104</u>	<u>272,137</u>	<u>12,967</u>
Conservation and Land Use:				
Planning and zoning	17,650	17,650	7,720	9,930
Zoning enforcement officer - salary	31,855	31,855	31,850	5
Zoning enforcement officer - expenses	2,000	2,000	776	1,224
Zoning Board of Appeals	500	500	280	220
Conservation commission	500	500	305	195
Inlands wetlands commission	1,400	1,400	1,304	96
Inlands wetlands enforcement officer - salary	21,238	21,243	21,243	-
Inlands wetlands enforcement officer - expenses	500	500	232	268
Connecticut River conservation district	1,661	1,661	1,661	-
Tree warden	2,500	2,500	2,004	496
Total Conservation and Land Use	<u>79,804</u>	<u>79,809</u>	<u>67,375</u>	<u>12,434</u>

... Continued ...

TOWN OF KILLINGWORTH, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
. . . Continued . . .

	Original Budget	Revised Budget	Actual	Variance With Final Budget
Recreation:				
Killingworth park and recreation commission	\$ 71,740	\$ 71,740	\$ 63,158	\$ 8,582
H-K regional recreation	78,394	78,394	78,394	-
Total Recreation	<u>150,134</u>	<u>150,134</u>	<u>141,552</u>	<u>8,582</u>
Community Services:				
Killingworth seniors'	1,600	1,600	1,600	-
Library	253,175	253,175	253,175	-
Dog fund support	20,000	20,000	20,000	-
Killingworth housing partnership	1	1	-	1
Municipal properties use committee	1	1	-	1
Parmelee Farm committee	20,000	20,000	15,605	4,395
350th committee	5,600	20,024	20,024	-
Open space committee	1	1	-	1
Open space acquisition expense	1	1	-	1
Friendly fund/helping hands	1,000	1,000	-	1,000
LCRVCOG	8,855	8,855	8,855	-
CAGMC/Community Renewal Team	3,000	3,000	3,000	-
Estuary Council of Seniors, Inc.	22,307	22,307	22,307	-
Estuary Transit District	9,065	9,065	9,065	-
Literacy volunteers	450	450	450	-
Regional mental health	289	289	289	-
H-K Youth and Family Services	77,625	77,625	77,625	-
The Connection - Eddy Shelter	1,000	1,000	1,000	-
Council of Small Towns	825	825	825	-
CT Conference of Municipalities	3,679	3,679	3,643	36
Tax abatements and refunds	20,000	106,440	106,440	-
Miscellaneous grants	1	29,906	29,906	-
Miscellaneous government refunds	1	1	-	1
Total Community Services	<u>448,476</u>	<u>579,245</u>	<u>573,809</u>	<u>5,436</u>
Welfare:				
Social services/municipal agent	10,000	10,000	8,770	1,230
Administration expenses	100	100	6	94
Total Welfare	<u>10,100</u>	<u>10,100</u>	<u>8,776</u>	<u>1,324</u>

. . . Continued . . .

**TOWN OF KILLINGWORTH, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018
... Continued ...**

	Original Budget	Revised Budget	Actual	Variance With Final Budget
Debt and Lease Obligations:				
Bonding	\$ 465,999	\$ 466,036	\$ 466,036	\$ -
Total Debt and Lease Obligations	465,999	466,036	466,036	-
Total Operating Expenditures	5,242,013	5,290,457	5,164,880	125,577
Education	16,681,237	16,632,793	16,581,237	51,556
Total Expenditures	\$ 21,923,250	\$ 21,923,250	21,746,117	\$ 177,133
Accrued payroll costs are not recorded for budgetary purposes			651	
Total expenditures and other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			\$ 21,746,768	

**TOWN OF KILLINGWORTH, CONNECTICUT
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY
AND RELATED RATIOS
MUNICIPAL EMPLOYEES PENSION PLAN
LAST FIVE FISCAL YEARS**

