

**TOWN OF KILLINGLY, CONNECTICUT**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2018**

**TOWN OF KILLINGLY, CONNECTICUT**  
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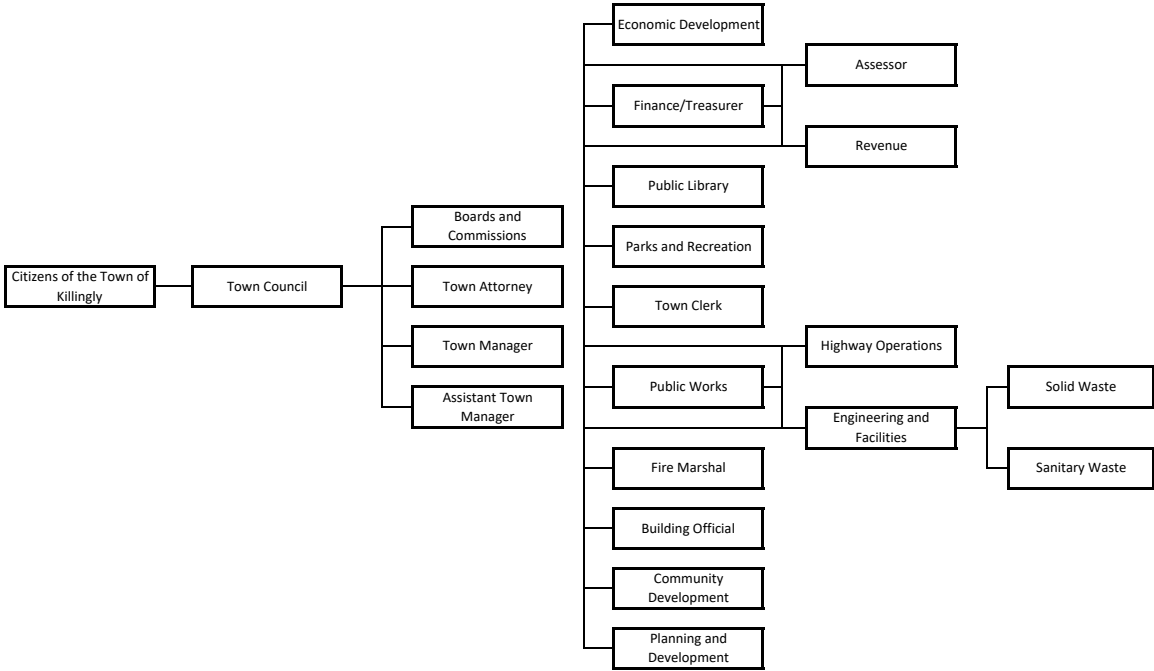
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## INTRODUCTORY SECTION

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**TOWN OF KILLINGLY, CONNECTICUT  
ORGANIZATIONAL CHART  
JUNE 30, 2018**



**TOWN OF KILLINGLY, CONNECTICUT**  
LIST OF PRINCIPAL TOWN OFFICIALS  
AS OF MAY 24, 2019

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**TOWN COUNCIL**

Jonathan Cesolini, Chairman  
Jason Anderson, Vice-Chairman  
David Griffiths  
Edward Grandelski  
Adam Griffiths  
Lynn LaBerge  
Tammy Wakefield  
Kevin Kerttula

John Burns, Board of Education Liaison

**TOWN DEPARTMENTS**

Mary Calorio, Town Manager  
Jennifer Hawkins, Director of Finance/Treasurer  
Paul Hopkins, Assessor  
Tracy Bragg, Building Official  
Mary Bromm, Community Development Administrator  
Elsie Bisset, Economic Development Director  
David Capacchione, P.E., Director of Engineering and Facilities  
Tracy Mason, Parks and Recreation Director  
Ann-Marie Aubrey, Director of Planning & Development  
Matthew Dube, Director of Highway Operations  
Patricia Monahan, Revenue Collector  
Steven Rioux, Superintendent of Schools  
Elizabeth Wilson, Town Clerk  
Randy Burchard, Fire Marshal  
Claudette Stockwell, Library Director

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**FINANCIAL SECTION**

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**INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council of the  
Town of Killingly, 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 Killingly, Connecticut (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 Killingly, Connecticut, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the Town adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinions are not modified with respect to this matter.

## **Correction of Errors in Previously Issued Financial Statements**

As discussed in Note 1 to the financial statements, the Town restated amounts previously reported in its financial statements as of and for the year ended June 30, 2017 for the correction of errors. Our opinions are not modified with respect to these matters.

## **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 information on pages 69 through 88 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 introductory section, combining and individual fund statements and schedules, and other information 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 on pages 89 through 116 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.

The introductory section on pages i through ii and other supplementary information on pages 117 through 125 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2019, 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.



Certified Public Accountants  
Glastonbury, Connecticut  
May 24, 2019

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**TOWN OF KILLINGLY, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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The management of the Town of Killingly, 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, 2018.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$121,751,273 (net position). Of this amount, \$17,736,453 (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 \$1,154,523 during the current fiscal year.
- The beginning net position of the Town was decreased by \$1,517,968 as a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*. This decrease represented the difference between the net other post-employment benefits obligation previously recognized in accordance with GASB Statement No. 45 and the net other post-employment benefits liability recognized in accordance with GASB Statement No. 75.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$23,224,711, an increase of \$259,740 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance for the General Fund was \$8,986,061 or 15.8% of total General Fund budgetary expenditures and other financing uses. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 1.9 months of General Fund budgetary expenditures.
- The Town's capital assets increased by \$2,027,551 during the current year, primarily due to additions of approximately \$8.1 million offset by depreciation and amortization of approximately \$6.0 million.
- The Town's total long-term bonded debt increased by \$522,958 or 1.69% during the current fiscal year due to reclassification of an interim financing obligation subsequently refinanced on a long-term, offset by current year scheduled principal repayments.

**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 supplemental information in addition to the basic financial statements themselves.

**TOWN OF KILLINGLY, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)***

**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.

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 works, recreation and leisure, public safety, community development and human services, 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows and inflows 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.

**TOWN OF KILLINGLY, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)***

**Fund Financial Statements *(Continued)***

***Governmental Funds (Continued)***

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, the Capital Improvements Fund, the Sewer Operating Fund, and the Capital Nonrecurring Fund, all 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.

***Proprietary Funds***

The Town maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses an internal service fund to account for certain of its risk management activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 21 through 23 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 pages 24 and 25 of this report.

**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 fund financial statements. The notes to the financial statements can be found on pages 26 through 68 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information, combining and individual fund statements and schedules and other information that can be found on pages 69 through 125 of this report.

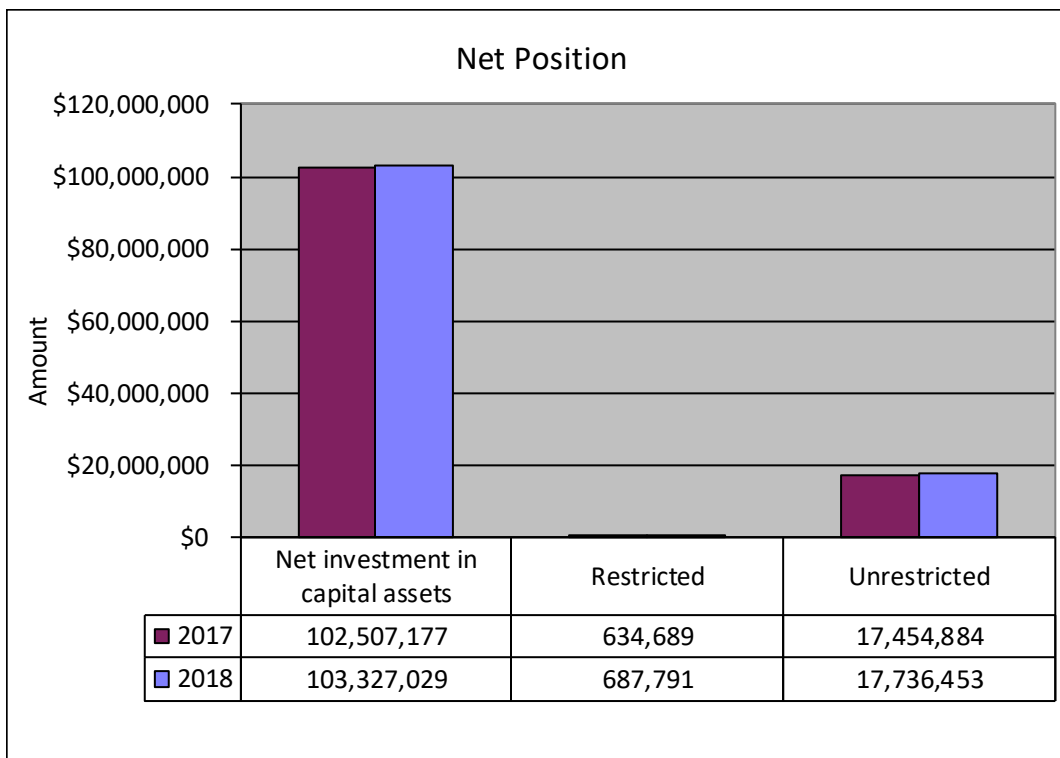
**TOWN OF KILLINGLY, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Over time, net position may serve as one measure of a government's financial position. Total net position of the Town totaled \$121,751,273 as of June 30, 2018 and \$120,596,750 as of June 30, 2017, as adjusted for the implementation of GASB Statement No. 75 and is summarized as follows.

	2018	2017 (As Adjusted)
Current and other assets	\$ 32,782,930	\$ 31,580,049
Capital assets	137,354,502	135,326,951
Total assets	<u>170,137,432</u>	<u>166,907,000</u>
Deferred outflows of resources	<u>1,464,850</u>	<u>1,249,022</u>
Other liabilities	6,153,051	5,972,763
Long-term liabilities	<u>42,995,354</u>	<u>41,333,256</u>
Total liabilities	<u>49,148,405</u>	<u>47,306,019</u>
Deferred inflows of resources	<u>702,604</u>	<u>253,253</u>
Net position:		
Net investment in capital assets	103,327,029	102,507,177
Restricted	687,791	634,689
Unrestricted	<u>17,736,453</u>	<u>17,454,884</u>
Total net position	<u>\$ 121,751,273</u>	<u>\$ 120,596,750</u>





**TOWN OF KILLINGLY, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***

**Net Position *(Continued)***

84.9% of the Town's net position reflects 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.

A small portion of the Town's net position reflects resources that are subject to external restrictions on how they may be used.

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 \$1,154,523 in comparison to the prior year.

