

TOWN OF SCOTLAND, CONNECTICUT

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Scotland, 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 Scotland, Connecticut (the "Town") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Scotland, Connecticut, as of June 30, 2017, and the respective changes in financial position, and the budgetary comparison schedules for the General Fund 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 on pages 3 through 13 and the schedules on the Town's pension and other post-employment benefit plan on pages 44 and 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules on pages 46 through 63 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund 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 fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Maloney Sabol + Company, LLP

Glastonbury, Connecticut

May 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
JUNE 30, 2017

The management of the Town of Scotland, Connecticut (the "Town") offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$13,046,060 (net position). Of this amount, \$1,015,580 (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 \$45,993 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,248,145, an increase of \$250,179 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance for the General Fund was \$814,883 or 13.6% of total General Fund expenditures and other financing uses, excluding on-behalf payments of \$252,852. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.6 months of General Fund operating expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Government-wide Financial Statements *(Continued)*

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

The government-wide financial statements can be found on pages 14 and 15 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 evaluating the Town's near-term financing requirements.

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

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

The basic governmental fund financial statements can be found on pages 16 through 20 of this report.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on page 21 of this report.

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*
JUNE 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 22 through 43 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules that can be found on pages 44 through 63 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

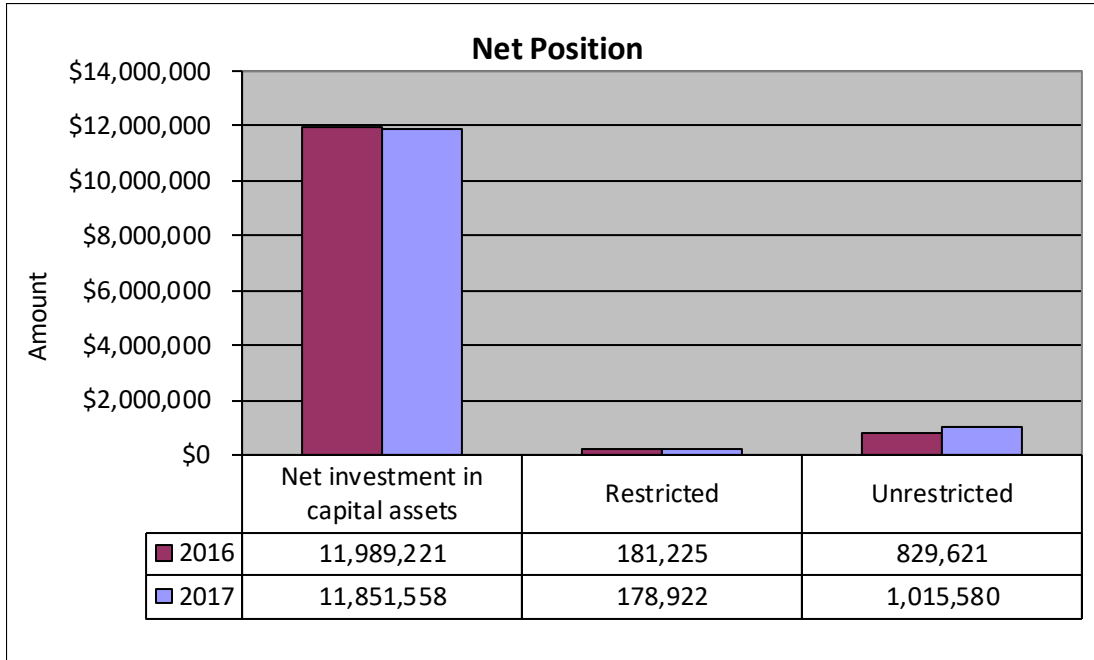
Over time, net position may serve as one measure of a government's financial position. Net position of the Town totaled \$13,046,060 and \$13,000,067 as of June 30, 2017 and 2016, respectively, and are summarized as follows:

Town of Scotland, Connecticut		
Net Position		
June 30, 2017 and 2016		
	2017	2016
Current and other assets	\$ 1,709,175	\$ 1,787,379
Capital assets	<u>14,080,986</u>	<u>14,459,680</u>
Total assets	<u>15,790,161</u>	<u>16,247,059</u>
Other liabilities	320,380	631,038
Long-term liabilities	<u>2,423,721</u>	<u>2,615,954</u>
Total liabilities	<u>2,744,101</u>	<u>3,246,992</u>
Net Position:		
Net investment in capital assets	11,851,558	11,989,221
Restricted	178,922	181,225
Unrestricted	<u>1,015,580</u>	<u>829,621</u>
Total net position	<u>\$ 13,046,060</u>	<u>\$ 13,000,067</u>

TOWN OF SCOTLAND, CONNECTICUT
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)
 JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)



As of June 30, 2017, 90.8% of the Town's net position reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents 1.4% of the Town's net position. These amounts are subject to external restrictions on how they may be used and are therefore presented as restricted net position.

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

Overall, net position increased by \$45,993 in comparison to the prior year.

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*
JUNE 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Changes in Net Position

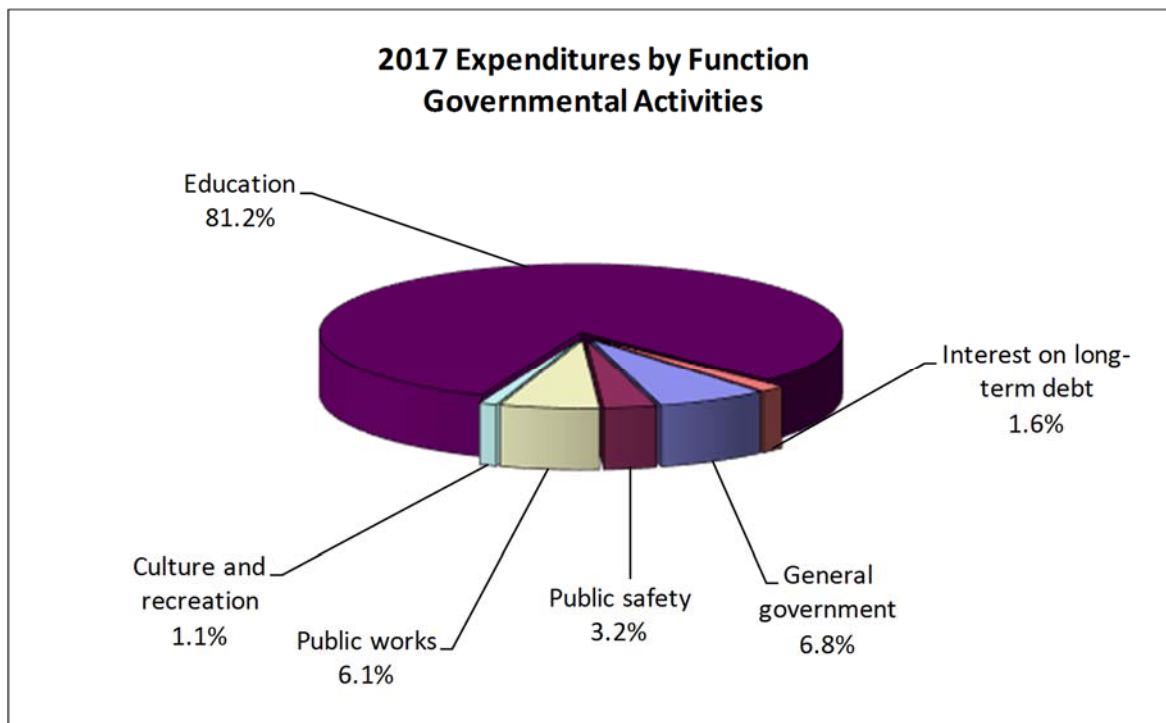
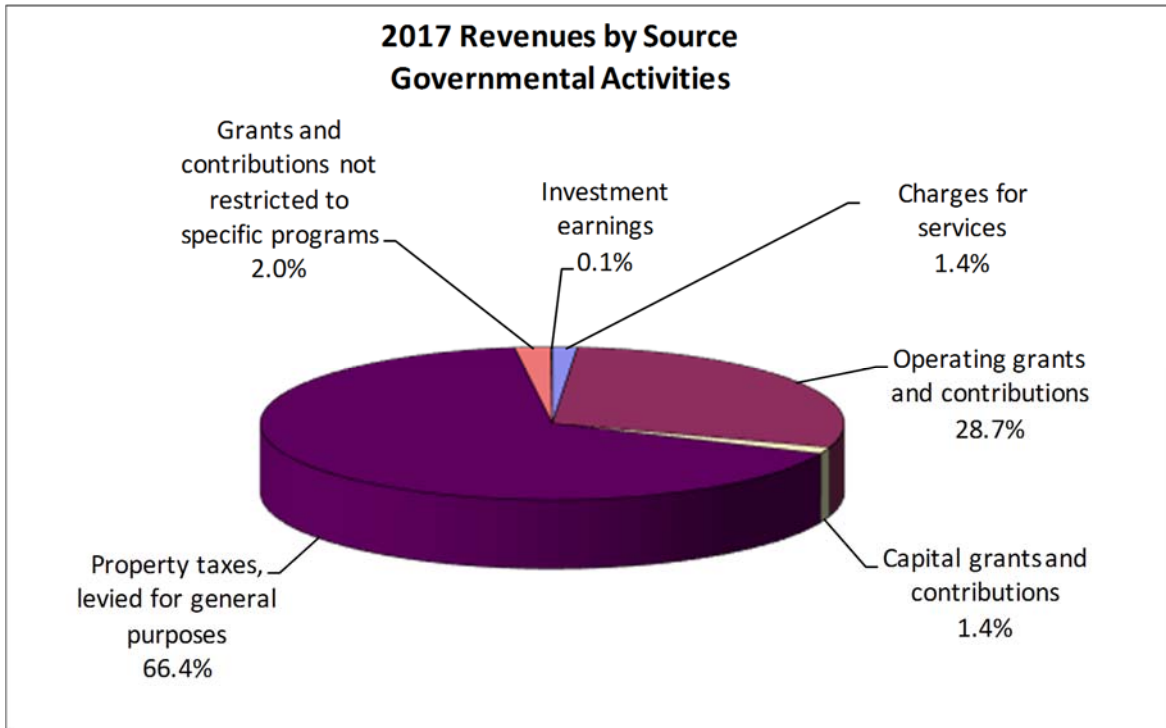
Changes in net position for the years ended June 30, 2017 and 2016 are as follows:

Town of Scotland, Connecticut
Changes in Net Position
For The Years Ended June 30, 2017 and 2016

	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 91,521	\$ 93,122
Operating grants and contributions	1,915,865	2,190,613
Capital grants and contributions	91,608	-
General revenues:		
Property taxes, levied for general purposes	4,427,745	4,113,207
Grants and contributions not restricted to specific programs	132,994	92,877
Investment earnings	4,755	7,459
Total revenues	6,664,488	6,497,278
 Expenses		
General government	451,872	502,623
Public safety	213,892	104,189
Public works	405,397	441,105
Culture and recreation	73,033	73,767
Education	5,373,267	5,237,618
Interest on long-term debt	101,034	103,867
Total expenses	6,618,495	6,463,169
Change in net position	\$ 45,993	\$ 34,109

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)



GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position *(Continued)*

Governmental activities increased the Town's net position by \$45,993. Revenues increased approximately \$167 thousand in comparison to the prior year. The change in revenues was driven by an increase in property tax revenues of approximately \$315 thousand offset by decrease in intergovernmental grant revenues consistent with overall decrease in State aid granted to municipalities in the current year. Expenses increased approximately \$155 thousand or 2.4% in comparison to the prior year. The largest drivers behind this change were related to an increase in secondary education expenditures in the current year as a result of planned increases in budgetary expenditures related to Regional School District No. 11.