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 57,237	\$ 59,216	\$ 63,781	\$ 62,886	\$ 60,467
Interest	160,414	175,757	174,821	170,601	162,008
Changes to assumptions	144,907	-	-	-	-
Difference between expected and actual experience	(169,721)	(79,507)	(31,449)	-	-
Benefit payments, including refunds of member contributions	(122,057)	(274,687)	(112,852)	(106,008)	(98,386)
Net change in total pension liability	70,780	(119,221)	94,301	127,479	124,089
Total pension liability - beginning	<u>2,528,942</u>	<u>2,648,163</u>	<u>2,553,862</u>	<u>2,426,383</u>	<u>2,302,294</u>
Total pension liability - ending (a)	<u>\$ 2,599,722</u>	<u>\$ 2,528,942</u>	<u>\$ 2,648,163</u>	<u>\$ 2,553,862</u>	<u>\$ 2,426,383</u>
Plan fiduciary net position					
Contributions - employer	\$ 112,425	\$ 104,319	\$ 104,018	\$ 106,018	\$ 114,671
Net investment return	95,044	159,021	(7,770)	2,446	246,895
Benefit payments, including refunds of member contributions	(122,057)	(274,687)	(112,852)	(106,008)	(98,386)
Net change in plan fiduciary net position	85,412	(11,347)	(16,604)	2,456	263,180
Plan fiduciary net position - beginning	<u>2,079,162</u>	<u>2,090,509</u>	<u>2,107,172</u>	<u>2,104,716</u>	<u>1,841,536</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,164,574</u>	<u>\$ 2,079,162</u>	<u>\$ 2,090,568</u>	<u>\$ 2,107,172</u>	<u>\$ 2,104,716</u>
Town's net pension liability - ending (a) - (b)	<u>\$ 435,148</u>	<u>\$ 449,780</u>	<u>\$ 557,595</u>	<u>\$ 446,690</u>	<u>\$ 321,667</u>
Plan fiduciary net position as a percentage of the total pension liability	83.26 %	82.21 %	78.94 %	82.51 %	86.74 %
Covered-employee payroll	\$ 598,381	\$ 580,287	\$ 652,649	\$ 702,696	\$ 702,696
Net pension liability as a percentage of covered-employee payroll	72.72 %	77.51 %	85.44 %	63.57 %	45.78 %

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

**TOWN OF KILLINGWORTH, CONNECTICUT
SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY
AND RELATED RATIOS
VOLUNTEER FIRE COMPANY PENSION PLAN
LAST FIVE FISCAL YEARS**

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 29,523	\$ 27,072	\$ 35,845	\$ 49,081	\$ 45,082
Interest	125,841	126,986	123,654	126,159	119,901
Changes to assumptions	153,053	-	-	-	-
Difference between expected and actual experience	(96,813)	55,336	(29,680)	(75,026)	-
Benefit payments, including refunds of member contributions	(107,038)	(67,874)	(96,572)	(75,964)	(83,100)
Net change in total pension liability	104,566	141,520	33,247	24,250	81,883
Total pension liability - beginning	<u>1,989,541</u>	<u>1,848,021</u>	<u>1,814,774</u>	<u>1,790,524</u>	<u>1,708,641</u>
Total pension liability - ending (a)	<u>\$ 2,094,107</u>	<u>\$ 1,989,541</u>	<u>\$ 1,848,021</u>	<u>\$ 1,814,774</u>	<u>\$ 1,790,524</u>
Plan fiduciary net position					
Contributions - employer	\$ 111,334	\$ 128,000	\$ 140,376	\$ 100,000	\$ 83,100
Net investment return	54,583	86,163	(7,226)	(3,128)	116,461
Benefit payments, including refunds of member contributions	(107,038)	(67,874)	(96,572)	(75,964)	(83,100)
Net change in plan fiduciary net position	58,879	146,289	36,578	20,908	116,461
Plan fiduciary net position - beginning	<u>1,155,610</u>	<u>1,009,321</u>	<u>972,743</u>	<u>951,835</u>	<u>835,374</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,214,489</u>	<u>\$ 1,155,610</u>	<u>\$ 1,009,321</u>	<u>\$ 972,743</u>	<u>\$ 951,835</u>
Town's net pension liability - ending (a) - (b)	<u>\$ 879,618</u>	<u>\$ 833,931</u>	<u>\$ 838,700</u>	<u>\$ 842,031</u>	<u>\$ 838,689</u>
Plan fiduciary net position as a percentage of the total pension liability	58.00 %	58.08 %	54.62 %	53.60 %	53.16 %
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

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

**TOWN OF KILLINGWORTH, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
MUNICIPAL EMPLOYEES PENSION PLAN
LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 112,425	\$ 104,319	\$ 104,018	\$ 106,018	\$ 114,426
Contribution in relation to the actuarially determined contribution	<u>112,425</u>	<u>104,319</u>	<u>104,018</u>	<u>106,018</u>	<u>114,671</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 245)</u>
Covered-employee payroll	\$ 598,381	\$ 580,287	\$ 652,649	\$ 702,696	\$ 702,696
Contributions as a percentage of covered-employee payroll	18.79 %	17.98 %	15.94 %	15.09 %	16.32 %

Notes to Schedule

Valuation date: July 1, 2017
Measurement date: June 30, 2018
Actuarially determined contribution rates are calculated as of June 30, 30 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization period	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	Fair market value
Inflation	2.25%
Salary increases	4.00% per annum
Investment rate of return	7.00%
Cost of living adjustments	N/A
Retirement age	65
Mortality	RP-2000 Combined Healthy Mortality projected per Scale AA.