**Changes in Net Position**

Changes in net position for the years ended June 30, 2018 and 2017 are as follows. Reclassifications have been made to the amounts reported for year ended June 30, 2017 to confirm with current year presentation. The amounts reported for the year ended June 30, 2017 have not been adjusted for the implementation of GASB Statement No. 75, since the effects of the adjustment on the statement of changes in net position are not readily determinable.

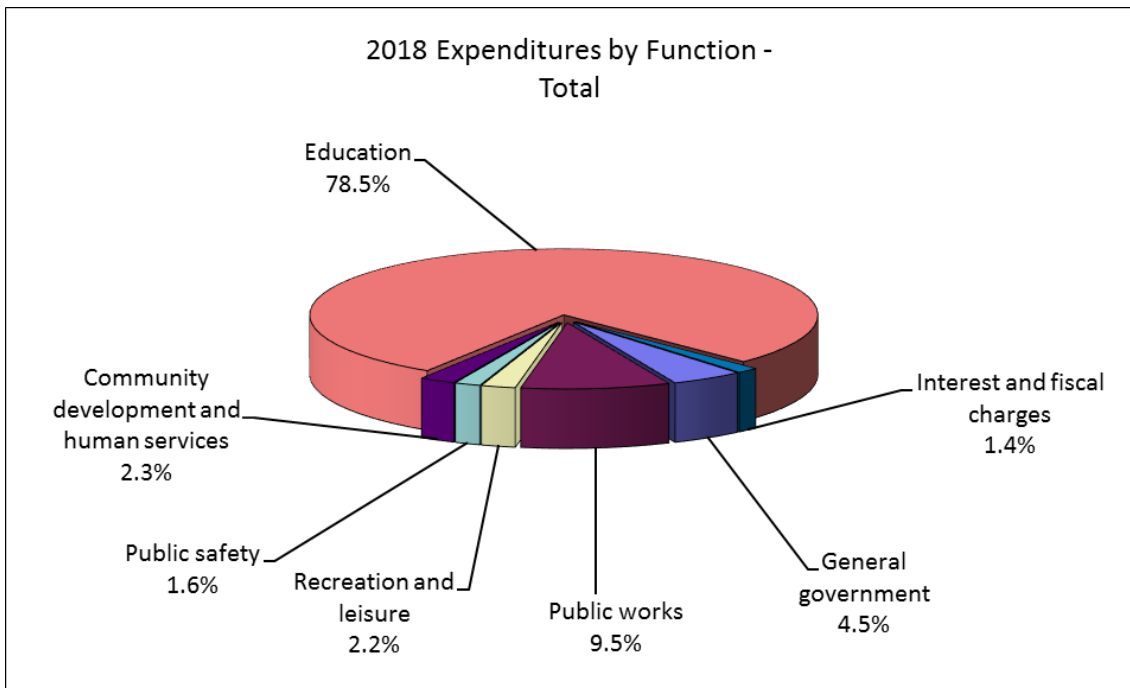
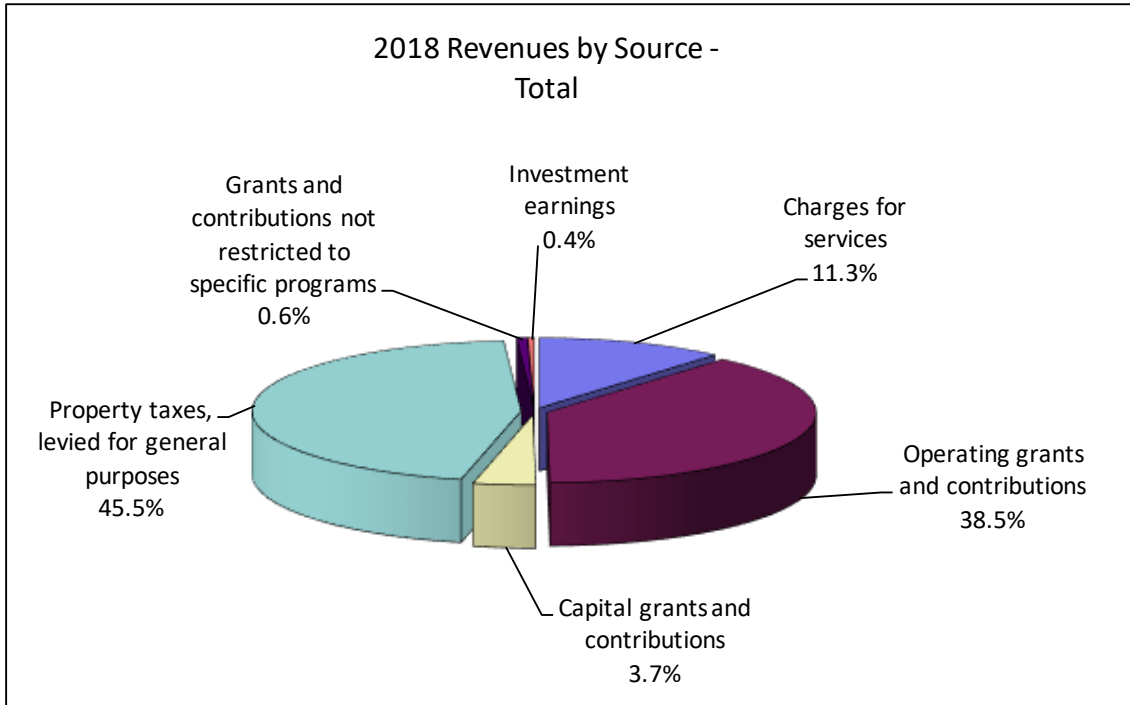
	<b>2018</b>	<b>2017</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 8,659,332	\$ 8,289,382
Operating grants and contributions	29,383,271	31,999,223
Capital grants and contributions	2,853,903	2,289,374
General revenues:		
Property taxes, levied for general purposes	34,655,792	34,101,036
Grants and contributions not restricted to specific programs	488,538	1,176,400
Investment earnings	295,537	251,984
Total revenues	76,336,373	78,107,399
<b>Expenses</b>		
General government	3,439,137	3,435,590
Public works	7,108,844	6,629,876
Recreation and leisure	1,634,809	1,708,509
Public safety	1,234,382	1,299,687
Community development and human services	1,717,757	3,646,612
Education	59,009,409	57,503,023
Interest and fiscal charges	1,037,512	1,076,691
Total expenses	75,181,850	75,299,988
Change in net position	\$ 1,154,523	\$ 2,807,411

**TOWN OF KILLINGLY, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Change in Net Position (Continued)**



**TOWN OF KILLINGLY, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)***

**Change in Net Position *(Continued)***

Governmental activities increased the Town's net position by \$1,154,523.

Revenues decreased by 2.3% or \$1,771,026 and expenses decreased by \$118,138 or 0.2% over the amounts reported in the prior year. Increases in capital grants and contributions relating to the purchase of inter-town capital equipment, school construction grant reimbursements for school roof improvements, and clean water grants relating to improvements for the Town's sewer system were offset by reductions in operating grants and contributions relating to reductions in State aid and economic and community development grants relating to remediation of a Brownfield site. Education expenses increased due to operating increases in addition to the current year recognition of on-behalf expenses associated with other post-employment benefits provided by the State, which was offset by a decrease in community development and human services expenses relating to prior year costs incurred in connection with the remediation of a Brownfield site.

**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 outflows, inflows, 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 \$23,224,711, an increase of \$259,740 in comparison with the prior year.

**General Fund**

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,986,061. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 15.8% of total General Fund budgetary expenditures and other financing uses. Expressed another way, unassigned fund balance for the budgeted General Fund was sufficient to cover approximately 1.9 months of General Fund budgetary expenditures.

The fund balance of the Town's General Fund increased by \$329,137 during the current fiscal year, which was primarily due to increases in property tax collections due to a planned increase in the Town's mill rate over the prior year. Expenditures increased primarily due to an increase in contractual costs to fund education.

**TOWN OF KILLINGLY, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS *(Continued)***

**Governmental Funds *(Continued)***

***Capital Improvements Fund***

The fund balance of the Capital Improvements Fund decreased by \$552,874 during the current fiscal year. This change was due to an increase in planned project expenditures for which permanent financing has not yet been obtained, offset by the recognition of proceeds from an interim funding obligation utilized to fund improvement to the Town's sewer system.

***Sewer Operating Fund***

The fund balance of the Sewer Operating Fund increased by \$19,794 during the current fiscal year.

***Capital Nonrecurring Fund***

The fund balance of the Capital Nonrecurring Fund decreased by \$146,400 during the current fiscal year. This decrease was due primarily to the purchase of five new passenger buses for the Town's bus fleet. The increase in expenditures was offset by transfers in from the General Fund.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's original budget planned for the utilization of fund balance in the amount of \$800,000. The Town's final budget included additional appropriations in the amount of \$432,601 to fund the transfer of unexpended fiscal year 2017 Board of Education funds into the Unexpended Education Fund and to fund the payment of benefits. The Town's final budget reflected an increase of \$5,657,571 in the Education appropriation due to a change in how the State disbursed education cost sharing funds.

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$352,211. Expenditures were \$2,005,419 less than budgeted and revenues were \$400,891 less than expected.

**SEWER OPERATING FUND BUDGETARY HIGHLIGHTS**

The Town adopts an annual budget for its Sewer Operating Fund. During the year ended June 30, 2018 there were no additional appropriations made to the budget. The budget for 2018 planned for the use of fund balance in the amount of \$75. The actual net change in fund balance of the Sewer Operating Fund on a budgetary basis was an increase of \$19,794. Expenditures were \$180,459 less than budgeted and total budgetary revenues were \$435,513 less than expected due primarily due to decreases in miscellaneous revenues from sewer waste hauling.