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 the Town's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,248,145, an increase of \$250,179 in comparison with the prior year.

General Fund

The General Fund is the chief operating fund of the Town. At the close of the current fiscal year, unassigned fund balance for the General Fund was \$814,883 or 13.6% of total General Fund expenditures and other financing uses, excluding on-behalf payments of \$252,852. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover 1.6 months of General Fund operating expenditures.

The fund balance of the Town's General Fund increased by \$161,030 during the current fiscal year primarily due to favorable expenditure budgetary results.

Town Capital Reserve Fund

The fund balance of Town Capital Reserve Fund increased by \$86,506 during the current fiscal year. This increase is primarily related to current year transfers in for various projects in excess of current year capital outlays. The ending fund balance of \$209,157 as of June 30, 2017 is committed to fund various Selectmen, public works, public safety and education projects.

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) *(Continued)*
JUNE 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year ended June 30, 2017, there were no additional appropriations made to the budget. The final budget for 2017 anticipated the utilization of fund balance of \$13,282. The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$161,030 to fund balance. Expenditures were \$304,030 less than budgeted due to underages in the general government, public works and education expenditure lines. Total budgetary revenues were \$40,385 less than budgeted, due to current year tax collections being slightly less than expectations. In addition, decreases in expected intergovernmental revenues were mainly caused by overall decreases in State municipal aid fueled by State of Connecticut budget cuts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets as of June 30, 2017 and 2016 totaled \$14,080,986 and \$14,459,680, respectively (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and vehicles, and infrastructure. The total decrease in the Town's investment in capital assets for the current fiscal year was \$378,694 or 2.6%. This decrease consisted of capital asset additions of \$128,269 offset by current year depreciation expense of \$467,909. Major capital asset events during the current fiscal year related to expenditures that were capitalized for infrastructure related to Town road improvement projects.

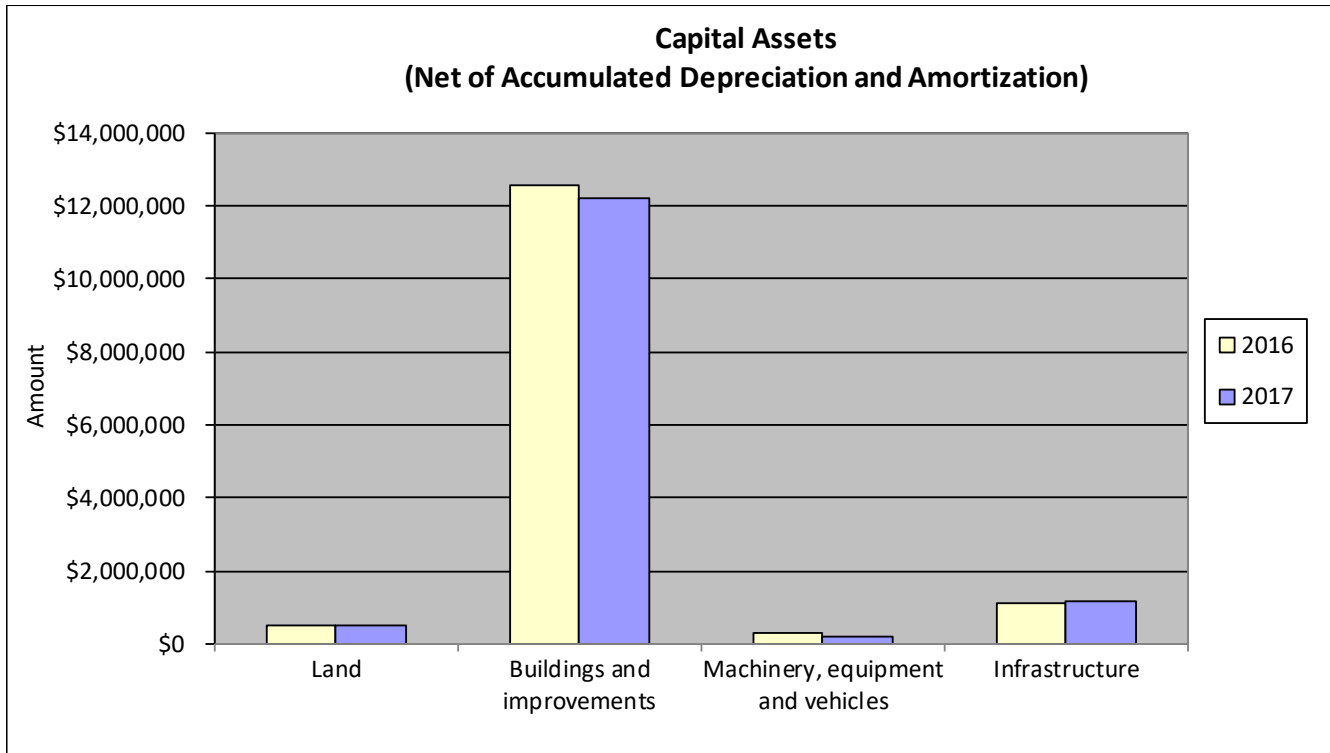
The following table is a two year comparison of the investment in capital assets:

Town of Scotland, Connecticut
Capital Assets, Net
June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Land	\$ 521,510	\$ 521,510
Buildings and improvements	12,204,588	12,575,906
Machinery, equipment and vehicles	197,925	272,770
Infrastructure	1,156,963	1,089,494
Totals	<u>\$ 14,080,986</u>	<u>\$ 14,459,680</u>

CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)*

Capital Assets *(Continued)*



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

Long-term Debt

At the end of the current fiscal year, the Town's long-term debt consists of a general obligation bond and a note payable.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is \$30,948,680, which is significantly in excess of the Town's outstanding debt.

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) (Continued)
JUNE 30, 2017

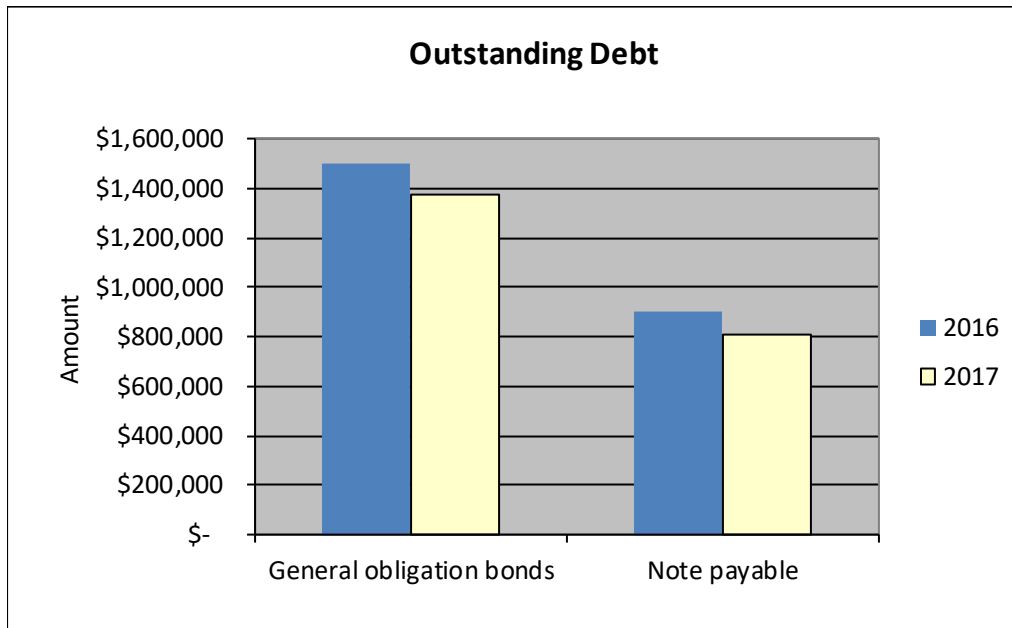
CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Long-term Debt (Continued)

The following table is a two year comparison of long-term debt:

Town of Scotland, Connecticut
Long-term Debt
June 30, 2017 and 2016

	2017	2016
General obligation bonds	\$ 1,375,000	\$ 1,500,000
Note payable	810,000	900,000
Totals	\$ 2,185,000	\$ 2,400,000



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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The unemployment rate for the Town as of June 30, 2017 was 5.4%, in comparison to the state's average unemployment rate of 4.3% and the national unemployment rate of 4.1%.
- Inflationary trends in the region are comparable to national indices.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
 - For purposes of calculating property tax revenues for fiscal year 2018, the Assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
 - The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the Town will receive. The Town's budget for such grants were based on estimates from the State.
 - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Building Department, the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2018. The approved mill rate for the fiscal year 2018 budget is 38.68 for all real estate and personal property and 32.00 for all motor vehicles, which is a zero mill increase over the fiscal year 2017 mill rate. The Town has assigned \$7,843 for spending in the 2018 fiscal year budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the First Selectman or Town Treasurer, Town of Scotland, 9 Devotion Road, Scotland, Connecticut 06264.