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

**TOWN OF KILLINGWORTH, CONNECTICUT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
VOLUNTEER FIRE COMPANY PENSION PLAN
LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 111,334	\$ 128,000	\$ 140,376	\$ 100,000	\$ 83,100
Contribution in relation to the actuarially determined contribution	<u>111,334</u>	<u>128,000</u>	<u>140,376</u>	<u>100,000</u>	<u>83,100</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date: July 1, 2017
Measurement date: June 30, 2018
Actuarially determined contribution rates are calculated as of June 30, 30 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization period	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	Fair market value
Inflation	2.25%
Salary increases	N/A
Investment rate of return	7.00%
Cost of living adjustments	N/A
Retirement age	65
Mortality	RP-2000 Combined Healthy Mortality projected per Scale AA.

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

**TOWN OF KILLINGWORTH, CONNECTICUT
 SCHEDULE OF INVESTMENT RETURNS
 TOWN'S PENSION PLANS
 LAST FIVE FISCAL YEARS**

	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expenses					
Municipal Employees Plan	4.61 %	8.22 %	-0.37 %	-0.33 %	13.94 %
Volunteer Fire Company Plan	4.79	8.39	-0.73	0.12	13.35

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

**TOWN OF KILLINGWORTH, CONNECTICUT
SCHEDULE OF CHANGES IN THE TOWN'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR**

	2018
Total OPEB liability	
Service cost	\$ 7,379
Interest	4,721
Differences between expected and actual experience	(10,860)
Effect of assumptions changes or inputs	(4,403)
Net change in total OPEB liability	(3,163)
Total OPEB liability - beginning	130,415
Total OPEB liability - ending	\$ 127,252
Covered-employee payroll	\$ 304,706
Net OPEB liability as a percentage of covered-employee payroll	41.76 %

Notes to Schedule

Change in Benefits Terms	None
Change of Assumptions	None

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

**TOWN OF KILLINGWORTH, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Special Revenue										
	Dog Fund	The Attie Fund	Town Clerk Record Preservation	Town Clerk Record Surcharge	Fire Protection Fund	Helping Hands	Friendly Fund	Parmelee Farm	Community Gardens	Total Special Revenue	Total Nonmajor Governmental Funds
ASSETS											
Cash and cash equivalents	\$ 43,328	\$ -	\$ 3,048	\$ 1,331	\$ 15,149	\$ 9,821	\$ 3,039	\$ 37,301	\$ -	\$ 113,017	\$ 113,017
Total assets	<u>\$ 43,328</u>	<u>\$ -</u>	<u>\$ 3,048</u>	<u>\$ 1,331</u>	<u>\$ 15,149</u>	<u>\$ 9,821</u>	<u>\$ 3,039</u>	<u>\$ 37,301</u>	<u>\$ -</u>	<u>\$ 113,017</u>	<u>\$ 113,017</u>
LIABILITIES AND FUND BALANCE											
Liabilities:											
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:											
Restricted	43,328	-	3,048	1,331	15,149	9,821	3,039	37,301	-	113,017	113,017
Total fund balance	<u>43,328</u>	<u>-</u>	<u>3,048</u>	<u>1,331</u>	<u>15,149</u>	<u>9,821</u>	<u>3,039</u>	<u>37,301</u>	<u>-</u>	<u>113,017</u>	<u>113,017</u>
Total liabilities and fund balance	<u>\$ 43,328</u>	<u>\$ -</u>	<u>\$ 3,048</u>	<u>\$ 1,331</u>	<u>\$ 15,149</u>	<u>\$ 9,821</u>	<u>\$ 3,039</u>	<u>\$ 37,301</u>	<u>\$ -</u>	<u>\$ 113,017</u>	<u>\$ 113,017</u>