**TOWN OF KILLINGLY, CONNECTICUT**  
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

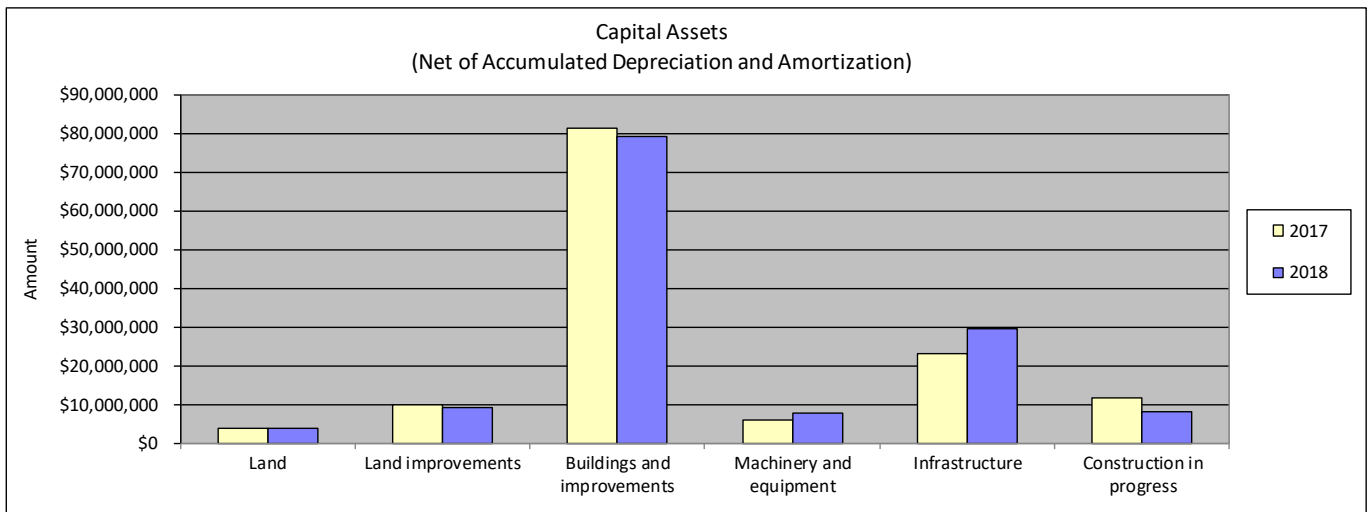
**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2018 and 2017 totaled \$137,354,502 and \$135,326,951 respectively (net of accumulated depreciation and amortization). This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment, infrastructure and construction in progress. The total increase in the Town's investment in capital assets for the current fiscal year was \$2,027,551 or 1.5%. This increase consisted of capital asset additions of approximately \$8.1 million offset by current year depreciation and amortization expense of approximately \$6.0 million. Major capital asset events during the current fiscal year included the purchase of apple computers through a capital lease and various infrastructure improvements.

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

	2018	2017
Land	\$ 3,674,024	\$ 3,674,024
Land improvements	9,314,775	9,858,586
Buildings and improvements	79,157,597	81,149,489
Machinery and equipment	7,912,591	5,915,404
Infrastructure	29,352,636	23,044,219
Construction in progress	7,942,879	11,685,229
<b>Totals</b>	<b>\$ 137,354,502</b>	<b>\$ 135,326,951</b>



Additional information on the Town's capital assets can be found in Note 4 of this report.

**TOWN OF KILLINGLY, CONNECTICUT**  
 MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**CAPITAL ASSET AND DEBT ADMINISTRATION *(Continued)***

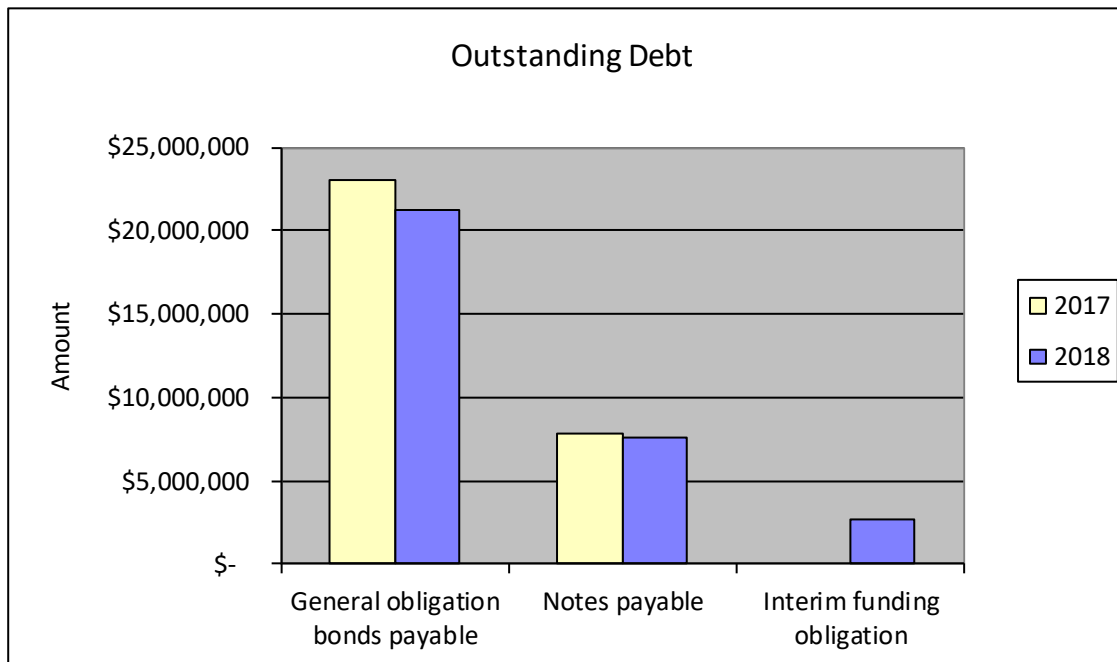
**Long-term Debt**

At the end of the current fiscal year, the Town had total long-term bonded debt, notes and interim funding obligation payables in the amount of \$31,398,268. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total long-term bonded debt increased by \$522,958 or 1.7% during the current fiscal year due to the classification of an interim financing obligation subsequently refinanced on a long-term basis, offset by current year scheduled principal repayments.

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 significantly in excess of the Town's outstanding general obligation debt.

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

	<b>2018</b>	<b>2017</b>
General obligation bonds payable	\$ 21,230,000	\$ 23,105,000
Notes payable	7,539,247	7,770,310
Interim funding obligation	2,629,021	-
Totals	<u>\$ 31,398,268</u>	<u>\$ 30,875,310</u>



Additional information on the Town's long-term debt can be found in Note 8 of this report.

**TOWN OF KILLINGLY, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

- 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 2019, 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.
  - Intergovernmental 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 Planning and Development Department, the Town Clerk and the amount of conveyance taxes and interest income.
  - The Town has designated \$600,000 of fund balance for use in the 2019 budget.

All of these factors were considered in preparing the Town's budget for fiscal year 2019.

**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 Director of Finance, Town of Killingly, 172 Main Street, Killingly, Connecticut 06239.

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**BASIC FINANCIAL STATEMENTS**

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**TOWN OF KILLINGLY, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 23,373,767
Investments	4,949,078
Receivables:	
Property taxes, net	1,163,364
Assessments and user charges, net	694,763
Interest on property taxes, assessments and user charges, net	464,548
Grants and contracts	835,662
Other	496,904
Other assets	171,531
Net pension asset	513,665
Restricted assets:	
Permanently restricted cash and cash equivalents	26,668
Permanently restricted investments	92,980
Capital assets:	
Non-depreciable	11,616,903
Depreciable, net	125,737,599
Total assets	170,137,432
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	959,745
Deferred charge on pension expense	105,779
Deferred charge on OPEB expense	399,326
Total deferred outflows of resources	1,464,850
<b>LIABILITIES</b>	
Accounts payable	2,433,890
Accrued liabilities:	
Accrued interest	100,003
Other	147,439
Interim funding obligation	1,209,959
Unearned revenue	1,547,407
Claims payable	714,353
Noncurrent liabilities:	
Due within one year	5,557,368
Due in more than one year	37,437,986
Total liabilities	49,148,405
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred charge on pension expense	314,492
Deferred charge on OPEB expense	388,112
Total deferred inflows of resources	702,604
<b>NET POSITION</b>	
Net investment in capital assets	103,327,029
Restricted for:	
Endowments:	
Expendable	455,622
Nonexpendable	119,648
Grant programs	52,648
Rehabilitation loan program	59,873
Unrestricted	17,736,453
Total net position	\$ 121,751,273

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets - Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 3,439,137	\$ 1,197,134	\$ 32,292	\$ 6,153	\$ (2,203,558)
Public works	7,108,844	4,022,925	742,795	1,065,196	(1,277,928)
Recreation and leisure	1,634,809	15,297	70,745	-	(1,548,767)
Public safety	1,234,382	-	44,924	-	(1,189,458)
Community development and human services	1,717,757	158,362	985,105	-	(574,290)
Education	59,009,409	3,265,614	27,507,410	1,782,554	(26,453,831)
Interest and fiscal charges	1,037,512	-	-	-	(1,037,512)
Total governmental activities	<u>\$ 75,181,850</u>	<u>\$ 8,659,332</u>	<u>\$ 29,383,271</u>	<u>\$ 2,853,903</u>	<u>(34,285,344)</u>
General revenues:					
					34,655,792
					488,538
					295,537
					<u>35,439,867</u>
					1,154,523
					123,351,561
					(1,517,968)
					<u>(1,236,843)</u>
					<u>120,596,750</u>
					<u>\$ 121,751,273</u>

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

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

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Sewer Operating Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 19,961,194	\$ -	\$ 390,826	\$ -	\$ 3,042,767	\$ 23,394,787
Investments	3,251,185	-	1,294,804	-	496,069	5,042,058
Receivables:						
Property taxes, net	1,627,912	-	-	-	-	1,627,912
Assessments and user charges, net	-	-	694,763	-	-	694,763
Grants and contracts	113,901	216,956	-	-	504,805	835,662
Other	438,379	-	17,738	-	40,787	496,904
Due from other funds	1,480,564	-	1,189,314	4,720,946	1,414,849	8,805,673
Inventories	-	-	-	-	33,522	33,522
Other assets	138,009	-	-	-	-	138,009
Total assets	<u>\$ 27,011,144</u>	<u>\$ 216,956</u>	<u>\$ 3,587,445</u>	<u>\$ 4,720,946</u>	<u>\$ 5,532,799</u>	<u>\$ 41,069,290</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,658,741	\$ 361,485	\$ 18,961	\$ 1,183	\$ 393,520	\$ 2,433,890
Accrued liabilities	97,792	-	-	-	-	97,792
Interim funding obligation	-	1,209,959	-	-	-	1,209,959
Due to other funds	9,248,729	631,861	-	-	869,298	10,749,888
Unearned revenue	8,998	1,041,132	-	-	497,277	1,547,407
Total liabilities	<u>11,014,260</u>	<u>3,244,437</u>	<u>18,961</u>	<u>1,183</u>	<u>1,760,095</u>	<u>16,038,936</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	1,519,949	-	-	-	-	1,519,949
Unavailable revenue - sewer assessments	-	-	285,694	-	-	285,694
Total deferred inflows of resources	<u>1,519,949</u>	<u>-</u>	<u>285,694</u>	<u>-</u>	<u>-</u>	<u>1,805,643</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	153,170	153,170
Restricted	-	258,525	-	-	568,143	826,668
Committed	569,745	-	3,282,790	4,719,763	3,051,391	11,623,689
Assigned	4,921,129	-	-	-	-	4,921,129
Unassigned	8,986,061	(3,286,006)	-	-	-	5,700,055
Total fund balances	<u>14,476,935</u>	<u>(3,027,481)</u>	<u>3,282,790</u>	<u>4,719,763</u>	<u>3,772,704</u>	<u>23,224,711</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 27,011,144</u>	<u>\$ 216,956</u>	<u>\$ 3,587,445</u>	<u>\$ 4,720,946</u>	<u>\$ 5,532,799</u>	<u>\$ 41,069,290</u>