BASIC FINANCIAL STATEMENTS

TOWN OF SCOTLAND, CONNECTICUT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,419,204
Investments	109,199
Receivables:	
Property taxes and interest, net	169,125
Grants and contracts	2,665
Other	3,357
Other assets	5,625
Capital assets:	
Non-depreciable	521,510
Depreciable, net	13,559,476
Total assets	15,790,161
LIABILITIES	
Accounts payable	97,839
Salaries and benefits payable	107,256
Accrued interest payable	7,066
Unearned revenue	108,219
Noncurrent liabilities:	
Due within one year	243,824
Due in more than one year	2,179,897
Total liabilities	2,744,101
NET POSITION	
Net investment in capital assets	11,851,558
Restricted for:	
Permanent funds:	
Nonexpendable	173,812
Expendable	5,110
Unrestricted	1,015,580
Total net position	\$ 13,046,060

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

TOWN OF SCOTLAND, CONNECTICUT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position- Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government					
Governmental activities:					
General government	\$ 451,872	\$ 32,689	\$ 4,557	\$ -	\$ (414,626)
Public safety	213,892	1,401	-	-	(212,491)
Public works	405,397	9,929	7,681	76,888	(310,899)
Culture and recreation	73,033	9,746	3,568	14,720	(44,999)
Education	5,373,267	37,756	1,900,059	-	(3,435,452)
Interest on long-term debt	101,034	-	-	-	(101,034)
Total governmental activities	<u>\$ 6,618,495</u>	<u>\$ 91,521</u>	<u>\$ 1,915,865</u>	<u>\$ 91,608</u>	<u>(4,519,501)</u>
General revenues:					
					4,427,745
					132,994
					4,755
					<u>4,565,494</u>
					45,993
					<u>13,000,067</u>
					<u>\$ 13,046,060</u>

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

TOWN OF SCOTLAND, CONNECTICUT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>	<u>Town Capital Reserve Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,108,121	\$ 213,701	\$ 97,382	\$ 1,419,204
Investments	-	-	109,199	109,199
Receivables:				
Property taxes, net of allowance of \$9,000	134,939	-	-	134,939
Interest, net of allowance of \$6,000	34,186	-	-	34,186
Intergovernmental	-	-	2,665	2,665
Other	3,147	-	-	3,147
Due from other funds	10,770	769	110,856	122,395
Prepaid expenses	5,625	-	-	5,625
Total assets	<u>\$ 1,296,788</u>	<u>\$ 214,470</u>	<u>\$ 320,102</u>	<u>\$ 1,831,360</u>
LIABILITIES				
Accounts payable	\$ 87,243	\$ -	\$ 6,494	\$ 93,737
Salaries and benefits payable	92,299	-	14,957	107,256
Due to other funds	111,625	5,313	5,247	122,185
Due to funding source	-	-	4,102	4,102
Unearned revenue	31,332	-	76,887	108,219
Total liabilities	<u>322,499</u>	<u>5,313</u>	<u>107,687</u>	<u>435,499</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	<u>147,716</u>	<u>-</u>	<u>-</u>	<u>147,716</u>
FUND BALANCES				
Nonspendable:				
Permanent funds principal	-	-	173,812	173,812
Restricted:				
Culture and recreation	-	-	4,684	4,684
Education	-	-	426	426
Committed:				
Capital projects	-	209,157	-	209,157
Assigned:				
Public safety	-	-	8,943	8,943
Culture and recreation	-	-	12,191	12,191
Education	-	-	12,359	12,359
Subsequent year's budget	7,843	-	-	7,843
Other governmental fund purposes	3,847	-	-	3,847
Unassigned	814,883	-	-	814,883
Total fund balances	<u>826,573</u>	<u>209,157</u>	<u>212,415</u>	<u>1,248,145</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,296,788</u>	<u>\$ 214,470</u>	<u>\$ 320,102</u>	<u>\$ 1,831,360</u>

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

TOWN OF SCOTLAND, CONNECTICUT
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances for governmental funds		\$ 1,248,145
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets consist of:		
Land	\$ 521,510	
Buildings and improvements	16,113,866	
Machinery, equipment and vehicles	730,931	
Infrastructure	1,485,819	
Less: accumulated depreciation and amortization	<u>(4,771,140)</u>	
Total capital assets, net		14,080,986
Some of the Town's taxes and interest will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		
		147,716
Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Those liabilities consist of:		
Long-term debt:		
Bonds and notes payable	(2,185,000)	
Other long-term liabilities:		
Accrued interest	(7,066)	
Energy loans payable	(72,169)	
Special termination benefits	(10,350)	
Net OPEB obligation	<u>(156,202)</u>	
Total long-term liabilities		<u>(2,430,787)</u>
Net position of governmental activities		<u>\$ 13,046,060</u>

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

TOWN OF SCOTLAND, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Town Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 4,438,404	\$ -	\$ -	\$ 4,438,404
Intergovernmental	1,826,155	-	263,893	2,090,048
Charges for services	48,020	-	43,501	91,521
Investment earnings	-	611	4,144	4,755
Miscellaneous	44,785	-	5,634	50,419
Total revenues	<u>6,357,364</u>	<u>611</u>	<u>317,172</u>	<u>6,675,147</u>
EXPENDITURES				
Current:				
General government	404,514	-	-	404,514
Public safety	96,430	-	76,774	173,204
Public works	435,410	-	18	435,428
Culture and recreation	45,928	-	22,025	67,953
Education	4,815,751	-	214,220	5,029,971
Debt service:				
Principal payments	215,000	-	-	215,000
Interest and fiscal charges	93,968	-	-	93,968
Capital outlays	27,741	4,930	-	32,671
Total expenditures	<u>6,134,742</u>	<u>4,930</u>	<u>313,037</u>	<u>6,452,709</u>
Excess (deficiency) of revenues over expenditures	222,622	(4,319)	4,135	222,438
OTHER FINANCING SOURCES (USES)				
Proceeds from energy loan	27,741	-	-	27,741
Transfers in	2,075	90,825	583	93,483
Transfers out	(91,408)	-	(2,075)	(93,483)
Total other financing sources (uses)	<u>(61,592)</u>	<u>90,825</u>	<u>(1,492)</u>	<u>27,741</u>
Net changes in fund balances	161,030	86,506	2,643	250,179
Fund balances - beginning	<u>665,543</u>	<u>122,651</u>	<u>209,772</u>	<u>997,966</u>
Fund balances - ending	<u>\$ 826,573</u>	<u>\$ 209,157</u>	<u>\$ 212,415</u>	<u>\$ 1,248,145</u>

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

TOWN OF SCOTLAND, CONNECTICUT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2017

Net change in fund balances for governmental funds \$ 250,179

Total change in net position reported for governmental activities in the statement of activities is different because:

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. The amount by which depreciation exceeded capital outlay in the current period is as follows:

Expenditures for capital assets	\$	128,269	
Depreciation expense		(467,909)	
Net adjustment		(339,640)	(339,640)

In the statement of activities, only the gain (loss) on the disposal of capital assets is reported whereas only the proceeds from any sale of capital assets would increase resources in the governmental funds. (39,054)

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. However, neither transaction has any effect on net position. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Debt issued or incurred:			
Energy loans payable		(27,741)	
Principal repayments:			
Bonds and notes payable		215,000	187,259

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

Accrued interest		(7,066)	
Energy loans payable		26,031	
Special termination benefits		(1,050)	
Net OPEB obligation		(20,007)	(2,092)

Certain revenues reported in the statement of activities do not provide current financial resources and, therefore, are reported as deferred inflows of resources in the governmental funds. This amount represents the change in unavailable revenue. (10,659)

Change in net position of governmental activities \$ 45,993

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

TOWN OF SCOTLAND, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 4,460,097	\$ 4,460,097	\$ 4,438,404	\$ (21,693)
Intergovernmental	1,548,718	1,548,718	1,514,951	(33,767)
Charges for services	40,340	40,340	48,020	7,680
General revenues	<u>37,390</u>	<u>37,390</u>	<u>44,785</u>	<u>7,395</u>
Total revenues	<u>6,086,545</u>	<u>6,086,545</u>	<u>6,046,160</u>	<u>(40,385)</u>
EXPENDITURES				
Current:				
General government	424,928	424,928	404,514	(20,414)
Public safety	99,304	99,304	96,430	(2,874)
Public works	448,981	448,981	435,410	(13,571)
Culture and recreation	49,979	49,979	45,928	(4,051)
Education	4,767,667	4,767,667	4,504,547	(263,120)
Debt service:				
Principal payments	215,000	215,000	215,000	-
Interest and fiscal charges	93,968	93,968	93,968	-
Total expenditures	<u>6,099,827</u>	<u>6,099,827</u>	<u>5,795,797</u>	<u>(304,030)</u>
Excess (deficiency) of revenues over expenditures	(13,282)	(13,282)	250,363	263,645
OTHER FINANCING SOURCES (USES)				
Appropriation of fund balance	13,282	13,282	-	(13,282)
Transfers in	-	-	2,075	2,075
Transfers out	-	-	(91,408)	(91,408)
Total other financing sources (uses)	<u>13,282</u>	<u>13,282</u>	<u>(89,333)</u>	<u>(102,615)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	161,030	<u>\$ 161,030</u>
Fund balance - beginning			<u>665,543</u>	
Fund balance - ending			<u>\$ 826,573</u>	

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

TOWN OF SCOTLAND, CONNECTICUT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 11,546
Total assets	<u>\$ 11,546</u>
LIABILITIES	
Due to others	\$ 11,336
Due to other funds	210
Total liabilities	<u>\$ 11,546</u>

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

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Scotland, Connecticut (the "Town") conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

Financial Reporting Entity

The Town of Scotland, Connecticut was settled in 1700 and was incorporated and separated from the Town of Windham in 1857 and covers 18.69 square miles located in Windham County. The Town operates under a Board of Selectmen and Town Meeting form of government and provides the following services as authorized by its charter: public safety, public works, health and human services, social services, culture and recreation, education, planning, zoning and general administrative services.

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

The basic financial statements of the reporting entity include only the funds of the Town (the primary government) as no component units exist based on operational or financial relationships with the Town.

Related Organizations

The Town is a member of Regional School District No. 11 (the "District"), which is located in the Chaplin, Connecticut. The District provides educational services for the grade 7 through 12 populations within its member towns. The activities of the District are primarily supported by assessments made to member towns. Assessments for the Town totaled \$2,261,269, which represented approximately 36.5% of total member assessments. In addition to annual member assessments, the Town is contingently liable for its pro-rata share of the District's outstanding bonds (see Note G). The District is governed by an elected Board of Education and issues publicly available financial reports.

The Town is a member of the Northeastern Connecticut Council of Governments (the "Council"), which provides certain member initiated regional programs and services. The Town's First Selectman serves on the Council's Board of Directors. The Council issues publicly available financial reports.

The Town contracts for fire protection and emergency ambulance services from the Scotland Volunteer Fire Department, Inc. (the "Department"), a legally separate 501(c)(3) nonprofit corporation. The Town funds a significant portion of the Department's operating and capital activities. Budgetary operating appropriations paid by the Town to the Department totaled \$76,405 for the year ended June 30, 2017. Capital purchases made on-behalf of the Department totaled \$4,930 for the year ended June 30, 2017. The Department is governed by an elected Board of Directors and issues publicly available financial reports.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activities.

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

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

General Fund - This fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those not accounted for and reported in another fund.

Town Capital Reserve Fund – This fund is used to account for the revenues and expenditures related to capital asset construction and/or purchase.

The Town reports the following fiduciary fund types:

Agency Funds – These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets of the student activity funds and the Senior Activities fund. The student activities funds account for monies generated by student activities in the Town's school system. The Senior Activities fund accounts for monies generated by the senior's activities within the Town's senior citizen community.

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

Measurement Focus and Basis of Accounting *(Continued)*

However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is 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 available to be 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 the cash is received.

Implementation of Accounting Standards

Effective July 1, 2016, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. These statements did not have a material impact on the Town's financial statements.