**TOWN OF KILLINGWORTH, CONNECTICUT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	Special Revenue									Total Nonmajor Governmental Funds	
	Dog Fund	The Attie Fund	Town Clerk Record Preservation	Town Clerk Record Surcharge	Fire Protection Fund	Helping Hands	Friendly Fund	Parmelee Farm	Community Gardens		Total Special Revenue
REVENUES											
Intergovernmental	\$ -	\$ -	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,000	\$ 4,000
Licenses, permits and fees	9,541	-	2,143	792	-	-	-	-	-	12,476	12,476
Charges for goods and services	-	-	-	-	-	-	16,115	90	-	16,205	16,205
Miscellaneous	-	-	-	-	-	8,379	1,937	319	-	10,635	10,635
Total revenues	<u>9,541</u>	<u>-</u>	<u>6,143</u>	<u>792</u>	<u>-</u>	<u>8,379</u>	<u>1,937</u>	<u>16,434</u>	<u>90</u>	<u>43,316</u>	<u>43,316</u>
EXPENDITURES											
Current:											
General government	-	-	5,225	1,000	-	-	-	-	-	6,225	6,225
Public safety	28,453	-	-	-	-	-	-	-	-	28,453	28,453
Community services	-	-	-	-	-	-	5,938	-	-	5,938	5,938
Welfare	-	-	-	-	-	7,272	4,422	-	-	11,694	11,694
Total expenditures	<u>28,453</u>	<u>-</u>	<u>5,225</u>	<u>1,000</u>	<u>-</u>	<u>7,272</u>	<u>4,422</u>	<u>5,938</u>	<u>-</u>	<u>52,310</u>	<u>52,310</u>
Excess of revenues over (under) expenditures	(18,912)	-	918	(208)	-	1,107	(2,485)	10,496	90	(8,994)	(8,994)
OTHER FINANCING SOURCES (USES)											
Operating transfers in	23,998	-	-	-	-	-	2,624	-	-	26,622	26,622
Operating transfers out	-	(3,998)	-	-	-	-	-	(2,624)	(6,622)	(6,622)	
Total other financing sources (uses)	<u>23,998</u>	<u>(3,998)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,624</u>	<u>(2,624)</u>	<u>20,000</u>	<u>20,000</u>	
Excess of revenues and other financing sources over (under) expenditures	5,086	(3,998)	918	(208)	-	1,107	(2,485)	13,120	(2,534)	11,006	11,006
Fund balance, July 1, 2017	<u>38,242</u>	<u>3,998</u>	<u>2,130</u>	<u>1,539</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>	<u>102,011</u>
Fund balance, June 30, 2018	<u>\$ 43,328</u>	<u>\$ -</u>	<u>\$ 3,048</u>	<u>\$ 1,331</u>	<u>\$ 15,149</u>	<u>\$ 9,821</u>	<u>\$ 3,039</u>	<u>\$ 37,301</u>	<u>\$ -</u>	<u>\$ 113,017</u>	<u>\$ 113,017</u>

APPENDIX B – FORM OF OPINION OF BOND COUNSEL



280 Trumbull Street
Hartford, CT 06103-3597
Main (860) 275-8200
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October 24, 2019

Regional School District No. 17
of the State of Connecticut
(Towns of Haddam and Killingworth, Connecticut)

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Regional School District No. 17 of the State of Connecticut (Towns of Haddam and Killingworth, Connecticut) (the “District”), a Tax Regulatory Agreement of the District, dated October 24, 2019 (the “Tax Regulatory Agreement”), and other proofs submitted to us relative to the issuance and sale of \$7,270,000* Regional School District No. 17 of the State of Connecticut (Towns of Haddam and Killingworth, Connecticut) General Obligation Bonds, Issue of 2019 (Bank Qualified), dated October 24, 2019 (the “Bonds”), maturing on October 1 in each of the years, in the principal amounts and bearing interest payable on April 1, 2020 and semiannually thereafter on October 1 and April 1 in each year until maturity or earlier redemption, at the rates per annum as follows:

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum (%)</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate Per Annum (%)</u>
2020	\$725,000		2025	\$730,000	
2021	725,000		2026	730,000	
2022	725,000		2027	725,000	
2023	730,000		2028	725,000	
2024	730,000		2029	725,000	

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

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

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

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

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain

excluded from gross income for federal income tax purposes. The District has covenanted in the Tax Regulatory Agreement that it will at all times perform all acts and things necessary or appropriate under any valid provision of law to ensure that interest paid on the Bonds shall be excluded from gross income for federal income tax purposes under the Code.

In our opinion, under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax. We express no opinion regarding any other federal income tax consequences caused by ownership or disposition of, or receipt of interest on, the Bonds.

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

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

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

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

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

Respectfully,

APPENDIX C - FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

Regional School District No. 17
of the State of Connecticut
(Towns of Haddam and Killingworth, Connecticut)
\$7,270,000* General Obligation Bonds, Issue of 2019
(Bank Qualified)
Dated October 24, 2019

October 24, 2019

WHEREAS, Regional School District No. 17 of the State of Connecticut (Towns of Haddam and Killingworth, Connecticut) (the “District”) has heretofore authorized the issuance of \$7,270,000 in aggregate principal amount of its General Obligation Bonds, Issue of 2019 (Bank Qualified), dated October 24, 2019 (the “Bonds”), maturing on the dates and in the amounts set forth in the District’s Official Statement dated October 8, 2019 describing the Bonds (the “Official Statement”); and

WHEREAS, the Bonds have been sold by a competitive bid pursuant to a Notice of Sale dated September 24, 2019 (the “Notice of Sale”); and

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

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

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

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

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

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

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

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

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

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

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

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

Section 2. Annual Reports.