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

**TOWN OF KILLINGLY, CONNECTICUT**  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018

Total fund balances for governmental funds		\$ 23,224,711
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:		
Construction in progress	\$ 7,942,879	
Land	3,674,024	
Land improvements	15,827,601	
Buildings and improvements	119,936,184	
Machinery and equipment	21,192,779	
Infrastructure	77,853,378	
Less: accumulated depreciation and amortization	<u>(109,072,343)</u>	
Total capital assets, net		137,354,502
Some of the Town's revenues 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.		
Property taxes	1,519,949	
Sewer use and assessments	<u>285,694</u>	
		1,805,643
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	(28,769,247)	
Interim funding obligation	(2,629,021)	
Unamortized premium	(1,154,542)	
Obligations under capital lease	(1,482,974)	
Loan payable	(755,135)	
Accrued interest payable	(100,003)	
Deferred charge on refunding	959,745	
Other long-term liabilities:		
Compensated absences	(1,077,078)	
Landfill post-closure care costs	(280,000)	
Net OPEB liability	<u>(6,847,357)</u>	
Total long-term liabilities		(42,135,612)
Deferred outflows and inflows of resources resulting from changes in the components of the net pension asset and net OPEB liability are amortized as a component of pension and OPEB expense in the statement of net position.		
		(197,499)
Net pension assets are not recognized in the governmental funds. The net pension asset results from the difference between a pension plan's fiduciary net position and the portion of the present value of projected benefit payments to be provided through the pension plan.		
		513,665
An internal service fund is used by the Town to charge the cost of risk management activities to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		
		<u>1,185,863</u>
Net position of governmental activities		<u>\$ 121,751,273</u>

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

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

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Sewer Operating Fund</u>	<u>Capital Nonrecurring Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Property taxes	\$ 34,865,842	\$ -	\$ -	\$ -	\$ -	\$ 34,865,842
Intergovernmental	22,266,574	2,151,764	-	-	4,590,574	29,008,912
Licenses, permits and fees	419,045	-	-	-	-	419,045
Charges for services	3,320,761	-	4,053,793	-	1,397,561	8,772,115
Investment income	282,800	-	526	-	12,211	295,537
Other	496,810	10,200	12	-	66,244	573,266
Total revenues	<u>61,651,832</u>	<u>2,161,964</u>	<u>4,054,331</u>	<u>-</u>	<u>6,066,590</u>	<u>73,934,717</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,905,129	-	-	-	383,213	2,288,342
Public works	2,610,032	-	2,701,538	-	-	5,311,570
Recreation and leisure	1,305,591	-	-	-	58,263	1,363,854
Public safety	1,143,721	-	-	-	44,189	1,187,910
Community development and human services	627,020	-	-	-	972,542	1,599,562
Education	46,659,350	-	-	-	4,521,857	51,181,207
Other	2,268,194	-	-	-	-	2,268,194
Debt service:						
Principal payments	2,600,888	-	-	-	-	2,600,888
Interest and fiscal charges	1,083,087	-	-	-	-	1,083,087
Capital outlays	1,601,211	5,633,447	-	1,018,831	223,775	8,477,264
Total expenditures	<u>61,804,223</u>	<u>5,633,447</u>	<u>2,701,538</u>	<u>1,018,831</u>	<u>6,203,839</u>	<u>77,361,878</u>
Excess (deficiency) of revenues over expenditures	(152,391)	(3,471,483)	1,352,793	(1,018,831)	(137,249)	(3,427,161)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from interim funding obligation	-	2,629,021	-	-	-	2,629,021
Capital lease financing	1,057,880	-	-	-	-	1,057,880
Transfers in	913,151	289,588	-	872,431	754,378	2,829,548
Transfers out	(1,489,503)	-	(1,332,999)	-	(7,046)	(2,829,548)
Total other financing sources (uses)	<u>481,528</u>	<u>2,918,609</u>	<u>(1,332,999)</u>	<u>872,431</u>	<u>747,332</u>	<u>3,686,901</u>
Net changes in fund balances	329,137	(552,874)	19,794	(146,400)	610,083	259,740
Fund balances - beginning	<u>14,147,798</u>	<u>(2,474,607)</u>	<u>3,262,996</u>	<u>4,866,163</u>	<u>3,162,621</u>	<u>22,964,971</u>
Fund balances - ending	<u>\$ 14,476,935</u>	<u>\$ (3,027,481)</u>	<u>\$ 3,282,790</u>	<u>\$ 4,719,763</u>	<u>\$ 3,772,704</u>	<u>\$ 23,224,711</u>

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

**TOWN OF KILLINGLY, CONNECTICUT**  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances for governmental funds \$ 259,740

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 and amortization expense. The amount by which capital outlays exceeded depreciation and amortization in the current period is as follows:

Expenditures for capital assets	\$ 8,082,063	
Depreciation and amortization expense	<u>(6,034,204)</u>	
Net adjustment		2,047,859

In the statement of activities only the gain (loss) on the disposal or sale of capital assets is reported whereas only the proceeds from a sale increase financial resources in the governmental funds. (20,308)

Interest on property taxes receivable, sewer use and sewer assessments are not susceptible to accrual and therefore are only reported as revenue in the funds when the cash is received by the Town. The change in interest receivable during the year increased revenues recognized in the funds. (509,187)

Deferred outflows and inflows of resources resulting from changes in the net pension asset and net OPEB liability are amortized as a component of pension and OPEB expense in the statement of activities. (163,208)

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

Debt issued or incurred:		
Capital lease financing	(1,057,880)	
Interim funding obligation	(2,629,021)	
Principal repayments:		
Bonds and notes payable	2,106,063	
Capital lease obligations	392,101	
Loan payable	<u>102,724</u>	
		(1,086,013)

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. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. The net effect of such items is as follows:

Compensated absences	(29,791)	
Accrued interest	18,795	
Net OPEB liability	(663,389)	
Net pension asset	250,398	
Amortization of bond premiums	97,095	
Amortization of deferred amount on refunding	(70,315)	
Landfill post-closure care costs	<u>20,000</u>	

(377,207)  
(Continued)

**TOWN OF KILLINGLY, CONNECTICUT**  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES *(Concluded)*  
FOR THE YEAR ENDED JUNE 30, 2018

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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 revenues.	\$ 247,113
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal services fund is reported with governmental activities.	<u>755,734</u>
Change in net position of governmental activities	<u>\$ 1,154,523</u> <i>(Concluded)</i>

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

**TOWN OF KILLINGLY, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2018**

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	<b>Governmental Activities</b>
	<b>Internal Service Fund- Health Insurance Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 5,648
Due from other funds	1,894,568
Total assets	1,900,216
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	714,353
Total liabilities	714,353
<b>NET POSITION</b>	
Unrestricted	1,185,863
Total net position	\$ 1,185,863

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



**TOWN OF KILLINGLY, CONNECTICUT**  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2018

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	<b>Governmental Activities</b>
	<b>Internal Service Fund- Health Insurance Fund</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 8,688,037
Total operating revenues	8,688,037
<b>OPERATING EXPENSES</b>	
Claims incurred	6,599,717
Administrative and other	1,334,147
Total operating expenses	7,933,864
Operating income	754,173
<b>NONOPERATING REVENUES</b>	
Interest income	1,561
Total nonoperating revenue	1,561
Change in net position	755,734
Net position - beginning, as originally reported	809,113
Adjustment ( <i>see Note 1</i> )	(378,984)
Net position - beginning, as adjusted	430,129
Net position - ending	\$ 1,185,863

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

**TOWN OF KILLINGLY, CONNECTICUT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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	<b>Governmental            Activities</b> <hr/> <b>Internal            Service Fund-            Health            Insurance Fund</b> <hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from charges for services	\$ 8,206,423
Payments for claims incurred	(6,886,052)
Payments for administrative costs	(1,334,147)
Net cash used in operating activities	<u>(13,776)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	1,561
Net cash provided by investing activities	<u>1,561</u>
Net change in cash and cash equivalents	(12,215)
Cash and cash equivalents - beginning	17,863
Cash and cash equivalents - ending	<u>\$ 5,648</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES</b>	
Operating income	\$ 754,173
Adjustments to reconcile operating income to net cash used in operating activities:	
(Increase) decrease in assets:	
Accounts receivable	557
Due from other funds	(482,171)
Increase (decrease) in liabilities:	
Claims payable	(286,335)
Net cash used in operating activities	<u>\$ (13,776)</u>

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

**TOWN OF KILLINGLY, CONNECTICUT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2018**

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 497	\$ 98,446	\$ 501,398
Investments:				
Insurance contract	6,375,616	-	-	-
Certificates of deposit	-	-	8,671	20,825
Mutual funds	-	705,180	128,825	-
Corporate bonds	-	-	179,803	-
Equity securities	-	-	313,408	-
Due from other funds	-	-	41,870	7,777
Total assets	<u>6,375,616</u>	<u>705,677</u>	<u>771,023</u>	<u>\$ 530,000</u>
<b>LIABILITIES</b>				
Due to student groups	-	-	-	\$ 268,303
Due to others	-	-	-	261,697
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 530,000</u>
<b>NET POSITION</b>				
Held in trust for pension benefits and other purposes	<u>\$ 6,375,616</u>	<u>\$ 705,677</u>	<u>\$ 771,023</u>	

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

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

	<b>Pension Trust Fund</b>	<b>OPEB Trust Fund</b>	<b>Private Purpose Trust Funds</b>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 142,943	\$ 10,000	\$ -
Plan members	115,945	-	-
Other	-	54,284	28,000
Total contributions	<u>258,888</u>	<u>64,284</u>	<u>28,000</u>
Investment earnings:			
Interest and dividends	116,317	28,376	-
Net change in the fair value of investments, net	339,922	28,546	26,732
Total investment earnings	<u>456,239</u>	<u>56,922</u>	<u>26,732</u>
Less: investment expense	-	(4,575)	-
Net investment income	<u>456,239</u>	<u>52,347</u>	<u>26,732</u>
Total additions	<u>715,127</u>	<u>116,631</u>	<u>54,732</u>
<b>DEDUCTIONS</b>			
Benefit payments	381,162	41,803	-
Administrative expenses	58,596	1,500	-
Awards	-	-	17,409
Other	-	12,481	-
Total deductions	<u>439,758</u>	<u>55,784</u>	<u>17,409</u>
Change in net position	275,369	60,847	37,323
Net position - beginning	<u>6,100,247</u>	<u>644,830</u>	<u>733,700</u>
Net position - ending	<u>\$ 6,375,616</u>	<u>\$ 705,677</u>	<u>\$ 771,023</u>

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

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Killingly, 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 Killingly, Connecticut was incorporated in 1708 and covers an area of 50 square miles. The Town operates under a Council - Manager form of government as prescribed by its charter, which was adopted November 4, 1969 and most recently revised November 30, 2009. The Town provides the following services as authorized by its charter: general government, public works, recreation and leisure, public safety, community development, human services and education.