Assets, Liabilities, Deferred Outflow/Inflows of Resources and Net Position/Fund Equity

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 in participating interest-earning investment contracts consist of negotiable certificates of deposit. Investments in these types of contracts, which have a remaining maturity at the time of purchase of one year or less, are measured by the Town at amortized costs.

Investments in certain external investment pools consist of money market mutual funds. Investments in these types of funds, which are permitted to measure their investment holdings at amortized costs, are measured by the Town at the net asset value per share as determined by the pool.

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

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

Donor-restricted Endowments

The Town allocates investment income on endowment investments in accordance with donor restrictions and Connecticut law. The State of Connecticut adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective October 1, 2007. UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the Town.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Town classifies its assets and liabilities measured at fair value into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which market inputs are observable, either directly or indirectly, and Level 3 (securities valued based on unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Town does not currently hold any material assets or liabilities which require fair value disclosure.

Inventories

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

Property Taxes

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The allowance is calculated based upon historical collections and analysis of creditor's ability to pay. The Town has established an allowance for uncollectible taxes and interest of \$9,000 and \$6,000, respectively, as of June 30, 2017.

Property taxes are assessed as of October 1. Taxes for real estate and personal property taxes are due in two installments on July 1 and the following January 1. Personal property and motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of the market value.

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

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

Capital Assets

Capital assets, which include land, construction in progress, 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 all capital assets with the exception of land purchases which are capitalized regardless of amount. Such assets are recorded at historical cost, or estimated historical cost, when 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 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:

Assets	Years
Buildings and improvements	30-50
Machinery, equipment and vehicles	3-10
Infrastructure	30-50

Capital assets acquired under a capital lease are amortized over the life of the lease term. The Town currently has no outstanding capital leases.

Unearned Revenue

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

Deferred Outflows/Inflows of Resources

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

Deferred inflows of resources consist of revenue that is considered unavailable under the modified accrual basis of accounting. Unavailable revenue from property taxes is reported in the governmental funds balance sheet and is recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Town employees and certain Board of Education employees are paid by a prescribed formula for absence due to vacation and sickness. The eligibility for vacation and sick pay does not vest and these balances are not paid upon separation. Therefore, no liability for these amounts as of June 30, 2017.

Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year with available resources.

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

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

Special Termination Benefits

Teachers covered under union contract are eligible to receive special termination benefits. Full time teachers with 15 to 19 years of services in the Scotland School System will be eligible to receive \$1,200 upon termination of employment for longevity pay and full time teachers who have 20 years of service will be eligible to receive \$2,250.

Special termination benefits are accrued when incurred in the government-wide financial statements. Expenditures for special termination benefits are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year, or the vested amount is expected to be paid with available resources.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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 funds 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 and Fund Balance

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

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

Restricted net position - This component of net position consists of amounts restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

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

The Town's governmental funds report the following fund balance categories:

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

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

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

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

Net Position and Fund Balance *(Continued)*

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen (the highest levels of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action. The formal action required to be taken by the Board of Selectman to commit fund balance includes formal voting procedures, which is consistent with the Town's budgeting procedures as described in Note B.

Assigned - Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. The Town Treasurer has been authorized by the Board of Finance to assign Fund Balance as needed to meet the obligations of the Town, with the exception of those amounts assigned by the Board of Finance during the Town's annual budgeting process as described in Note B.

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

Net Position Flow Assumption

Sometimes the Town 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.

The Town does not have a formal policy over net position. In practice, the Town considers restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

The Town does not have a formal policy over the use of fund balance. In practice, the Town uses restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned.

Interfund Activities

Interfund activities are reported as follows:

Interfund 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). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

Interfund Activities *(Continued)*

Interfund Services Provided and Used

Sales and purchases of goods and services between funds for a price approximating their external exchange value are reported as revenues and expenditures, or expenses, in the applicable funds.

Interfund Transfers

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after non-operating revenues and expenses.

Interfund Reimbursements

Interfund reimbursements represent repayments from the funds responsible for particular expenditures, or expenses, to the funds that initially paid for them.

Use of Estimates

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

NOTE B - 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 for the General Fund financial statements in accordance with provisions of the Connecticut General Statutes.

- A budget for the General Fund is authorized annually by the Board of Selectmen. The Board of Selectmen follows these procedures in establishing the budgetary data reflected in the financial statements.
- The Town's departments, boards and commissions submit budget requests the Board of Selectmen.
- Hearings are held for the submitted budget requests by functions such as the Selectmen's budget, departments, board and commissions, capital and nonrecurring requests and the Board of Education.
- A Town meeting is held and the citizens of the Town vote on the recommended budget.
- The Region 11 Board of Education presents the proposed Region 11 budget to the Board of Selectmen. A separate public hearing and referendum for the Region 11 budget are administered by the Region 11 Board of Education.
- The Board of Selectmen sets the tax rate for the upcoming fiscal year based on the budget approved by Town meeting.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2017

NOTE B - BUDGETARY INFORMATION (*Continued*)

- Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established by function and department. Transfers of budgeted amounts between departments must be approved by the Board of Selectmen and only the Board of Selectmen may approve budget transfers within and between line items of a department. Additional appropriation requests are submitted by the department heads to the Board of Selectmen. The Board of Selectmen acts on the requests, which, and may approve additional appropriations for a department, provided such additional appropriations do not exceed \$20,000 or are not a second request for an appropriation by the asking board, commission or department. Appropriations in excess of the amount the Board of Selectmen may approve or a second request by the requesting board, commission or department, must be approved by vote of a Town Meeting. During the year ended June 30, 2017, there were no additional appropriations made.
- Formal budgetary integration is employed as a management control device during the year.
- The budget is prepared on the modified accrual basis of accounting. "On-behalf" payments made by the State of Connecticut into the State Teachers' Retirement System (*see Note H*) are not recorded for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.
- All unexpended appropriations lapse at year-end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2017:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Uses - Transfers, Net</u>	<u>Net Change In Fund Balance</u>	<u>Fund Balance</u>
Budgetary basis	\$ 6,046,160	\$ 5,795,797	\$ (89,333)	\$ 161,030	\$ 826,573
"On-behalf" payments - State Teachers Retirement Fund (<i>see Note H</i>)	252,852	252,852	-	-	-
Intergovernmental grants netted against expenditures	58,352	58,352	-	-	-
Energy loan not recorded for budgetary purposes	-	27,741	27,741	-	-
GAAP basis	<u>\$ 6,357,364</u>	<u>\$ 6,134,742</u>	<u>\$ (61,592)</u>	<u>\$ 161,030</u>	<u>\$ 826,573</u>

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE C - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

A reconciliation of the Town's cash deposits as of June 30, 2017 is as follows:

Government-wide statement of net position	\$ 1,419,204
Statement of fiduciary net position	<u>11,546</u>
	<u>\$ 1,430,750</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$1,219,323 of the Town's bank balance of \$1,469,263 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,097,391
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>121,932</u>
	<u>\$ 1,219,323</u>

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

Investments

A reconciliation of the Town's investments as of June 30, 2017 is as follows:

Government-wide statement of net position:	<u>\$ 109,199</u>
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Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools. Information about the exposure of the Town's investments to this risk using the segmented time distribution model is as follows:

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2017

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

Investments *(Continued)*

<u>Investment type</u>	<u>Valuation Method</u>	<u>Credit Rating</u>	<u>Value</u>	<u>Investment Maturities (In Years)</u>	
				<u>Less Than 1</u>	<u>1 to 5</u>
Debt Securities:					
<i>Government-wide statement of net position:</i>					
<i>Permanent Funds:</i>					
Negotiable certificates of deposit	Amortized Cost	Unrated	\$ 87,164	\$ 24,297	\$ 62,867
Money market mutual funds	Net Asset Value	Unrated	22,035	22,035	-
			<u>\$ 109,199</u>	<u>\$ 46,332</u>	<u>\$ 62,867</u>

Because the investment in money market mutual funds has a weighted average maturity of less than 90 days, it has been presented as an investment with a maturity of less than one year.

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 Town's investments in debt securities, whose ratings are required to be disclosed, are summarized in the table above.

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.

Concentrations of Credit Risk

The Town's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific issuer. All of the Town's governmental activities investments are invested in the negotiable certificates of deposit (80%) and money market mutual funds (20%) held with Morgan Stanley.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE D - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2017 consisted of the following:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 521,510	\$ -	\$ -	\$ 521,510
Total capital assets, not being depreciated	<u>521,510</u>	<u>-</u>	<u>-</u>	<u>521,510</u>
Capital assets, being depreciated:				
Buildings and improvements	16,122,066	-	(8,200)	16,113,866
Machinery, equipment and vehicles	885,422	-	(154,491)	730,931
Infrastructure	1,357,550	128,269	-	1,485,819
Total capital assets, being depreciated	<u>18,365,038</u>	<u>128,269</u>	<u>(162,691)</u>	<u>18,330,616</u>
Less accumulated depreciation:				
Buildings and improvements	3,546,160	368,595	(5,477)	3,909,278
Machinery, equipment and vehicles	612,652	38,514	(118,160)	533,006
Infrastructure	268,056	60,800	-	328,856
Total accumulated depreciation	<u>4,426,868</u>	<u>467,909</u>	<u>(123,637)</u>	<u>4,771,140</u>
Total capital assets, being depreciated, net	<u>13,938,170</u>	<u>(339,640)</u>	<u>(39,054)</u>	<u>13,559,476</u>
Governmental activities capital assets, net	<u>\$ 14,459,680</u>	<u>\$ (339,640)</u>	<u>\$ (39,054)</u>	<u>\$ 14,080,986</u>

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

Governmental Activities:	
General government	\$ 45,182
Public safety	17,996
Public works	65,137
Education	339,594
Total depreciation and amortization expense - governmental activities	<u>\$ 467,909</u>

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2017

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Town Capital Reserve Fund	\$ 5,313
	Nonmajor Governmental Funds	5,247
	Agency Funds	210
		<u>10,770</u>
Town Capital Reserve Fund	General Fund	<u>769</u>
Nonmajor Governmental Funds	General Fund	<u>110,856</u>
Total interfund receivables/payables		<u><u>\$ 122,395</u></u>

All interfund 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.