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

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

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

(A) the amounts of the gross and net taxable grand list of each of the Member Towns;

(B) a listing of the ten largest taxpayers on the grand list, together with each such taxpayer's taxable valuation thereon of each of the Member Towns;

(C) the percentage and amount of the annual property tax levy collected and uncollected of each of the Member Towns;

(D) a schedule of the annual debt service on outstanding long-term bonded indebtedness of the District and each of the Member Towns;

(E) a calculation of the net direct debt, total direct debt, and total overall net debt (reflecting overlapping and underlying debt) of the District and each of the Member Towns;

(F) the total direct debt, total net direct debt and total overall net debt of the District and Member Towns per capita;

(G) the ratios of total direct debt and total overall net debt of the District and each of the Member Towns to the Member Towns' net taxable grand list;

(H) a statement of statutory debt limitations and debt margins of the District and each of the Member Towns; and

(I) the funding status of the District's and Member Towns' pension benefit obligations.

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

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

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

Section 4. Event Notices. The District agrees to provide, or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice to the Repository in electronic format,

accompanied by identifying information, as prescribed by the MSRB, of the occurrence of any of the following events:

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

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

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

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

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

explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information or operating data provided.

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

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

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

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

**REGIONAL SCHOOL DISTRICT NO. 17,
CONNECTICUT**

By: _____
Name: Joanne Nesti
Title: Chairperson of the Board of Education

By: _____
Name: Peter Sonski
Title: Treasurer

APPENDIX D – NOTICE OF SALE

NOTICE OF SALE
\$7,270,000*
REGIONAL SCHOOL DISTRICT NO. 17
OF THE STATE OF CONNECTICUT
(TOWNS OF HADDAM AND KILLINGWORTH, CONNECTICUT)
GENERAL OBLIGATION BONDS, ISSUE OF 2019
(BANK QUALIFIED)

Electronic bids (as described herein) will be received by the **REGIONAL SCHOOL DISTRICT NO. 17 OF THE STATE OF CONNECTICUT (TOWNS OF HADDAM AND KILLINGWORTH)** (the “District”), until 11:30 A.M. (E.T.), Tuesday,

October 8, 2019

(the “Sale Date”) for the purchase of all, but not less than all, of the \$7,270,000 Regional School District No. 17 of the State of Connecticut (Towns of Haddam and Killingworth, Connecticut), General Obligation Bonds, Issue of 2019 (Bank Qualified) (Book-Entry-Only) (the “Bonds”). Electronic bids must be submitted via **PARITY®**. (See “Electronic Bidding Procedures”).

The District reserves the right to make changes to the provisions of this Notice of Sale, including the date and time of the sale, prior to the date and time of sale set forth above. Any such changes will be posted through **PARITY®**. Prospective bidders are advised to check for such **PARITY®** postings prior to the above stated sale time.

The Bonds

The Bonds will be dated October 24, 2019, mature in the principal amounts of \$725,000 on October 1 in each of the years 2020 to 2022, both inclusive, \$730,000 on October 1 in each of the years 2023 to 2026, both inclusive, and \$725,000 on October 1 in each of the years 2027 to 2029, both inclusive, bear interest payable on April 1, 2020 and semiannually thereafter on October 1 and April 1 in each year until maturity, as further described in the Preliminary Official Statement for the Bonds dated September 24, 2019 (the “Preliminary Official Statement”).

The Bonds are **NOT** subject to redemption prior to maturity.

Nature of Obligation

The full faith and credit of the District and its member towns of Haddam and Killingworth, Connecticut (the “Member Towns”) will be pledged for the prompt payment of the principal of and interest on the Bonds when due. The Bonds will be general obligations of the District and the Member Towns payable, unless paid from other sources, from ad valorem taxes which may be levied on all taxable property subject to taxation by the Member Towns without limitation as to rate or amount except as to classified property such as certified forest lands taxable at a limited rate and dwelling houses of qualified elderly persons of low income or of qualified disabled persons taxable at limited amounts.