The legislative power of the Town is vested with the Town Council. The Town Council may enact, amend or repeal ordinances and resolutions. The Fiscal Subcommittee 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.

**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 non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activities.

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, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

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

**Fund Financial Statements *(Continued)***

The Town reports the following major governmental funds:

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

**Capital Improvements Fund** - This fund is used to account for the revenues and expenditures related to major capital asset construction and/or purchase.

**Sewer Operating Fund** - This fund is used to account for the revenues and expenditures related to the sanitary sewer and water improvements deemed to benefit property owners.

**Capital Nonrecurring Fund** - This fund is used to account for the financial revenues to be used for major capital asset construction and/or purchases funded substantially by grants and General Fund appropriations.

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

**Internal Service Fund *(Proprietary)*** - This fund type is used to account for activities that provide goods or services to other funds, departments, or agencies of the Town on a cost-reimbursement basis. The Town utilizes an internal service fund to account for risk management activities.

**Pension Trust Fund** - This fund type is used to account for resources held in trust for the members and beneficiaries of the Public Employees Retirement System, which accumulates resources for pension benefit payments to qualified employees.

**OPEB Trust Fund** - This fund type is used to account for resources held in trust, which accumulates resources for benefit payments related to healthcare insurance benefits to qualified employees and their spouses.

**Private Purpose Trust Funds** - This fund type is used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Town utilizes private purpose trust funds to account for activities of various scholarship endowments.

**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 activities funds, the Veteran's Coffeehouse Fund and the performance bonds fund. The student activities funds accounts for monies generated by student activities in the Town's school system. The Veterans Coffee House fund accounts for donations received and program expenditures relating to the Danielson Veterans Coffeehouse. The performance bonds fund accounts for monies received to ensure that driveways and lawns are installed to correct specifications for new home construction.

**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.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Measurement Focus and Basis of Accounting *(Continued)***

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 Town 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. 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 received or 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.

The proprietary, pension and private purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Internal Service Fund is charges to customers for insurance coverage. Operating expenses of the Internal Service Fund include costs of insurance claims and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Implementation of Accounting Standards**

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 81, *Irrevocable Split-Interest Agreements*, GASB Statement No. 85, *Omnibus 2017*, and GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The adoption of these statements did not have a material effect on the Town's financial statements.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

**Implementation of Accounting Standards *(Continued)***

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expenses/expenditures for post-employment benefits other than pensions. This standard identified the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. In addition, this statement provided for certain required supplementary information and note disclosures about postemployment benefits other than pensions.

The Town has reported the following cumulative effect of applying GASB Statement No. 75 as an adjustment of beginning net position as of July 1, 2017. The adjustment does not include deferred outflows of resources or deferred inflows of resources related to OPEB.

	<b>Governmental Activities</b>
Adjustment to remove net other post-employment benefit obligation recognized under GASB Statement No. 45	\$ 4,666,000
Adjustment to record net other post-employment liability recognized under GASB Statement No. 75	(6,183,968)
	\$ (1,517,968)

**Adjustments to Amounts Reported in Previously Issued Financial Statements**

In addition to the adjustment to implement GASB Statement No. 75, the Town has further adjusted the beginning net position of its governmental activities and Internal Service Fund as of July 1, 2017 for the correction of errors. The effects of the adjustments on the Town's changes in net position for the prior year has not been determined. The following is a summary of the adjustments to the beginning net position of the Town's governmental activities and Internal Service Fund as of July 1, 2017:

	<b>Governmental Activities</b>	<b>Internal Service Fund</b>
Net Position - beginning, as originally reported	\$ 123,351,561	\$ 809,113
Cumulative effect of implementing new accounting standard	(1,517,968)	-
Adjustment to recognize claims expense in the proper period	(378,984)	(378,984)
Adjustment to record loan payable	(857,859)	-
	(2,754,811)	(378,984)
Net Position - beginning, as adjusted	\$ 120,596,750	\$ 430,129



**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

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

**Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**Investments**

Investments are measured by the Town at fair value (generally based on quoted market prices), except for investments in participating interest-earning investment contracts, certain external investment pools and insurance contracts as described below.

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 and the Short-Term Investment Fund (STIF), which is managed by the State of Connecticut Treasurer's Office. 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.

Investments in insurance contracts consist of guaranteed interest contracts. Investments in these types of contracts are measured by the Town at contract value.

**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.

The Town has received endowments for the improvement and betterment of Killingly Public Schools, park and recreation activities, and for the purpose of library books. The amounts are reflected as restricted for endowments and perpetual care. Investment income from the endowments is transferred annually to special revenue funds where disbursements are approved by the Town Council.

**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.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

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

**Property Taxes, Assessments and Usage Charges**

All trade, property tax, interest and sewer use and sewer assessment receivables are shown net of an allowance for uncollectible accounts. Based on historical collection experience and other factors, the Town has established allowances in the amounts of \$87,000, \$24,000, and \$8,000 for property tax, interest, and sewer use charges, respectively, as of June 30, 2018.

Property taxes are assessed as of October 1. Taxes are billed in the following July and are due in two installments, January 1 and July 1. Personal property if over \$100 is billed in July and due in four installments, July 1, October 1, January 1 and April 1. Motor vehicle taxes are billed in July and are due in one installment, July 1. A supplemental motor vehicle tax is billed in one installment on January 1. Taxes not paid within 30 days of the due date are subject to an interest charge of 1.5%. 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.

Upon completion of projects, sewer assessments are levied and assessed to the users each June. Usage charges are billed semi-annually in July and January for flat rate fees and metered fees. Assessments and user charges are due and payable within thirty days and delinquent amounts are subject to interest at prevailing rates. Liens are filed on all properties until the assessment is paid in full.

**Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$100,000 for infrastructure and more than \$5,000 for equipment and improvements, and an estimated useful life in excess of one year. 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	20-100
Land improvements	10-50
Infrastructure:	
Roads	50-100
Sidewalks	25-50
Sewer lines	50-100
Water lines	50-100
Machinery and equipment	3-25

Capital assets acquired under a capital lease are amortized over the life of the lease term.

**Unearned Revenue**

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

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

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

**Deferred Outflows and 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 outflows of resources consists of deferred charges on refunding and deferred charges on pension and OPEB expenses reported in the government-wide statement of net position. Deferred charges on refundings resulted from differences in the carrying value of previously refunded debt and the reacquisition price of the debt and are being amortized to interest expense using the effective-interest method over the life of the related bonds. Deferred charges on pension and OPEB expenses resulted from changes in the components of the Town's net pension asset and total OPEB liability and are being amortized as a component of pension and OPEB expense on a systematic and rational basis.

Deferred inflows of resources consist of revenues that are reported as being unavailable in the governmental funds balance sheet and deferred charges on pension and OPEB expenses reported in the government-wide statement of net position. Unavailable revenues are recognized as an inflow of resources in the period that the amounts become available. Deferred charges on pension and OPEB expenses are amortized as a component of pension and OPEB expense on a systematic and rational basis.

**Compensated Absences**

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

All Town employees are granted vacation and/or sick time based upon contractual provisions. At year end, unused vacation and sick time may be carried forward to subsequent years. In the event of termination, employees are reimbursed for all accumulated vacation days and a percentage of accumulated sick days up to the maximum limits allowed by their applicable contract.

All full time Board of Education employees (except teachers who are granted sick time only) are granted vacation and sick time based upon contractual provisions and may be carried over to subsequent years. In the event of termination employees are reimbursed for accumulated vacation and sick time as allowed by the applicable contract.

**Long-term Obligations**

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

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

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

**Long-term Obligations *(Continued)***

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

**Net Position and Fund Balance**

The government-wide statement of net position presents the Town's assets, liabilities, and deferred outflows and inflows of resources, with net position as the residual of these other elements. 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 consist of amounts 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.

***Committed*** - Amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the Town Council (the highest level 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.

***Assigned*** - Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. Amounts may be constrained to be used for a specific purpose by a governing board or body or official that has been delegated authority to assign amounts by Connecticut General Statutes and include the Fiscal Subcommittee and the Town Manager.

***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.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

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

**Net Position and Fund Balance *(Continued)***

***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 and proprietary 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 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 accordance with the applicable accounting guidance, when committed, assigned and unassigned resources are available for use, it is assumed that the Town will use committed resources first, then assigned resources and then unassigned resources as they are needed.

**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".

**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.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***

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

**Interfund Activities *(Continued)***

**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 2 - CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

A reconciliation of the Town's cash deposits as of June 30, 2018 is as follows:

Government-wide statement of net position:	
Unrestricted cash and cash equivalents	\$ 23,373,767
Restricted cash and cash equivalents	26,668
Statement of fiduciary net position:	
Cash and cash equivalents	600,341
Add: Certificates of deposit considered cash deposits for disclosure purposes	29,496
Less: Cash equivalents considered investments for disclosure purposes	(7,853,008)
	<u>\$ 16,177,264</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, 2018, \$16,733,111 of the Town's bank balance of \$17,312,301 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 15,059,800
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	1,673,311
	<u>\$ 16,733,111</u>

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Cash Deposits *(Continued)***

**Custodial Credit Risk *(Continued)***

All of the Town's deposits are in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. 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, 2018 is as follows:

Government-wide statement of net position:		
Unrestricted investments	\$	4,949,078
Restricted investments		92,980
Statement of fiduciary net position:		
Investments		7,732,328
Add: Cash equivalents considered investments for disclosure purposes		7,853,008
Less: Certificates of deposit considered cash deposits for disclosure purposes		(29,496)
		<u>\$ 20,597,898</u>

As of June 30, 2018, the Town's investments consisted of the following:

Investment type	Valuation Basis	Credit Rating	Value	Investment Maturities (In Years)	
				Less Than 1	1 to 5
<b>Debt Securities:</b>					
<i>Governmental activities:</i>					
Short-term Investment Fund	Net asset value	AAA	\$ 7,829,267	\$ 7,829,267	\$ -
Negotiable certificates of deposit	Amortized cost	Unrated	5,042,058	537,772	4,504,287
<i>Fiduciary:</i>					
Money market funds	Net asset value	Unrated	23,741	23,741	-
Corporate bonds	Fair value	AA	14,922	14,922	-
Corporate bonds	Fair value	A	164,881	64,924	99,957
			<u>13,074,869</u>	<u>\$ 8,470,626</u>	<u>\$ 4,604,244</u>
<b>Other investments:</b>					
<i>Fiduciary:</i>					
Insurance contracts	Contract value		6,375,616		
Equity securities	Fair value		313,408		
Mutual funds	Fair value		834,005		
			<u>\$ 20,597,898</u>		

**TOWN OF KILLINGLY, CONNECTICUT**  
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 2 - CASH DEPOSITS AND INVESTMENTS *(Continued)***

**Investments *(Continued)***

Because investments in the Short-term Investment Fund and money market funds have weighted average maturities of less than 90 days, they have been presented as investments with maturities of less than one year.