NOTE F - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2017 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Town Capital Reserve Fund	General Fund	<u>\$ 90,825</u>
General Fund	Nonmajor governmental funds	<u>2,075</u>
Nonmajor governmental funds	General Fund	<u>583</u>
Total transfers		<u><u>\$ 93,483</u></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, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE G - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds and notes payable:					
General obligation bonds	\$ 1,500,000	\$ -	\$ (125,000)	\$ 1,375,000	\$ 125,000
Note payable	900,000	-	(90,000)	810,000	90,000
	<u>2,400,000</u>	<u>-</u>	<u>(215,000)</u>	<u>2,185,000</u>	<u>215,000</u>
Other liabilities:					
Energy loans payable	70,459	27,741	(26,031)	72,169	28,824
Special termination benefits	9,300	1,050	-	10,350	-
Net OPEB obligation	136,195	20,007	-	156,202	-
	<u>\$ 2,615,954</u>	<u>\$ 48,798</u>	<u>\$ (241,031)</u>	<u>\$ 2,423,721</u>	<u>\$ 243,824</u>

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

Bonds and Notes Payable

A summary of the bonds and note payable outstanding at June 30, 2017 is as follows:

<u>Note Issue</u>	<u>Issue Date</u>	<u>Original Amount</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities					
General Obligation Bonds					
2007 School Bonds	2007	\$ 2,500,000	2027	4.05%-4.9%	<u>\$ 1,375,000</u>
Note Payable					
2011 School Note	2011	\$ 1,300,000	2026	3.675%	<u>\$ 810,000</u>

Annual debt service requirements to maturity on the bonds and note payable are as follows as of June 30, 2017:

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Bond and Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 215,000	\$ 85,458
2019	215,000	76,948
2020	215,000	68,496
2021	215,000	59,929
2022	215,000	51,419
2023-2027	<u>1,110,000</u>	<u>121,052</u>
	<u>\$ 2,185,000</u>	<u>\$ 463,302</u>

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2017

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

Bonds and Note Payable *(Continued)*

Legal Debt Limit

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute, or \$30,948,680 as of June 30, 2017. 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 June 30, 2017.

Shared Debt

The Town is contingently liable for its pro-rata share of Regional School District No. 11's (the "District") outstanding bonds. As of June 30, 2017, Regional School District No. 11 had no outstanding obligations and no authorized, unissued bonds, for which the Town would be contingently liable.

Energy Loans Payable

The Town currently has four outstanding loans with its utility provider to finance a portion of the costs for energy conservation lighting and other related items at the elementary school, library and public safety complex. These loans are non-interest bearing with total monthly principal payments of \$2,402 through October 2020.

NOTE H - EMPLOYEE RETIREMENT PLANS

Connecticut State Teachers' Retirement System

The faculty and professional personnel of the Town's Board of Education participate in the Teachers' Retirement System ("TRS"), which is a cost-sharing multiple-employer defined benefit pension plan established under Chapter 167a of the Connecticut General Statutes. The TRS is administered by the Connecticut State Teachers' Retirement Board (the "Board") and is included as a fiduciary pension trust fund in the State of Connecticut's basic financial statements.

Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the Connecticut General Statutes. The plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

The contribution requirements of plan members and the State are established and may be amended by the State legislature. In accordance with Section 10-183z of the General Statutes, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute one hundred percent of employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Plan members are currently required to contribute 7.25% of their annual earnings to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. For the year ended June 30, 2017, plan members of the Town contributed \$75,038 to the plan and covered payroll for the year was \$1,035,006. The Town has recognized on-behalf payments of \$252,852 made by the State of Connecticut into the plan as intergovernmental revenues, and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of the governmental funds.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2017

NOTE H - EMPLOYEE RETIREMENT PLANS (*Continued*)

Connecticut State Teachers' Retirement System (*Continued*)

Administrative costs of the plan are funded by the State.

The total estimated net pension liability of the TRS as of June 30, 2016 was \$14.245 billion, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$3.7 million or approximately 0.026% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The portion of the net pension liability associated with the Town was based on a projection of the long-term share of contributions to the plan related to the Town relative to the projected contributions of all participating employers, actuarially determined. The pension expense attributed to the Town totaled \$1,334,369 for the year ended June 30, 2017.

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	3.25% - 6.50% (includes inflation)
Investment rate of return	8.0% (net of related expense)
Cost of living adjustments:	
Retirements prior to 9/1/1992	3.0%
Retirements on or after 9/1/1992	2.0%

For healthy retirees and beneficiaries, 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large cap U.S. Equities	21.0%	5.80%
Developed Non-U.S. Equities	18.0%	6.60%
Private Equity	11.0%	7.60%
Emerging Markets (Non-U.S.)	9.0%	8.30%
Alternative Investment	8.0%	4.10%
Core Fixed Income	7.0%	1.30%
Real Estate	7.0%	5.10%
Liquidity Fund	6.0%	0.40%
Emerging Market Bonds	5.0%	3.70%
High Yield Bonds	5.0%	3.90%
Inflation Linked Bonds	3.0%	1.00%
	<u>100.0%</u>	

TOWN OF SCOTLAND, CONNECTICUT
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
 JUNE 30, 2017

NOTE H - EMPLOYEE RETIREMENT PLANS *(Continued)*

Connecticut State Teachers' Retirement System *(Continued)*

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability attributed to the Town as of June 30, 2017	\$4.7 million	\$3.7 million	\$3.0 million

Detailed information about the plan's fiduciary net position is included in the State of Connecticut's basic financial statements.

NOTE I - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

Funding Policy

Contribution requirements of the plan members and the Town are established by and may be amended through negotiations between the Town and the union. Currently, eligible Board of Education Employees with are eligible to receive benefits until they are age 65. Those who choose to participate must pay 100% of premium cost. The Town finances the plan on a pay-as-you-go basis.

The Town has not established a trust fund as of June 30, 2017, to irrevocably segregate assets to fund the liability for post-employment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
JUNE 30, 2017

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Town's annual OPEB cost and net OPEB obligation are primarily attributed to an implicit rate subsidy, whereby retirees are considered to be receiving a benefit from the Town for access to insurance rates offered to the Town's active employees. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Town's net OPEB obligation:

Annual required contribution	\$	24,609
Interest on net OPEB obligation		386
Adjustment to annual required contribution		<u>(3,734)</u>
Annual OPEB cost		21,261
Contributions made		<u>1,254</u>
Increase in net OPEB obligation		20,007
Net OPEB obligation, beginning of the year		<u>136,195</u>
Net OPEB obligation, end of the year	\$	<u><u>156,202</u></u>

Three-Year Trend Information

<u>Plan Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 11,244	0.0%	\$ 128,660
2016	20,778	63.7%	136,195
2017	21,261	5.9%	156,202

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016 (the date of the most recent actuarial valuation) was as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit (B)</u>	<u>(Overfunded) Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
June 30, 2016	\$ -	\$ 169,891	\$ 169,891	0.0%	\$ 1,047,714	16.2%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the Town are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2017

NOTE I - OTHER POST-EMPLOYMENT BENEFITS (*Continued*)

Actuarial Methods and Assumptions

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

Valuation date:	June 30, 2016
Actuarial cost method:	Entry age Actuarial Cost
Amortization method:	Level percentage of payroll
Remaining amortization period:	27 years
Asset valuation method:	N/A
Actuarial assumptions:	
Age adjustment factor	1.643
Discount rate	0.30%
Inflation rate	2.00%

NOTE J- RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The Town purchases commercial insurance for all risks of loss except worker's compensation insurance for which it participates in a risk pool. During 2017, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years.

NOTE K - COMMITMENTS AND CONTINGENCIES

Grants and Contracts

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

Litigation

There are several lawsuits pending against the Town. The outcome and eventual liability to the Town, if any, in these cases is not known at this time. The Town's management, based upon consultation with legal counsel, estimates that potential claims against the Town, not covered by insurance, resulting from such litigation would not materially affect the financial position of the Town.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2017

NOTE K - COMMITMENTS AND CONTINGENCIES (*Continued*)

Committed Funds

As of June 30, 2017 balances in the Town Capital Reserve Fund are committed for capital and nonrecurring items for the following purposes:

Purpose	Amount
Town general improvements	\$ 25,285
Town highway improvements	61,825
School capital improvements	45,854
Fire department	38,558
Transfer station	24,965
Conservation and development	6,879
Revaluation	5,791
Total Town Capital Reserve	\$ 209,157

In addition, as of June 30, 2017 the Town's Auxiliary Funds have been assigned to the following special purpose activities:

Purpose	Amount
Recreation programs	1,879
Save Our Grange	1,301
Instrument lending program	1,635
Total Auxilliary Funds	\$ 4,815

NOTE L - SUBSEQUENT EVENTS

During March 2018, the Town issued a note payable with a bank in the amount of \$742,500 to refinance its note payable. The note bears interest at a rate of 2.295% and matures in May 2026.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS (*Continued*)
JUNE 30, 2017

NOTE M - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town currently provides other post-employment benefits to certain eligible employees. The Town has not yet determined the impact that this statement will have on its financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement addresses accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations. (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town does not expect this statement to have a material effect on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town has not yet determined the impact that this statement might have on its financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
JUNE 30, 2017

NOTE M - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE *(Continued)*

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2017. The Town does not expect this statement to have a material effect on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2020. The Town has not yet determined the impact that this statement might have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the Town	0.026%	0.031%	0.031%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability attributed to the Town	<u>3,692</u>	<u>3,392</u>	<u>3,136</u>
Total	<u>\$ 3,692</u>	<u>\$ 3,392</u>	<u>\$ 3,136</u>
Town's covered payroll	\$ 1,035	\$ 1,027	\$ 1,158
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	59.50%	61.51%

Notes to Schedule:

The Town began to report this schedule when it implemented GASB Statement No. 68 in fiscal year 2015.

The total pension liability reported for each fiscal year is based on a measurement date as of the end of the prior fiscal year (i.e. the total pension liability reported for 2017 is based on a June 30, 2016 measurement date).

Benefit Changes: There were no changes in benefit terms that affected the measurement of the total pension liability.