Bank Qualification

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

Registration

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. The Bonds will be issued in registered form and one bond certificate for each maturity will be issued to The Depository Trust Company, New York, New York (“DTC”), registered in the name of its nominee, Cede & Co., and immobilized in their custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of \$5,000 and integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures adopted by DTC and its participants. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates with DTC, or its custodian, registered in the name of Cede & Co. Principal of and interest on the Bonds will be payable by the District or its agent in Federal funds to DTC or its nominee as registered owner of the Bonds. Principal and interest payments to participants of DTC will be the

responsibility of DTC. Principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Electronic Bidding Procedures

Any prospective bidder intending to submit an electronic bid must submit its electronic bid through the facilities of **PARITY**®. Subscription to i-Deal LLC's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid and the District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of **PARITY**® shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, **PARITY**®, the use of such facilities being the sole risk of the prospective bidder.

All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale. If any provisions of this Notice of Sale shall conflict with information provided by **PARITY**® as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about **PARITY**®, including any fee charged, may be obtained from **PARITY**®, 1359 Broadway, 2nd Floor, New York, New York 10018, Attention: Customer Service Department (telephone: (212) 849-5021 - email notice: parity@i-deal.com).

Bid Specifications/Basis of Award

Each bid must be for the entire \$7,270,000 of Bonds and must specify the rate or rates of interest therefor in a multiple of 1/20 or 1/8 of 1% per annum. Bids shall not state more than one interest rate for any Bonds having the same maturity date. The highest interest rate bid for a maturity and the lowest rate bid for any other maturity may not differ by more than three (3%) percentage points. Interest shall be computed on the basis of twelve 30 day months and a 360 day year. No bid for less than all of the Bonds or for less than par and accrued interest, if any, will be considered.

For purposes of the electronic bidding process, the time as maintained by **PARITY**® shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the District, computed and rounded to six decimal places.

For the purpose of determining the successful bidder, the true interest cost to the District will be the annual interest rate, compounded semiannually, which, when used to discount all payments of principal and interest payable on the Bonds to October 24, 2019, the date of the Bonds, results in an amount equal to the purchase price for the Bonds, not including interest accrued, if any, to October 24, 2019, the delivery date of the Bonds. It is requested that each bid be accompanied by a statement of the percentage of true interest cost computed and rounded to six decimal places. Such statement shall not be considered as a part of the bid. The Bonds will be awarded or all bids will be rejected promptly after the bid opening, but not later than 4:00 P.M. (E.T.) on the Sale Date. The purchase price must be paid in Federal funds.

The District reserves the right to reject any and all bids and to waive any irregularity or informality with respect to any bid. The District further reserves the right to postpone the sale to another time and date in its sole and absolute discretion for any reason, including, without limitation, internet difficulties. The District will use its best efforts to notify prospective bidders in a timely manner of any need for a postponement. Unless all bids are rejected or the bid is postponed, the Bonds will be awarded to the bidder offering to purchase them at the lowest true interest cost.

Closing Documents and Legal Opinion

The Bonds will be certified by U.S. Bank National Association, Hartford, Connecticut. The legality of the Bonds will be passed upon by Robinson & Cole LLP, Hartford, Connecticut ("Bond Counsel"), and the winning bidder will be furnished with their opinion without charge. The winning bidder will also be furnished with a signature and no litigation certificate, a receipt of payment satisfactory in form to Bond Counsel, a signed copy of the final Official Statement prepared for the Bonds, a certificate signed by the appropriate officials of the District relating to the accuracy and completeness of information contained in the final Official Statement, and an executed Continuing Disclosure Agreement.

The legal opinion will further state that (i) under existing statutes and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, (ii) such interest is not treated as an item of tax preference for purposes of computing the federal alternative minimum tax, (iii) under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates, and (iv) such interest is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay federal alternative minimum tax. In rendering its legal opinion, Bond Counsel will rely upon and assume the material accuracy of the representations and statements of expectation contained in the Tax Regulatory Agreement entered into by the District for the benefit of the owners of the Bonds, and further, will assume compliance by the District with the covenants and procedures set forth in such Tax Regulatory Agreement. A copy of the opinion will be printed upon each of the Bonds, and a signed opinion and transcript of proceedings will be filed with U.S. Bank National Association, Hartford, Connecticut, and will be available for examination upon request.

Obligation to Deliver Issue Price Certificate

Pursuant to the Code and applicable Treasury Regulations, the District must establish the “issue price” of the Bonds. In order to assist the District, the winning bidder is obligated to deliver to the District a certificate (an “Issue Price Certificate”) and such additional information satisfactory to Bond Counsel described below, prior to the delivery of the Bonds. The District will rely on the Issue Price Certificate and such additional information in determining the issue price of the Bonds. The form of Issue Price Certificate is available by contacting Dennis Dix, Jr., Principal, DIXWORKS LLC, Email: dixworks@comcast.net, Telephone: (860) 676-0609, municipal advisor to the District (the “Municipal Advisor”).