**Interest Rate Risk**

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

**Credit Risk**

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit the Town to invest in (1) obligations of the United States, including its instrumentalities and agencies; (2) 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; (3) in shares or other interests in custodial arrangements or pools maintaining constant net asset values and in highly rated no-load open end money market and mutual funds (with constant or fluctuating net asset values) whose portfolios are limited to obligations of the United States and its agencies, and repurchase agreements fully collateralized by such obligations; (4) or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The Pension Trust Funds may also invest in certain real estate mortgages, certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments in external investment pools, mutual funds and guaranteed interest contracts are not evidenced by securities and are therefore not exposed to custodial credit risk. The Town's investments in negotiable certificates of deposit are held in book entry form in the name of the Town and are therefore also not exposed to custodial credit risk.

**Concentrations of Credit Risk**

The Town places no limit on the amount of investment in any one issuer. As of June 30, 2018, more than 10% of the Town's governmental activities investments are invested in the Short-term Investment Fund (60.8%). As of June 30, 2018, more than 10% of the Town's fiduciary investments are invested in the following:

<u>Issuer</u>	<u>Investment</u>	<u>Value</u>	<u>% of Fiduciary Investments</u>
Prudential Retirement Insurance and Annuity Co.	Insurance contract	\$ 6,375,616	82.5%



**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 3 - 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's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2018, by level within the fair value hierarchy are presented in the table below.

Financial Assets Measured at Fair Value	Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Mutual funds	\$ 834,005	\$ -	\$ -	\$ 834,005
Equity securities	313,408	-	-	313,408
Corporate bonds	-	179,803	-	179,803
	<u>\$ 1,147,413</u>	<u>\$ 179,803</u>	<u>\$ -</u>	<u>\$ 1,327,216</u>

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 consisted of the following:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Construction in progress	\$ 11,685,229	\$ 5,274,101	\$ -	\$ (9,016,451)	\$ 7,942,879
Land	3,674,024	-	-	-	3,674,024
Total capital assets, not being depreciated	<u>15,359,253</u>	<u>5,274,101</u>	<u>-</u>	<u>(9,016,451)</u>	<u>11,616,903</u>
Capital assets, being depreciated:					
Land improvements	15,584,307	-	-	243,294	15,827,601
Buildings and improvements	119,893,119	-	-	43,065	119,936,184
Machinery and equipment	20,260,270	2,769,404	(2,888,099)	1,051,204	21,192,779
Infrastructure	70,135,932	38,558	-	7,678,888	77,853,378
Total capital assets, being depreciated	<u>225,873,628</u>	<u>2,807,962</u>	<u>(2,888,099)</u>	<u>9,016,451</u>	<u>234,809,942</u>
Less accumulated depreciation:					
Land improvements	5,725,721	787,105	-	-	6,512,826
Buildings and improvements	38,743,630	2,034,957	-	-	40,778,587
Machinery and equipment	14,344,866	1,803,113	(2,867,791)	-	13,280,188
Infrastructure	47,091,713	1,409,029	-	-	48,500,742
Total accumulated depreciation	<u>105,905,930</u>	<u>6,034,204</u>	<u>(2,867,791)</u>	<u>-</u>	<u>109,072,343</u>
Total capital assets, being depreciated, net	<u>119,967,698</u>	<u>(3,226,242)</u>	<u>(20,308)</u>	<u>9,016,451</u>	<u>125,737,599</u>
Governmental activities capital assets, net	<u>\$ 135,326,951</u>	<u>\$ 2,047,859</u>	<u>\$ (20,308)</u>	<u>\$ -</u>	<u>\$ 137,354,502</u>

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 4 - CAPITAL ASSETS *(Continued)***

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

<b>Governmental Activities:</b>	
General government	\$ 910,305
Public works	1,371,875
Recreation and leisure	226,795
Public safety	869
Education	<u>3,524,360</u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 6,034,204</u></u>

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2018 are as follows:

Receivable Fund	Payable Fund	Amount
<b>Governmental Funds</b>		
General Fund	Capital Improvements Fund	\$ 613,361
	Nonmajor Governmental Funds	<u>867,203</u>
		<u>1,480,564</u>
Sewer Operating Fund	General Fund	1,170,814
	Capital Improvements Fund	<u>18,500</u>
		<u>1,189,314</u>
Capital Nonrecurring Fund	General Fund	<u>4,720,946</u>
Nonmajor Governmental Funds	General Fund	1,412,754
	Nonmajor Governmental Funds	<u>2,095</u>
		<u>1,414,849</u>
<b>Fiduciary Funds</b>		
Private Purpose Trust Funds	General Fund	<u>41,870</u>
Agency Funds	General Fund	<u>7,777</u>
<b>Proprietary Funds</b>		
Health Insurance Fund	General Fund	<u>1,894,568</u>
Total due from / to other funds		<u><u>\$ 10,749,888</u></u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2018 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	Sewer Operating Fund	\$ 913,001
	Nonmajor Governmental Funds	150
		<u>913,151</u>
Capital Improvements Fund	General Fund	29,088
	Sewer Operating Fund	260,500
		<u>289,588</u>
Capital and Nonrecurring Fund	General Fund	707,292
	Sewer Operating Fund	159,498
	Nonmajor Governmental Funds	5,641
		<u>872,431</u>
Nonmajor Governmental Funds	General Fund	753,123
	Nonmajor Governmental Funds	1,255
		<u>754,378</u>
<b>Total transfers</b>		<u><u>\$ 2,829,548</u></u>

The above 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.

**NOTE 7 - SHORT-TERM LIABILITIES**

The following is a summary of changes in short-term liabilities for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Reclassified to Long-Term Debt</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>					
Notes Payable:					
Interim funding obligation 524-DC	\$ 905,692	\$ 1,723,329	\$ -	\$ (2,629,021)	\$ -
Interim funding obligation 688-D	-	1,209,959	-	-	1,209,959
	<u>\$ 905,692</u>	<u>\$ 2,933,288</u>	<u>\$ -</u>	<u>\$ (2,629,021)</u>	<u>\$ 1,209,959</u>

During April 2016, the State of Connecticut approved funding (the "Project Loan 524-DC") in the form of an interim financing obligation for costs associated with the improvement to the Town's sewer system under the State of Connecticut's Clean Water program. Maximum borrowings available under Project Loan 524-DC, as amended, total \$2,662,156.

During April 2017, the State of Connecticut approved funding (the "Project Loan 688-D") in the form of an interim financing obligation for costs associated with the improvement of nitrogen and phosphorus removal and replacement of outdated equipment under the State of Connecticut's Clean Water program. Maximum borrowings available under Project Loan 688-D total \$1,627,910.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 7 - SHORT-TERM LIABILITIES *(Continued)***

Each interim funding obligation bears an interest rate of 2.00%, with principal and accrued interest due no later than six months following the scheduled completion date of the projects. The Town intends to retire all principal and accrued interest outstanding on the interim funding obligations through the issuance of permanent financing upon the completion of the projects.

During October 2018, the State of Connecticut approved a project loan obligation related to the long-term financing of Project 524-DC. The above interim funding obligation amounts were subsequently retired through the proceeds from the issuance of the long-term note payable. As such, the balance of the interim funding obligation has been presented as a long-term liability in the government-wide statement of net position as of June 30, 2018 and has been recognized as an other financing source in the governmental funds statement of revenues, expenditures, and changes in fund balance for the year then ended.

**NOTE 8 - LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

	Beginning Balance <i>(As Adjusted)</i>	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 23,105,000	\$ -	\$ (1,875,000)	\$ 21,230,000	\$ 1,900,000
Unamortized premium	1,251,637	-	(97,095)	1,154,542	-
	<u>24,356,637</u>	-	<u>(1,972,095)</u>	22,384,542	1,900,000
Other liabilities:					
Notes payable	7,770,310	-	(231,063)	7,539,247	231,063
Interim funding obligation	-	2,629,021	-	2,629,021	2,629,021
Loans payable	857,859	-	(102,724)	755,135	108,715
Capital leases	817,195	1,057,880	(392,101)	1,482,974	453,153
Landfill post-closure care costs	300,000	-	(20,000)	280,000	20,000
Compensated absences	1,047,287	725,826	(696,035)	1,077,078	215,416
Net OPEB liability	6,183,968	663,389	-	6,847,357	-
	<u>\$ 41,333,256</u>	<u>5,076,116</u>	<u>\$ (3,414,018)</u>	<u>\$ 42,995,354</u>	<u>\$ 5,557,368</u>

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

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 8 - LONG-TERM OBLIGATIONS (Continued)**

**General Obligation Bonds and Notes Payable**

A summary of general obligation bonds and notes payable outstanding at June 30, 2018 are as follows:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
<b>Governmental Activities</b>				
<b>Bonds Payable</b>				
2007 School bonds	\$ 2,415,000	2027	4.25% - 5.00%	\$ 468,649
2007 Road/Bridges bonds	3,000,000	2027	4.25% - 5.00%	611,351
2007 School refunding bonds	685,000	2024	4.25% - 5.00%	129,457
2007 Sewer refunding bonds	3,835,000	2024	4.25% - 5.00%	724,775
2007 General purpose refunding bonds	1,565,000	2024	4.25% - 5.00%	295,768
2009 School bonds	3,000,000	2019	2.50% - 4.125%	150,000
2010 School bonds	6,500,000	2020	2.25% - 4.00%	650,000
2011 School bonds	3,500,000	2021	2.50% - 4.375%	525,000
2012 School bonds	2,400,000	2032	2.00% - 3.25%	1,680,000
2013 School/Road bonds	2,100,000	2033	2.00% - 3.00%	1,575,000
2015 General obligation bonds	4,195,000	2028	2.00% - 4.00%	3,920,000
2016 General purpose refunding bonds	255,000	2036	2.00% - 4.00%	255,000
2016 School refunding bonds	6,380,000	2036	2.00% - 4.00%	6,360,000
2016 School bonds	2,000,000	2036	2.00% - 4.00%	1,800,000
2016 School bonds	2,325,000	2036	1.00% - 3.75%	2,085,000
				<u>\$ 21,230,000</u>
<b>Notes Payable</b>				
2001 Sewer FHA loan	\$ 1,383,000	2041	4.50%	\$ 795,225
2013 Sewer USDA loan	5,600,000	2051	3.50%	4,839,716
2014 Sewer USDA loan	2,063,000	2054	2.75%	1,904,306
				<u>\$ 7,539,247</u>