Assumption changes: Since the prior valuation in 2015, new assumptions were adopted. Specifically:

- Inflation assumption was reduced from 3.00% to 2.75%
- Real rate of return assumption was reduced from 5.50% to 5.25%, which when combined with the inflation assumption change resulted in a decrease in the investment rate of return assumption from 8.50% to 8.00%.
- The annual rate of wage increase assumption was reduced from 0.75% to 0.50%.
- The payroll growth assumption was reduced from 3.75% to 3.25%.
- Various demographic assumption changes utilizing the RPH-2014 mortality tables.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULES OF FUNDING PROGRESS (UNAUDITED)
LAST THREE ACTUARIAL VALUATIONS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (AAL) Projected Unit Credit (B)</u>	<u>Unfunded AAL (UAAL) (B-A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percentage of Covered Payroll ((B-A)/C)</u>
Other Post-Employment Benefit Plan						
June 30, 2010	\$ -	\$ 202,103	\$ 202,103	0.0%	\$ 986,692	20.5%
June 30, 2013	-	135,235	135,235	0.0%	1,027,813	13.2%
June 30, 2016	-	169,891	169,891	0.0%	1,047,714	16.2%

See accompanying Independent Auditor's Report.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
PROPERTY TAXES				
Property taxes	\$ 4,418,597	\$ 4,418,597	\$ 4,369,674	\$ (48,923)
Interest and lien fees collected on taxes	41,500	41,500	68,730	27,230
Total property taxes	<u>4,460,097</u>	<u>4,460,097</u>	<u>4,438,404</u>	<u>(21,693)</u>
INTERGOVERNMENTAL REVENUES				
Adult education	1,712	1,712	-	(1,712)
LOCIP-Local capital improvement	21,296	21,296	-	(21,296)
Department of Education	1,431,548	1,431,548	1,419,650	(11,898)
State/Judicial Branch	100	100	105	5
State Library	1,087	1,087	-	(1,087)
Policy and Management	15,000	15,000	15,522	522
DEMHS/Grant Income	1,500	1,500	1,959	459
State owned property -PILOT	16,880	16,880	16,880	-
Mashantucket Pequot grant	15,714	15,714	15,714	-
Municipal revenue sharing	43,881	43,881	43,881	-
Miscellaneous revenue from the state	-	-	1,240	1,240
Total intergovernmental revenues	<u>1,548,718</u>	<u>1,548,718</u>	<u>1,514,951</u>	<u>(33,767)</u>
DEPARTMENTAL REVENUES				
Charges for services:				
Cemetery Department revenue	2,000	2,000	5,153	3,153
Driveway permit fees	140	140	35	(105)
Copies - Town Clerk	2,600	2,600	2,629	29
Copies - Assessor	150	150	267	117
Building department	8,000	8,000	5,071	(2,929)
Zoning and subdivision fees	1,000	1,000	945	(55)
Wetland recording fees	500	500	-	(500)
State recording fees	6,650	6,650	8,381	1,731
Conveyances	8,500	8,500	14,138	5,638
Pistol permits	700	700	1,030	330
Transfer station permit fees	10,000	10,000	9,894	(106)
Culture and recreational	100	100	249	149
License fees - all	-	-	228	228
Total departmental revenues	<u>40,340</u>	<u>40,340</u>	<u>48,020</u>	<u>7,680</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
GENERAL REVENUES				
CGS Section 12-80a (PPT)	\$ 3,500	\$ 3,500	\$ 3,920	\$ 420
Gas/Diesel Reimbursement SES	9,250	9,250	7,364	(1,886)
Diesel/Gas Reimbursement PHHS	17,500	17,500	13,071	(4,429)
Miscellaneous Income - TOS	-	-	12,297	12,297
Interest Income	2,700	2,700	3,309	609
CIRMA Equity Distribution	1,040	1,040	1,240	200
Lease of 6 Huntington Road	2,400	2,400	2,400	-
Reimb 10% Libr. Utilit - D'Elia	1,000	1,000	1,184	184
Total general revenues	<u>37,390</u>	<u>37,390</u>	<u>44,785</u>	<u>7,395</u>
Total revenues	<u>6,086,545</u>	<u>6,086,545</u>	<u>6,046,160</u>	<u>(40,385)</u>
OTHER FINANCING SOURCES				
Appropriation of fund balance	<u>13,282</u>	<u>13,282</u>	<u>-</u>	<u>(13,282)</u>
Total other financing sources	<u>13,282</u>	<u>13,282</u>	<u>-</u>	<u>(13,282)</u>
Total revenues and other financing sources	<u><u>\$ 6,099,827</u></u>	<u><u>\$ 6,099,827</u></u>	<u><u>\$ 6,046,160</u></u>	<u><u>\$ (53,667)</u></u>

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT				
Board of Selectmen:				
Postage Temp	\$ 750	\$ 750	\$ 822	\$ 72
First Selectmen Salary	33,845	33,845	33,853	8
Second Selectman Salary	2,077	2,077	2,077	-
Third Selectman Salary	2,077	2,077	2,077	-
Administrative Assistant Salary	20,686	20,686	20,686	-
Mileage	100	100	136	36
Legal/notices	1,000	1,000	747	(253)
Counsel	4,000	4,000	5,926	1,926
Miscellaneous	300	300	1,521	1,221
Total Board of Selectmen	64,835	64,835	67,845	3,010
Town Hall				
Janitorial salary	3,162	3,162	2,775	(387)
Office supplies	2,000	2,000	1,754	(246)
Water	375	375	221	(154)
Copiers	1,600	1,600	1,786	186
Fire alarm contract	564	564	1,341	777
Janitorial supplies	400	400	265	(135)
Internet services	4,000	4,000	4,983	983
Web page	640	640	675	35
Information technology support	4,000	4,000	4,000	-
Total town hall	16,741	16,741	17,800	1,059
Administration/Other				
Financial program/training	7,033	7,033	6,039	(994)
Dues/subscriptions	4,818	4,818	5,046	228
Alcohol and drug testing CCM D&A	200	200	200	-
Probate	523	523	523	-
Auditor-contractual	14,250	14,250	11,250	(3,000)
Social security tax- Town share	28,000	28,000	27,647	(353)
CT Unemployment reimbursements	100	100	-	(100)
Total administration/other	54,924	54,924	50,705	(4,219)
Insurance and Bonds:				
Workers compensation	21,007	21,007	20,271	(736)
Employee medical (Town share)	21,356	21,356	21,545	189
Liability and umbrella	20,156	20,156	20,654	498
Bonds/blanket crime	975	975	405	(570)
Total insurance and bonds	63,494	63,494	62,875	(619)
Health and Welfare				
Health district (EHHD)	8,834	8,834	8,830	(4)
Dial-A-Ride	4,177	4,177	4,177	-
United Services	1,208	1,208	1,208	-
Access Agency	500	500	250	(250)
TVCC (Meals on Wheels)	1,282	1,282	1,281	(1)
Sexual Assault Crisis Center	234	234	234	-
NECASA	537	537	234	(303)
Total health and welfare	16,772	16,772	16,214	(558)