By submitting a bid, each bidder is certifying that (i) it is an underwriter of municipal bonds which has an established industry reputation for underwriting new issuances of municipal bonds, (ii) its bid is a firm offer to purchase the Bonds, (iii) its bid is a good faith offer which the bidder believes reflects current market conditions, and (iv) its bid is not a “courtesy bid” being submitted for the purpose of assisting in meeting the competitive sale rule relating to the establishment of the issue price of the Bonds pursuant to Section 148 of the Code, including the requirement that bids be received from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the “Competitive Sale Rule”).

The Municipal Advisor will advise the winning bidder if the Competitive Sale Rule was met at the same time it notifies the winning bidder of the award of the Bonds. **Bids will not be subject to cancellation in the event that the Competitive Sale Rule is not satisfied.**

Competitive Sale Rule Met. If the Municipal Advisor advises the winning bidder that the Competitive Sale Rule has been met, the winning bidder shall, within one (1) hour after being notified of the award of the Bonds, advise the Municipal Advisor by electronic or facsimile transmission of the reasonably expected initial offering price to the public of each maturity of the Bonds as of the Sale Date.

Competitive Sale Rule Not Met. By submitting a bid, the winning bidder agrees (unless the winning bidder is purchasing the Bonds for its own account and not with a view to distribution or resale to the public) that if the Competitive Sale Rule is not met, it will satisfy either the **10% Sale Rule** or the **Hold the Offering Price Rule** described below with respect to each maturity of the Bonds prior to the delivery date of the Bonds. The rule selected with respect to each maturity of the Bonds shall be set forth on an Issue Price Rule Selection Certificate, the form of which is attached hereto, which shall be sent to the winning bidder promptly after the award of the Bonds. The winning bidder shall complete and execute the Issue Price Rule Selection Certificate and email it to Bond Counsel and the Municipal Advisor by 5:00 P.M. on the day after the Sale Date. **If the Issue Price Rule Selection Certificate is not returned by this deadline, or if no selection is made with respect to a maturity, the winning bidder agrees that the Hold the Offering Price Rule shall apply to such maturities.**

10% Sale Rule. To satisfy the 10% Sale Rule for any maturity of the Bonds, the winning bidder:

(i) will make a bona fide offering to the public of all of the Bonds at the initial offering prices and provide the District with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel;

(ii) will report to the District information regarding the actual prices at which at least 10 percent (10%) of the Bonds of each maturity have been sold to the public;

(iii) will provide the District with reasonable supporting documentation or certifications of such sale prices, the form of which is acceptable to Bond Counsel. If the 10% Sale Rule is used with respect to a maturity of the Bonds, this reporting requirement will continue, beyond the closing date of the Bonds, if necessary, until such date that at least 10 percent (10%) of such maturity of the Bonds has been sold to the public; and

(iv) has or will include in any agreement among underwriters, selling group agreement or third party distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, language obligating each underwriter to comply with the reporting requirement described above.

Hold the Offering Price Rule. To satisfy the Hold the Offering Price Rule for any maturity of the Bonds, the winning bidder:

(i) will make a bona fide offering to the public of all of the Bonds at the initial offering prices and provide Bond Counsel with reasonable supporting documentation, such as a copy of the pricing wire or equivalent communication, the form of which is acceptable to Bond Counsel;

(ii) will neither offer nor sell to any person any Bonds of such maturity at a price that is higher than the initial offering price of such maturity until the earlier of (i) the date on which the winning bidder has sold to the public at least ten percent (10%) of the Bonds of such maturity at a price that is no higher than the initial offering price of such maturity or (ii) the close of business on the fifth (5th) business day after the Sale Date of the Bonds; and

(iii) has or will include within any agreement among underwriters, selling group agreement or third party distribution agreement (to which the winning bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, language obligating each underwriter to comply with the limitations on the sale of the Bonds as set forth above.

For purposes of the 10% Sale Rule or the Hold the Offering Price Rule, a “maturity” refers to Bonds that have the same interest rate, credit and payment terms.

If the winning bidder has purchased any maturity of the Bonds for its own account and not with a view to distribution or resale to the public, then, whether or not the Competitive Sale Rule was met, the Issue Price Certificate will recite such facts and identify the price or prices at which such maturity of the Bonds was purchased.

For purposes of this Notice of Sale, the “public” does not include the winning bidder or any person that agrees pursuant to a written contract with the winning bidder to participate in the initial sale of the Bonds to the public (such as a third party distribution agreement between a national lead underwriter and a regional firm under which the regional firm participates in the initial sale of the Bonds to the public). In making the representations described above, the winning bidder must reflect the effect on the offering prices of any “derivative products” (e.g., a tender option) used by the bidder in connection with the initial sale of any of the Bonds.