Annual debt service requirements to maturity on general obligation bonds and notes payable are as follows as of June 30, 2018:

<u>Year ending June 30:</u>	<u>Governmental Activities</u>					
	<u>General Obligation Bonds</u>		<u>Note Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,900,000	\$ 684,178	\$ 231,063	\$ 257,543	\$ 2,131,063	\$ 941,721
2020	1,890,000	629,632	231,063	249,507	2,121,063	879,139
2021	1,840,000	571,217	231,063	241,471	2,071,063	812,688
2022	1,835,000	513,910	231,063	233,435	2,066,063	747,345
2023	2,875,000	551,288	231,063	225,399	3,106,063	776,687
2024-2028	6,845,000	1,202,165	1,155,315	1,006,451	8,000,315	2,208,616
2029-2033	3,400,000	355,210	1,155,315	805,545	4,555,315	1,160,755
2034-2038	645,000	43,875	1,155,315	604,639	1,800,315	648,514
2039-2043	-	-	1,086,165	405,290	1,086,165	405,290
2044-2048	-	-	982,440	233,946	982,440	233,946
2049-2053	-	-	796,506	73,420	796,506	73,420
2054-2058	-	-	52,876	1,454	52,876	1,454
	<u>\$ 21,230,000</u>	<u>\$ 4,551,475</u>	<u>\$ 7,539,247</u>	<u>\$ 4,338,100</u>	<u>\$ 28,769,247</u>	<u>\$ 8,889,575</u>

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 8 - LONG-TERM OBLIGATIONS *(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 \$244,761,349 as of June 30, 2018. 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, 2018.

The amount of authorized, unissued debt at June 30, 2018 totaled \$5,085,000, \$6,525,000 and \$21,145,020 for general purposes, schools and sewers, respectively.

**Loan Payable**

In December 2009, the Town entered into a loan agreement with Connecticut Innovations, formerly Connecticut Development Authority, a quasi-State agency in the amount of \$1,500,000 on-behalf of a Developer. The loan provided financing to the Developer to assist in the remediation of a parcel of land as part of a tax incentive financing agreement to encourage economic growth within the Town. The Town is contractually obligated to for repayment of the loan. The loan is payable in semi-annual principal and interest payments at a rate of 2.875% through fiscal year 2024. Future annual debt service requirements on the loan are as follows as of June 30, 2018:

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 108,715	\$ 41,880	\$ 150,595
2020	115,056	35,539	150,595
2021	121,767	28,828	150,595
2022	128,870	21,726	150,596
2023	136,386	14,209	150,595
Thereafter	144,341	6,254	150,595
	<u>\$ 755,135</u>	<u>\$ 148,436</u>	<u>\$ 903,571</u>

**Capital Leases**

A summary of assets acquired through capital leases is as follows as of June 30, 2018:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 2,388,629
Less: accumulated amortization	861,405
	<u>\$ 1,527,224</u>

Amortization expense relative to leased property under capital leases totaled \$398,062 for the year ended June 30, 2018 and is included in depreciation and amortization expense disclosed in Note 4.

**TOWN OF KILLINGLY, CONNECTICUT**  
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 8 - LONG-TERM OBLIGATIONS *(Continued)***

**Capital Leases *(Continued)***

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 are as follows:

Year ending June 30:	<b>Governmental Activities</b>
2019	\$ 500,188
2020	500,189
2021	401,523
2022	134,108
2023	88,240
Total minimum lease payments	1,624,248
Less: amount representing interest	141,274
	\$ 1,482,974

**Landfill Post-Closure Care Costs**

State and Federal laws and regulations require landfill closures to meet certain standards. The Town landfill has been closed. Estimated monitoring costs of \$20,000 per year for the next 14 years totals \$280,000 at June 30, 2018. These amounts are based on estimates, which are subject to change due to inflation, technology or changes in applicable laws and regulations.

**NOTE 9 -TAX ABATEMENTS**

In 2002, the Town entered into a tax agreement with a local direct energy provider, which provides for an agreed upon payment in lieu of taxes (PILOT). This PILOT agreement was created to encourage business development and expand the local economic base within the Town.

The PILOT is a form of tax abatement agreement, which is a contractual agreement between the Town and the owner of a property that fixes taxes on an annual basis at a rate less than the full tax amount. Under the terms of the agreement, the Town has agreed to receive certain annual tax payments in lieu of taxes on a fixed schedule for 20 years. Remaining amounts to be received through 2022 total \$12,203,738.

As of June 30, 2018, cumulative taxes abated under this agreement since the facility became operational are estimated to be approximately \$15.4 million. No other commitments have been made by the Town to the abatement recipient under this program.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS**

**Defined Benefit Pension Plan**

**Plan Description**

***Plan Administration***

The Town of Killingly administers a single employer defined benefit pension plan (the "Plan"). The Plan covers all full time employees who met the eligibility requirements of the Plan. Specifically, plan provisions state that this includes any employee who is employed on a regular work schedule, excluding teachers, councilmen, selectman, or elected or appointed officials.

All Town employees (except certified members of the Board of Education) participate in the Public Employer Retirement Systems (PERS), a single employer defined benefit pension plan established and administered by the Town Council to provide pension, disability and death benefits to plan members and their beneficiaries. The Town Charter provides the authority to establish and amend benefit provisions, subject to collective bargaining agreements. The Plan does not issue stand-alone financial statements and is part of the Town's financial reporting entity. As such, the Plan is accounted for in the fiduciary fund financial statements as a Pension Trust Fund.

**Summary of Significant Accounting Policies**

The Plan is accounted for using the accrual basis of accounting. Revenues (contributions and investment income) are recognized when they are earned and expenses (benefits, administration and refunds) are recognized when due and payable in accordance with the terms of the Plan. Liabilities are recorded when due and payable in accordance with the terms of the Plan.

*Investments* - Investments are recorded at fair value and based on quoted market prices, except for Investments in insurance contracts which consist of guaranteed interest contracts. Investments in these types of contracts are measured by the Town at contract value. Short-term investments are reported at cost, which approximates fair value. Fair value of other securities is determined by the mean of the most recent bid and asked prices as obtained from dealers that make markets in such securities. Investments for which market quotations are not readily available are valued at their fair values as determined by the custodian under the direction of the Town, with the assistance of a valuation service. Securities traded on national exchanges are valued at the last reported sales price. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date.

*Investment Policy* - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the practice of the Town to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes.

*Concentrations* - The Town places no limit on the amount of any investment in one issuer. As of June 30, 2018, 100% of the Plan's investments were invested in insurance contracts with Prudential Retirement Insurance and Annuity Company.

*Rate of return* - For the year ended June 30, 2018 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 7.63%. The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.



**TOWN OF KILLINGLY, CONNECTICUT**  
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Defined Benefit Pension Plan *(Continued)***

**Plan Membership**

Membership of the Plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	74
Inactive plan members entitled to but not yet receiving benefits	20
Active plan members	86
Total	180

**Benefit Provisions**

The Plan provides for retirement benefits for all members. Pension benefits for normal retirement under the Plan fall under three categories: Public Works Superintendent, Public Works Assistant Superintendent and All Others. For the Superintendent, the benefits are based on 1% of final earnings multiplied by the number of years of credited service prior to 4/1/1987, plus 1.5% of final earnings times credited service after 4/1/1987 and prior to 7/1/2016, plus 2% of final earnings times credited service after 7/1/2016, up to a maximum of 30 years. For the Assistant Superintendent, the benefits are based on 1% of final earnings multiplied by the number of years of credited service prior to 7/1/1991, plus 1.5% of final earnings times credited service after 4/1/1991, up to a maximum of 30 years. In relation to all others, benefits are based on 1% of final earnings multiplied by the number of years of credited service, up to a maximum of 30 years, computed to the nearest 1/12 of a year.

**Contributions**

The Plan's funding policy provides that for Public Works Superintendent, plan participants are to contribute 4.50% of earnings, effective April 1, 1987 and effective 7/1/2016, 5.50% of earnings. For Public Works Assistant Superintendents, plan participants are to contribute 4.50% of earnings, effective January 1, 1994. All others are required to contribute 3.00% of earnings.

For the year ended June 30, 2018, employer contributions to the Plan totaled \$142,943 and 5.09% of covered payroll.

**Net Pension Asset**

The components of the Town's net pension asset of the Plan at June 30, 2018, was as follows:

Total pension liability	\$ 5,861,951
Plan fiduciary net position	6,375,616
Town's net pension asset	\$ (513,665)
Plan fiduciary net position as a percentage of the total pension liability	108.76%

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Defined Benefit Pension Plan *(Continued)***

**Net Pension Asset *(Continued)***

The components of the changes in the net pension asset for the Plan for the year ended June 30, 2018, was as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance as of June 30, 2017	\$ 5,836,980	\$ 6,100,247	\$ (263,267)
<b>Changes for the year:</b>			
Service cost	177,335	-	177,335
Interest	407,887	-	407,887
Changes in benefit terms			-
Actuarial (gains) losses	(137,777)	-	(137,777)
Changes in assumptions	(41,312)	-	(41,312)
Contributions - employer	-	142,943	(142,943)
Contributions - employee	-	115,945	(115,945)
Net investment income	-	456,239	(456,239)
Benefit payments, including refunds	(381,162)	(381,162)	-
Administrative expense	-	(58,596)	58,596
<b>Net changes</b>	<b>24,971</b>	<b>275,369</b>	<b>(250,398)</b>
Balance as of June 30, 2018	\$ 5,861,951	\$ 6,375,616	\$ (513,665)

*Actuarial assumptions* - The total pension liability for the Plan was determined by an actuarial valuation as of July 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.6%
Salary increases, including inflation	3.6%
Investment rate of return, including inflation net of investment and administrative expense	7.0%
Discount rate	7.0%

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Defined Benefit Pension Plan *(Continued)***

**Net Pension Asset *(Continued)***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of</u>	<u>Weighting</u>
Large Cap	32.00%	5.75%	1.84%
Mid Cap	4.00%	6.25%	0.25%
Small Cap	6.00%	6.50%	0.39%
International Equity	15.00%	5.50%	0.83%
Real Estate	5.00%	6.00%	0.30%
Intermediate Term Fixed	26.00%	2.05%	0.53%
Guaranteed Deposit	12.00%	2.00%	0.24%

\* Long-term returns are provided by Prudential Advisors. The returns are arithmetic means.