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT (Continued)				
Town Clerk:				
Town Clerk salary	\$ 22,125	\$ 22,125	\$ 22,115	\$ (10)
Professional services	400	400	363	(37)
Professional development	600	600	550	(50)
Legal notices	1,500	1,500	343	(1,157)
Repairs/binding old records	700	700	319	(381)
Mileage	200	200	192	(8)
Office supplies	900	900	828	(72)
Miscellaneous	75	75	27	(48)
Software	3,250	3,250	3,240	(10)
Computer program services	1,500	1,500	1,500	-
Dues/subscriptions	500	500	310	(190)
Town Clerk assistant salary	13,570	13,570	7,279	(6,291)
Postage	550	550	633	83
Annuity	1,000	1,000	-	(1,000)
Total Town clerk	<u>46,870</u>	<u>46,870</u>	<u>37,699</u>	<u>(9,171)</u>
Tax Collector:				
Tax collector Salary	15,804	15,804	16,389	585
Counsel	300	300	-	(300)
Professional development	500	500	400	(100)
Postage	1,300	1,300	1,307	7
Legal notices	1,250	1,250	1,610	360
Mileage	900	900	1,049	149
Office supplies	400	400	387	(13)
Miscellaneous	75	75	-	(75)
Computer program services	5,300	5,300	5,449	149
Dues/subscriptions	125	125	125	-
Tax collector assistant salary	8,481	8,481	8,567	86
Annuity	1,000	1,000	-	(1,000)
Total Tax collector	<u>35,435</u>	<u>35,435</u>	<u>35,283</u>	<u>(152)</u>
Treasurer:				
Treasurer salary	15,000	15,000	15,000	-
Postage	20	20	-	(20)
Mileage	250	250	-	(250)
Office supplies	400	400	508	108
Miscellaneous	200	200	-	(200)
Total Treasurer	<u>15,870</u>	<u>15,870</u>	<u>15,508</u>	<u>(362)</u>
Bookkeeper:				
Bookkeeper salary	10,000	10,000	10,000	-
Office supplies	250	250	798	548
Total Bookkeeper	<u>10,250</u>	<u>10,250</u>	<u>10,798</u>	<u>548</u>
Assessor:				
Assessor salary	18,671	18,671	18,671	-
Professional development	100	100	-	(100)
Postage	375	375	356	(19)
Mileage	50	50	-	(50)
Office supplies	250	250	7	(243)
MV pricing guide	500	500	525	25
Tax maps	500	500	1,898	1,398
Office Equipment	250	250	250	-
Software	8,325	8,325	8,140	(185)
Dues/subscriptions	95	95	-	(95)
Revaluation	4,540	4,540	4,540	-
Web hosting - vision gov	-	-	-	-
Total Assessor	<u>33,656</u>	<u>33,656</u>	<u>34,387</u>	<u>731</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
GENERAL GOVERNMENT (Continued)				
Election Expense:				
Election day expense	\$ 240	\$ 240	\$ 207	\$ (33)
Professional development	5,024	5,024	3,270	(1,754)
Postage	94	94	47	(47)
Telephone	225	225	-	(225)
Legal notices	100	100	-	(100)
Mileage	400	400	236	(164)
Dues/subscriptions	150	150	150	-
Registrar salaries	4,900	4,900	5,358	458
Assistant registrar salaries	738	738	678	(60)
Election worker salaries	3,000	3,000	999	(2,001)
Moderator salaries	1,110	1,110	760	(350)
Office supplies	200	200	972	772
Ballots	1,590	1,590	-	(1,590)
Equipment	2,448	2,448	917	(1,531)
Total election expense	<u>20,219</u>	<u>20,219</u>	<u>13,594</u>	<u>(6,625)</u>
Planning and Zoning:				
Counsel	3,000	3,000	2,077	(923)
Postage	75	75	8	(67)
Legal notices	1,250	1,250	1,385	135
Mileage	200	200	-	(200)
Miscellaneous	100	100	350	250
Office Equipment	200	200	64	(136)
Zoning enforcement Officer salary	15,861	15,861	15,861	-
PZC Clerk salary	750	750	64	(686)
Total planning and zoning	<u>21,436</u>	<u>21,436</u>	<u>19,809</u>	<u>(1,627)</u>
Inland Wetlands:				
Dues/subscriptions	60	60	-	(60)
DEP	58	58	-	(58)
Wetland Officer salary	4,890	4,890	4,892	2
IWWC Clerk	250	250	-	(250)
Total inland wetlands	<u>5,258</u>	<u>5,258</u>	<u>4,892</u>	<u>(366)</u>
Building Department:				
Professional development	350	350	439	89
Mileage	1,500	1,500	595	(905)
Office supplies	350	350	207	(143)
Dues/subscriptions	125	125	135	10
Stare of CT fees	700	700	-	(700)
Building Inspector Salary	13,943	13,943	13,943	-
Building Clerk	2,000	2,000	1,697	(303)
Total building department	<u>18,968</u>	<u>18,968</u>	<u>17,016</u>	<u>(1,952)</u>
Board of Assessment Appeals:				
Legal notices	200	200	89	(111)
Total Board of Assessment appeals	<u>200</u>	<u>200</u>	<u>89</u>	<u>(111)</u>
Total general government	<u>424,928</u>	<u>424,928</u>	<u>404,514</u>	<u>(20,414)</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
CULTURE AND RECREATION				
Recreation:				
Cultural events	\$ 1,000	\$ 1,000	\$ 1,648	\$ 648
Sanitation	850	850	694	(156)
Bowers Park maintenance	1,000	1,000	786	(214)
Sports/Athletics	500	500	-	(500)
Total recreation	<u>3,350</u>	<u>3,350</u>	<u>3,128</u>	<u>(222)</u>
Library:				
Director's salary	18,184	18,184	17,190	(994)
Assistant salary	14,889	14,889	14,242	(647)
Janitorial salary	3,933	3,933	2,970	(963)
Professional development	135	135	135	-
Fire alarm contract	627	627	648	21
Telephone	1,140	1,140	1,128	(12)
Office supplies	600	600	599	(1)
Janitorial supplies	150	150	201	51
Library books	2,725	2,725	2,601	(124)
Electronic materials	950	950	707	(243)
Office equipment	480	480	-	(480)
Library software	2,316	2,316	2,209	(107)
Dues/CT Library	175	175	170	(5)
Catalogue support	325	325	-	(325)
Total library	<u>46,629</u>	<u>46,629</u>	<u>42,800</u>	<u>(3,829)</u>
Total culture and recreation	<u>49,979</u>	<u>49,979</u>	<u>45,928</u>	<u>(4,051)</u>
PUBLIC SAFETY				
Public Safety:				
Non-recurring	8,000	8,000	8,000	-
EMD In-kind services	1,500	1,500	2,330	830
FIRE/EMS service	76,405	76,405	76,405	-
911 dispatch	3,859	3,859	3,859	-
Paramedic program services	1,694	1,694	1,710	16
Office of Fire Marshall service	3,500	3,500	260	(3,240)
Total public safety	<u>94,958</u>	<u>94,958</u>	<u>92,564</u>	<u>(2,394)</u>
Animal Control:				
Mileage	150	150	-	(150)
Supplies	50	50	7	(43)
Animal housing	300	300	131	(169)
Miscellaneous	150	150	32	(118)
Salary	3,696	3,696	3,696	-
Total animal control	<u>4,346</u>	<u>4,346</u>	<u>3,866</u>	<u>(480)</u>
Total public safety	<u>99,304</u>	<u>99,304</u>	<u>96,430</u>	<u>(2,874)</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PUBLIC WORKS				
Public Works:				
Part time seasonal	\$ 7,500	\$ 7,500	\$ 9,173	\$ 1,673
Overtime	13,000	13,000	5,728	(7,272)
Snow removal - contractual	6,000	6,000	4,008	(1,992)
Tree trimming	3,000	3,000	2,750	(250)
Salt/sand	20,000	20,000	17,741	(2,259)
Safety clothing allowance	300	300	102	(198)
Other fuels	1,500	1,500	1,063	(437)
Cemeteries	3,000	3,000	2,825	(175)
New equipment	4,000	4,000	1,489	(2,511)
Vehicle maintenance	6,000	6,000	3,157	(2,843)
Equipment maintenance	5,000	5,000	5,166	166
Diesel/gasoline	30,000	30,000	34,783	4,783
Highway Supervisor salary	7,930	7,930	8,219	289
Foreman salary	50,197	50,197	51,735	1,538
Annuity - Foreman	2,000	2,000	2,000	-
Road assistant salary	39,437	39,437	40,916	1,479
Annuity	1,000	1,000	1,000	-
Capital improvements roads	77,160	77,160	72,971	(4,189)
Maintenance roads/other	20,000	20,000	11,021	(8,979)
Capital non-recurring DPW	5,000	5,000	5,000	-
Telephone	600	600	-	(600)
Total public works	<u>302,624</u>	<u>302,624</u>	<u>280,847</u>	<u>(21,777)</u>
Building Maintenance:				
Building maintenance salary	2,000	2,000	1,887	(113)
State of CT boiler permits	400	400	320	(80)
Mileage	100	100	-	(100)
Pest control	900	900	900	-
Building maintenance - Grange	500	500	64	(436)
Building maintenance - Town	100	100	-	(100)
Building maintenance - Public	2,000	2,000	1,688	(312)
Building maintenance - State of CT	120	120	120	-
Non-recurring building renovations	5,000	5,000	1,905	(3,095)
Building maintenance - Town Hall	1,500	1,500	1,684	184
Building maintenance - New Town	1,000	1,000	864	(136)
Building maintenance - Old Town	100	100	64	(36)
Building maintenance - Old Fire	500	500	36	(464)
Building maintenance - Library	2,000	2,000	1,527	(473)
Total building maintenance	<u>16,220</u>	<u>16,220</u>	<u>11,059</u>	<u>(5,161)</u>
Utilities - Electric:				
Grange Hall	600	600	535	(65)
Public Safety complex	9,000	9,000	13,950	4,950
Town Hall	5,250	5,250	5,172	(78)
New Town garage	2,150	2,150	1,874	(276)
Old Town garage	600	600	577	(23)
Library	6,150	6,150	6,935	785
Street lighting	3,750	3,750	3,560	(190)
Town Green	600	600	540	(60)
Bowers Park	600	600	537	(63)
Total utilities-electric	<u>28,700</u>	<u>28,700</u>	<u>33,680</u>	<u>4,980</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND (Concluded)
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variance With Final Budget Over (Under)
	Original	Final		
PUBLIC WORKS (Continued)				
Utilities - Heat:				
Oil - Grange Hall	\$ 500	\$ 500	\$ 422	\$ (78)
Oil - Library	4,500	4,500	3,080	(1,420)
Oil - Public works	5,000	5,000	7,197	2,197
Oil - Town Hall	2,250	2,250	3,514	1,264
Oil - Public safety complex	2,500	2,500	2,438	(62)
Total utilities -heat	<u>14,750</u>	<u>14,750</u>	<u>16,651</u>	<u>1,901</u>
Transfer Station:				
Transfer Operations	12,000	12,000	19,123	7,123
Rental of Land and building	13,887	13,887	13,887	-
Disposal - Willi Waste	41,700	41,700	39,000	(2,700)
Container transit	18,000	18,000	19,857	1,857
Dues and fees Mid-Neroc Transfer	1,100	1,100	1,306	206
Total transfer station	<u>86,687</u>	<u>86,687</u>	<u>93,173</u>	<u>6,486</u>
Total public works	<u>448,981</u>	<u>448,981</u>	<u>435,410</u>	<u>(13,571)</u>
EDUCATION				
Scotland Elementary	2,390,707	2,390,707	2,169,007	(221,700)
Parish Hill Transportation	72,656	72,656	74,271	1,615
Regional District 11	2,304,304	2,304,304	2,261,269	(43,035)
Total education	<u>4,767,667</u>	<u>4,767,667</u>	<u>4,504,547</u>	<u>(263,120)</u>
DEBT SERVICE				
Interest (2.5mil) 5/15/07-SES	61,688	61,688	61,688	-
Interest (\$1.3mil) 4/20/11-SES	32,280	32,280	32,280	-
Principal SES 2.5 MM Bond	125,000	125,000	125,000	-
Principal SES 1.3mm SI Loan	90,000	90,000	90,000	-
Total debt service	<u>308,968</u>	<u>308,968</u>	<u>308,968</u>	<u>-</u>
Total expenditures	<u>6,099,827</u>	<u>6,099,827</u>	<u>5,795,797</u>	<u>(304,030)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,075	2,075
Transfers out	-	-	(91,408)	(91,408)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(89,333)</u>	<u>(89,333)</u>
Total expenditures and other financing uses	<u>\$ 6,099,827</u>	<u>\$ 6,099,827</u>	<u>\$ 5,706,464</u>	<u>\$ (393,363)</u>

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2017

Grand List Year	Uncollected Taxes July 1, 2016	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2017
			Additions	Deletions			Taxes	Interest	Liens	
2015	\$ -	\$ 4,386,694	\$ 17,410	\$ 28,616	\$ 892	\$ 4,374,596	\$ 4,289,597	\$ 20,599	\$ 240	\$ 84,999
2014	84,043	-	842	1,387	795	82,703	54,812	12,307	384	27,891
2013	29,821	-	556	588	603	29,186	13,841	5,748	160	15,345
2012	13,940	-	-	-	547	13,393	5,994	1,818	39	7,399
2011	8,115	-	-	943	550	6,622	2,404	1,251	10	4,218
2010	4,533	-	-	943	-	3,590	156	380	-	3,434
2009	462	-	-	-	-	462	-	-	-	462
2008	-	-	-	-	-	-	-	-	-	-
2007	(81)	-	-	-	-	(81)	-	-	-	(81)
2006	(23)	-	-	-	-	(23)	-	-	-	(23)
2005	295	-	-	-	-	295	-	-	-	295
	<u>\$ 141,105</u>	<u>\$ 4,386,694</u>	<u>\$ 18,808</u>	<u>\$ 32,477</u>	<u>\$ 3,387</u>	<u>\$ 4,510,743</u>	<u>\$ 4,366,804</u>	<u>\$ 42,103</u>	<u>\$ 833</u>	<u>\$ 143,939</u>

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
JUNE 30, 2017

Total cash collections for the year ended
June 30, 2017:

Taxes	\$ 4,366,804
Interest and lien fees	42,936
Total	<u>4,409,740</u>

Reimbursement for revenue loss:

Tax relief for elderly (CGS 12-129d)	11,500
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Base	<u>\$ 4,421,240</u>
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	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 9,947,790	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	19,895,580	-	-	-
3-3/4 times base	-	-	16,579,650	-	-
3-1/4 times base	-	-	-	14,369,030	-
3 times base	-	-	-	-	13,263,720
Total debt limitation	<u>9,947,790</u>	<u>19,895,580</u>	<u>16,579,650</u>	<u>14,369,030</u>	<u>13,263,720</u>
Indebtedness:					
Bonds and note payable	-	2,185,000	-	-	-
Total indebtedness	<u>-</u>	<u>2,185,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 9,947,790</u>	<u>\$ 17,710,580</u>	<u>\$ 16,579,650</u>	<u>\$ 14,369,030</u>	<u>\$ 13,263,720</u>
Total capacity of borrowing (7 times base)	\$ 30,948,680				
Total present indebtedness	<u>2,185,000</u>				
Margin for additional borrowing	<u>\$ 28,763,680</u>				

See accompanying Independent Auditor's Report.