Settlement of the Bonds

The Bonds will be available for delivery on or about October 24, 2019. The deposit of the Bonds with DTC or its custodian under a book-entry system requires the assignment of CUSIP numbers prior to delivery. The Municipal Advisor shall obtain CUSIP numbers for the Bonds prior to delivery, and the District will not be responsible for any delay occasioned by the failure of the winning bidder to obtain such numbers and to supply them to the District in a timely manner. The District assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers, which charges shall be the responsibility of and shall be paid for by the winning bidder.

The Preliminary Official Statement is in a form “deemed final” by the District for purposes of SEC Rule 15c2-12(b)(1). The winning bidder will be furnished 25 copies of the final Official Statement prepared for the

Bonds at the District's expense. Additional copies may be obtained by the winning bidder at its own expense by arrangement with the printer. The copies of the final Official Statement will be made available to the winning bidder no later than seven business days after the bid opening at the office of the District's Municipal Advisor. If the Municipal Advisor is provided with the necessary information from the winning bidder by 12:00 p.m. (noon) on the day after the bid opening, the copies of the final Official Statement will include an additional cover page and other pages, if necessary, indicating the interest rates, ratings, yields or reoffering prices, the name of the managing underwriter, and the name of the insurer, if any, of the Bonds.

Continuing Disclosure

The District will undertake in a Continuing Disclosure Agreement entered into in accordance with the requirements of Rule 15c2-12(b)(5), promulgated by the Securities and Exchange Commission, to provide (i) certain annual financial information and operating data, including audited financial statements; (ii) notice of the occurrence of certain events within 10 business days of the occurrence of such events with respect to the Bonds; and (iii) timely notice of its failure to provide such annual financial information. The winning bidder's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement for the Bonds.

Related Information

For more information regarding the Bonds and the District, reference is made to the Preliminary Official Statement. Copies of the Preliminary Official Statement and the Issue Price Certificate may be obtained from the undersigned, or from Dennis Dix, Jr., Principal, DIXWORKS LLC, Email: dixworks@comcast.net, Telephone: (860) 676-0609, municipal advisor to the District.

JOANNE NESTI

Chairperson of the Board of Education

PETER SONSKI

Treasurer

September 24, 2019

ISSUE PRICE RULE SELECTION CERTIFICATE

REGIONAL SCHOOL DISTRICT NO. 17
of the State of Connecticut
(Towns of Haddam and Killingworth, Connecticut)
\$7,270,000 General Obligation Bonds, Issue of 2019
(Bank Qualified) (Book-Entry-Only)

The undersigned, on behalf of [NAME OF UNDER/REP], [on behalf of itself and [OTHER UNDER], hereby certifies that it will use the rule selected below for the respective maturity of the above-captioned bonds (the "Bonds"), as described in the Notice of Sale for the Bonds, dated September 24, 2019 (the "Notice of Sale"). For a description of the requirements of each rule, please refer to the section "Obligation to Deliver Issue Price Certificate" in the Notice of Sale. Capitalized terms used but not defined herein are defined in the Notice of Sale.

<u>Date of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	10% Sale Rule (Underwriter has or will comply with 10% Sale Price Rule for this Maturity)		Hold the Offering Price Rule (Underwriter will comply with Hold the Offering Price Rule for this Maturity)	
			<u>Check Box</u>	<u>Sales Price</u>	<u>Check Box</u>	<u>Initial Offering Price</u>
[10/1/2020	\$[725,000	0.000%	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	\$ _____
10/1/2021	725,000	0.000	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	\$ _____
10/1/2022	725,000	0.000	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	\$ _____
10/1/2023	730,000	0.000	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	\$ _____
10/1/2024	730,000	0.000	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	\$ _____
10/1/2025	730,000	0.000	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	\$ _____
10/1/2026	730,000	0.000	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	\$ _____
10/1/2027	725,000	0.000	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	\$ _____
10/1/2028	725,000	0.000	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	\$ _____
10/1/2029	725,000	0.000	<input type="checkbox"/>	\$ _____	<input type="checkbox"/>	\$ _____

(All Sales Prices or Initial Offering Prices must be completed prior to the delivery date of the Bonds.)

[NAME OF UNDER/REP]

By: _____
Name:
Title:

Email this completed and executed certificate to the following by 5:00 P.M. on September 25, 2019:

Bond Counsel: kpalmer@rc.com

Municipal Advisor: dixworks@comcast.net