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF SCOTLAND, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Nonmajor Special Revenue Funds						
	Elementary Education Grant Fund	Town Aid Road Fund	Library Activities Fund	Library Literacy Grant Fund	Dog Fund	Lori Fisher Memorial Fund	Auxilliary Fund
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ 7,763	\$ -	\$ 10,135	\$ 2,176	\$ 3,680
Investments	-	-	-	-	-	-	-
Receivables:							
Intergovernmental	2,665	-	-	-	-	-	-
Due from other funds	31,436	76,887	376	872	-	-	1,285
Total assets	<u>\$ 34,101</u>	<u>\$ 76,887</u>	<u>\$ 8,139</u>	<u>\$ 872</u>	<u>\$ 10,135</u>	<u>\$ 2,176</u>	<u>\$ 4,965</u>
LIABILITIES							
Accounts payable	\$ 6,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and benefits payable	14,957	-	-	-	-	-	-
Due to other funds	-	-	-	-	1,192	-	150
Due to funding source	4,102	-	-	-	-	-	-
Unearned revenue	-	76,887	-	-	-	-	-
Total liabilities	<u>25,553</u>	<u>76,887</u>	<u>-</u>	<u>-</u>	<u>1,192</u>	<u>-</u>	<u>150</u>
FUND BALANCES							
Nonspendable:							
Permanent funds principal	-	-	-	-	-	-	-
Restricted:							
Culture and recreation	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	-
Assigned:							
Public safety	-	-	-	-	8,943	-	-
Culture and recreation	-	-	8,139	872	-	-	3,180
Education	8,548	-	-	-	-	2,176	1,635
Total fund balances	<u>8,548</u>	<u>-</u>	<u>8,139</u>	<u>872</u>	<u>8,943</u>	<u>2,176</u>	<u>4,815</u>
Total liabilities and fund balances	<u>\$ 34,101</u>	<u>\$ 76,887</u>	<u>\$ 8,139</u>	<u>\$ 872</u>	<u>\$ 10,135</u>	<u>\$ 2,176</u>	<u>\$ 4,965</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Nonmajor Special Revenue Funds			
	School Analysis Study Fund	Historic Document Preservation Fund	Town Clerk Discretionary Fund	Total Special Revenue Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 23,754
Investments	-	-	-	-
Receivables:				
Intergovernmental	-	-	-	2,665
Due from other funds	-	-	-	110,856
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,275</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 6,494
Salaries and benefits payable	-	-	-	14,957
Due to other funds	-	-	-	1,342
Due to funding source	-	-	-	4,102
Unearned revenue	-	-	-	76,887
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,782</u>
FUND BALANCES				
Nonspendable:				
Permanent funds principal	-	-	-	-
Restricted:				
Culture and recreation	-	-	-	-
Education	-	-	-	-
Assigned:				
Public safety	-	-	-	8,943
Culture and recreation	-	-	-	12,191
Education	-	-	-	12,359
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,493</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,275</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (Continued)
JUNE 30, 2017

	Nonmajor Permanent Funds				Total Permanent Funds	Total Nonmajor Governmental Funds
	D'Elia Library Fund	Other Permanent Library Fund	Cemetery Trust Fund	Rose Khourie Scholarship Fund		
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ 63,202	\$ 10,426	\$ 73,628	\$ 97,382
Investments	104,015	5,184	-	-	109,199	109,199
Receivables:						
Intergovernmental	-	-	-	-	-	2,665
Due from other funds	-	-	-	-	-	110,856
Total assets	<u>\$ 104,015</u>	<u>\$ 5,184</u>	<u>\$ 63,202</u>	<u>\$ 10,426</u>	<u>\$ 182,827</u>	<u>\$ 320,102</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	-	\$ 6,494
Salaries and benefits payable	-	-	-	-	-	14,957
Due to other funds	-	-	3,905	-	3,905	5,247
Due to funding source	-	-	-	-	-	4,102
Unearned revenue	-	-	-	-	-	76,887
Total liabilities	<u>-</u>	<u>-</u>	<u>3,905</u>	<u>-</u>	<u>3,905</u>	<u>107,687</u>
FUND BALANCES						
Nonspendable:						
Permanent funds principal	100,000	5,000	58,812	10,000	173,812	173,812
Restricted:						
Culture and recreation	4,015	184	485	-	4,684	4,684
Education	-	-	-	426	426	426
Assigned:						
Public safety	-	-	-	-	-	8,943
Culture and recreation	-	-	-	-	-	12,191
Education	-	-	-	-	-	12,359
Total fund balances	<u>104,015</u>	<u>5,184</u>	<u>59,297</u>	<u>10,426</u>	<u>178,922</u>	<u>212,415</u>
Total liabilities and fund balances	<u>\$ 104,015</u>	<u>\$ 5,184</u>	<u>\$ 63,202</u>	<u>\$ 10,426</u>	<u>\$ 182,827</u>	<u>\$ 320,102</u>

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Special Revenue Funds						
	Elementary Education Grant Funds	Town Aid Road Fund	Library Activities Fund	Library Literacy Grant Fund	Dog Fund	Lori Fisher Memorial Fund	Auxilliary Fund
REVENUES							
Intergovernmental	\$ 172,286	\$ 76,887	\$ 14,720	\$ -	\$ -	\$ -	\$ -
Charges for services	37,756	-	3,844	-	1,401	-	-
Investment earnings	-	-	1	-	9	15	4
Miscellaneous	-	-	1,727	-	-	-	1,657
Total revenues	<u>210,042</u>	<u>76,887</u>	<u>20,292</u>	<u>-</u>	<u>1,410</u>	<u>15</u>	<u>1,661</u>
EXPENDITURES							
Current:							
Public works	-	76,774	-	-	-	-	-
Public safety	-	-	-	-	18	-	-
Culture and recreation	-	-	18,086	630	-	-	2,129
Education	208,117	-	-	-	-	-	150
Total expenditures	<u>208,117</u>	<u>76,774</u>	<u>18,086</u>	<u>630</u>	<u>18</u>	<u>-</u>	<u>2,279</u>
Excess (deficiency) of revenues over expenditures	1,925	113	2,206	(630)	1,392	15	(618)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	1,925	113	2,206	(630)	1,392	15	(618)
Fund balances - beginning	<u>6,623</u>	<u>(113)</u>	<u>5,933</u>	<u>1,502</u>	<u>7,551</u>	<u>2,161</u>	<u>5,433</u>
Fund balances - ending	<u>\$ 8,548</u>	<u>\$ -</u>	<u>\$ 8,139</u>	<u>\$ 872</u>	<u>\$ 8,943</u>	<u>\$ 2,176</u>	<u>\$ 4,815</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Special Revenue Funds			
	School Analysis Study Fund	Historic Document Preservation Fund	Town Clerk Discretionary Fund	Total Special Revenue Funds
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ 263,893
Charges for services	-	-	-	43,001
Investment earnings	-	-	-	29
Miscellaneous	2,250	-	-	5,634
Total revenues	<u>2,250</u>	<u>-</u>	<u>-</u>	<u>312,557</u>
EXPENDITURES				
Current:				
Public safety	-	-	-	76,774
Public works	-	-	-	18
Culture and recreation	-	-	-	20,845
Education	5,953	-	-	214,220
Total expenditures	<u>5,953</u>	<u>-</u>	<u>-</u>	<u>311,857</u>
Excess (deficiency) of revenues over expenditures	(3,703)	-	-	700
OTHER FINANCING SOURCES (USES)				
Transfers in	583	-	-	583
Transfers out	-	(758)	(1,317)	(2,075)
Total other financing sources (uses)	<u>583</u>	<u>(758)</u>	<u>(1,317)</u>	<u>(1,492)</u>
Net changes in fund balances	(3,120)	(758)	(1,317)	(792)
Fund balances - beginning	<u>3,120</u>	<u>758</u>	<u>1,317</u>	<u>34,285</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,493</u>

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

	Nonmajor Permanent Funds					Total Nonmajor Governmental Funds
	D'Elia Library Fund	Other Permanent Library Fund	Cemetery Trust Fund	Rose Khourie Scholarship Fund	Total Permanent Funds	
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 263,893
Charges for services	-	-	500	-	500	43,501
Investment earnings	3,347	167	485	116	4,115	4,144
Miscellaneous	-	-	-	-	-	5,634
Total revenues	<u>3,347</u>	<u>167</u>	<u>985</u>	<u>116</u>	<u>4,615</u>	<u>317,172</u>
EXPENDITURES						
Current:						
Public safety	-	-	-	-	-	76,774
Public works	-	-	-	-	-	18
Culture and recreation	1,121	59	-	-	1,180	22,025
Education	-	-	-	-	-	214,220
Total expenditures	<u>1,121</u>	<u>59</u>	<u>-</u>	<u>-</u>	<u>1,180</u>	<u>313,037</u>
Excess (deficiency) of revenues over expenditures	2,226	108	985	116	3,435	4,135
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	583
Transfers out	-	-	-	-	-	(2,075)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,492)</u>
Net changes in fund balances	2,226	108	985	116	3,435	2,643
Fund balances - beginning	<u>101,789</u>	<u>5,076</u>	<u>58,312</u>	<u>10,310</u>	<u>175,487</u>	<u>209,772</u>
Fund balances - ending	<u>\$ 104,015</u>	<u>\$ 5,184</u>	<u>\$ 59,297</u>	<u>\$ 10,426</u>	<u>\$ 178,922</u>	<u>\$ 212,415</u>

See accompanying Independent Auditor's Report.

FIDUCIARY FUNDS

TOWN OF SCOTLAND, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017

	Student Activites Fund	Senior Activities Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 10,551	\$ 995	\$ 11,546
Total assets	\$ 10,551	\$ 995	\$ 11,546
LIABILITIES			
Due to others	\$ 10,551	\$ 785	\$ 11,336
Due to other funds	-	210	210
Total liabilities	\$ 10,551	\$ 995	\$ 11,546

See accompanying Independent Auditor's Report.

TOWN OF SCOTLAND, CONNECTICUT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2017

	<u>Balance, July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2017</u>
Student Activity Fund				
Assets				
Cash and cash equivalents	\$ 10,743	\$ 28,027	\$ 28,219	\$ 10,551
Total assets	<u>\$ 10,743</u>	<u>\$ 28,027</u>	<u>\$ 28,219</u>	<u>\$ 10,551</u>
Liabilities				
Due to others	\$ 10,743	\$ 28,027	\$ 28,219	\$ 10,551
Total liabilities	<u>\$ 10,743</u>	<u>\$ 28,027</u>	<u>\$ 28,219</u>	<u>\$ 10,551</u>
Senior Activities Fund				
Assets				
Cash and cash equivalents	\$ 1,104	\$ 111	\$ 220	\$ 995
Total assets	<u>\$ 1,104</u>	<u>\$ 111</u>	<u>\$ 220</u>	<u>\$ 995</u>
Liabilities				
Due to others	\$ 1,004	\$ 1	\$ 220	\$ 785
Due to other funds	100	110	-	210
Total liabilities	<u>\$ 1,104</u>	<u>\$ 111</u>	<u>\$ 220</u>	<u>\$ 995</u>
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 11,847	\$ 28,138	\$ 28,439	\$ 11,546
Total assets	<u>\$ 11,847</u>	<u>\$ 28,138</u>	<u>\$ 28,439</u>	<u>\$ 11,546</u>
Liabilities				
Due to others	\$ 11,747	\$ 28,028	\$ 28,439	\$ 11,336
Due to other funds	100	110	-	210
Total liabilities	<u>\$ 11,847</u>	<u>\$ 28,138</u>	<u>\$ 28,439</u>	<u>\$ 11,546</u>

See accompanying Independent Auditor's Report.