The discount rate used to measure the total pension liability was 7.0%. 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 the Town's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension asset to changes in the discount rate* - The following presents the net pension asset of the Town, calculated using the discount rate of 7.0%, as well as what the Town's net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>Discount Rate</u>		
	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Town Plan's net pension liability (asset) as of June 30, 2018	\$ 88,774	\$ (513,665)	\$ (1,029,768)

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Defined Benefit Pension Plan *(Continued)***

**Pension Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2018, the Town recognized pension expense of \$66,967. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (5,445)	\$ (5,445)
Differences between expected and actual experience	-	(275,246)	(275,246)
Change of assumptions	105,779	(33,801)	71,978
Total	<u>\$ 105,779</u>	<u>\$ (314,492)</u>	<u>\$ (208,713)</u>

Amounts reported as deferred outflows and inflows of resources related to the Plan will be recognized as a component of pension expense in future years as follows:

	<u>Amortization of Deferred (Inflows) Outflows of Resources</u>
Year ended June 30,	
2019	\$ (35,774)
2020	(23,805)
2021	(93,199)
2022	(39,651)
2023	(16,284)
	<u>\$ (208,713)</u>

**Plan Financial Statements**

The following presents the statement of fiduciary net position and the statement of changes in fiduciary net position for the Town Plan as of and for the year ended June 30, 2018:

	<u>Pension Trust Fund</u>
<b>ASSETS</b>	
Investments:	
Insurance contracts	\$ 6,375,616
Total assets	<u>6,375,616</u>
<b>NET POSITION</b>	
Held in trust for pension benefits	<u>\$ 6,375,616</u>

**TOWN OF KILLINGLY, CONNECTICUT**  
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Defined Benefit Pension Plan *(Continued)***

**Plan Financial Statements *(Continued)***

	<b>Pension Trust Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 142,943
Plan members	115,945
Total contributions	258,888
Investment earnings:	
Interest and dividends	116,317
Net change in the fair value of investments, net	339,922
Total investment earnings	456,239
Total additions	715,127
<b>DEDUCTIONS</b>	
Benefit payments	381,162
Administrative expenses	58,596
Total deductions	439,758
Change in net position	275,369
Net position - beginning	6,100,247
Net position - ending	\$ 6,375,616

**Connecticut State Teachers' Retirement System**

**Plan Description**

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The TRS is included as a fiduciary pension trust fund in the State of Connecticut's Comprehensive Annual Financial Report and the Board issues publicly available financial reports.

**Benefit Provisions**

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

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Benefit Provisions *(Continued)***

*Normal Retirement:* Retirement benefits for the employees are calculated as 2.0% of the average annual salary times the years of credited service (maximum benefit is 75.0% of average annual salary during the 3 years of highest salary). In addition, amounts derived from the accumulation of the 6.0% contributions made prior to July 1, 1989 and voluntary contributions are payable.

*Early Retirement:* Employees are eligible after 25 years of credited service with a minimum of 20 years of Connecticut service, or age 55 with 20 years of credited service with a minimum of 15 years of Connecticut service. Benefit amounts are reduced by 6.0% per year for the first 5 years preceding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3.0% per year by which retirement precedes normal retirement date.

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

*Disability Retirement:* Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the Plan, but not less than 15%, nor more than 50%. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

*Pre-Retirement Death Benefit:* The plan also offers a lump-sum return of contributions with interest or surviving spouse benefit depending on length of service.

**Contributions**

Per CGS 10-183z, contribution requirements of active employees and the State are amended and certified by the Board and appropriated by the General Assembly. The contributions are actuarially determined as an amount that, when combined with employee contributions and investment earnings, is expected to finance the costs of the benefits earned by employees during the year, with any additional amounts to finance any unfunded accrued liability.

In accordance with CGS Section 10-183z, 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 100% of an employer's contributions on behalf of its participating municipalities at an actuarially determined rate. Effective January, 1, 2018, active employees are required to contribute 7.0%, previously 6.0%, of their annual earnings to the plan.

**Administrative Expenses**

Administrative costs of the plan are funded by the State.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Basis of Presentation**

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measured as of June 30, 2017 based on an actuarial valuation performed as of June 30, 2016. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2017 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2018 and for reporting the proportionate share of the collective net pension liability that is attributed to the Town as of June 30, 2018.

**Allocation Methodology**

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2017 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. For fiscal year 2017, the Town's expected contribution effort for allocation purposes totaled \$3,902,875 or 0.386% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2018.

The components associated with the collective pension expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2017. The portion of the collective pension expense allocated to the Town totaled \$6,022,361. The Town has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2018.

The total collective net pension liability of participating employers for the TRS was approximately \$13.502 billion as of the June 30, 2017 measurement date. The portion attributed to the Town totaled \$52,064,663 or approximately 0.386% of the total collective net pension liability.

**Actuarial Assumptions**

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

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

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.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Actuarial Assumptions *(Continued)***

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

**Discount Rate**

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

**Long-Term Rate of Return**

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

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation 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%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Private Equity	11.0%	7.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%
Core Fixed Income	7.0%	1.3%
Real Estate	7.0%	5.1%
Alternative investments	8.0%	4.1%
Liquidity fund	6.0%	4.0%
Emerging Market Bonds	5.0%	3.7%
High Yield Bonds	5.0%	3.9%
Inflation Linked Bonds	3.0%	1.0%
	<u>100%</u>	



**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 10 - EMPLOYEE RETIREMENT PLANS *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Proportionate Share of the Collective Net Pension Liability**

The following presents the proportionate share of the collective net pension liability attributed to the Town as of the June 30, 2017 measurement date, calculated using a discount rate of 8.00%, as well as what the proportionate share of the net pension liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) 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	\$65,169,605	\$52,064,663	\$40,985,255

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Town and Board of Education Plan**

**Plan Description**

*Plan Administration* - The Town administers an Other Post-Employment Benefits Plan (the "OPEB Plan"), which is a single-employer defined benefit healthcare plan. The Town of Killingly Board of Education provides health insurance benefits for eligible retirees and their spouses through the Town's group insurance plan, which covers both active and retired members. The Town of Killingly provides healthcare insurance benefits for eligible retirees and their spouses through a Blue Cross Blue Shield Medicare supplemental policy.

Plan is considered to be part of the Town's financial reporting entity. The OPEB Plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

*Plan membership* - As of July 1, 2017, the date of the most recent actuarial valuation, membership data was as follows:

Inactive plan members or beneficiaries currently receiving benefits	31
Inactive plan members entitled to but not yet receiving benefits	-
Active members	287
Total members	318

*Benefits Provided* - The OPEB Plan provides for health insurance benefits for eligible Board of Education retirees and their spouses through the Town's group insurance plan, which covers both active and retired members. The OPEB Plan also provides for healthcare insurance benefits for eligible Town retirees and their spouses through a Blue Cross Blue Shield Medicare supplemental policy. The Town also provides a life insurance policy for eligible retirees through the Town's group life insurance policy, which covers both active and retired members. Benefit provisions are established through negotiations between the Board of Education and the union representing Board of Education employees and are renegotiated each three-year bargaining period.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Town and Board of Education Plan *(Continued)***

**Plan Description *(Continued)***

*Contributions* - Contribution requirements of the plan members and the Town are established by and may be amended through negotiations between the Town and the Board of Education and their respective unions. Currently, Town full-time non-union employees and department heads, including public works, who retire at age 65 with 25 years of service with the Town are eligible for the health insurance benefits and those who have 25 years or service and are hired before 7/1/2016 are eligible for life insurance benefits. The Town pays the premium cost for those who chose to participate. Currently, Board of Education Employees who are age 50 with 25 years of service, age 55 with 20 years of service or age 60 with 10 years of service in the Killingly School System are eligible to receive benefits. Those who choose to participate must pay the 100% of the premium cost. The Town finances the plan on a pay-as-you-go basis.

**Summary of Significant Accounting Policies**

The OPEB Plan is accounted for using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the OPEB Plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the OPEB Plan.

*Investments* - Investments are generally reported at fair value, except for investments in external investment pools. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investment income is recognized when earned and gains and losses on sales or exchanges are recognized on the transaction date. Investments in external investment pools, which are permitted to measure their investment holdings at amortized costs, are measured by the OPEB Plan at the net asset value per share as determined by the pools.

*Investment policy* - The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the practice of the Town to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes.

*Concentrations* - The OPEB Plan's investments consist solely of investments in various mutual funds and are therefore not exposed to concentrations of credit risk, as these investments are considered to be diversified by nature.

*Rate of return* - For the year ended June 30, 2018, the annual money-weighted rate of return on the OPEB Plan's investments, net of pension plan investment expense was 8.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Town and Board of Education Plan *(Continued)***

**Net OPEB Liability**

The Town's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. The components of the net OPEB liability of the OPEB Plan as of June 30, 2018, were as follows:

Total OPEB liability	\$ 7,553,034
Plan fiduciary net position	<u>705,677</u>
Net OPEB liability	<u><u>\$ 6,847,357</u></u>

Plan fiduciary net position as a percentage of the total pension liability	9.34%
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The components of the change in the net OPEB liability of the Town's OPEB Plan for the year ended June 30, 2018, were as follows:

	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balance as of June 30, 2017	\$ 6,828,798	\$ 644,830	\$ 6,183,968
<b>Changes for the year:</b>			
Service cost	116,706	-	116,706
Interest	301,922	-	301,922
Changes of benefit terms	314,651	-	314,651
Changes of assumptions and differences between expected and actual experience	32,760	-	32,760
Contributions - employer	-	(2,481)	2,481
Contributions - TRB subsidy	-	54,284	(54,284)
Net investment income	-	52,347	(52,347)
Benefit payments	(41,803)	(41,803)	-
Administrative expense	-	(1,500)	1,500
<b>Net changes</b>	<u>724,236</u>	<u>60,847</u>	<u>663,389</u>
Balance as of June 30, 2018	<u><u>\$ 7,553,034</u></u>	<u><u>\$ 705,677</u></u>	<u><u>\$ 6,847,357</u></u>

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Town and Board of Education Plan *(Continued)***

**Net OPEB Liability *(Continued)***

*Actuarial Assumptions* – The Total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Investment rate of return	8.08%
Discount rate	4.57%
Inflation rate	2.60%
Healthcare cost trend rate:	
Initial	7.00%
Ultimate	4.60%

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scape MP-2017.

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.

The long-term expected rate of returns on OPEB Plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan’s target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>	<u>Weighting</u>
Large Cap	37.00%	4.65%	1.72%
Mid/Small Cap	12.00%	5.50%	0.66%
International Equities	11.00%	5.50%	0.61%
Intermediate Bond- Corporate	27.00%	2.25%	0.61%
Intermediate Bond- Government	9.00%	1.65%	0.15%
Specialty/Alternatives	4.00%	5.00%	0.20%
	100.00%		

\* Long-term returns are provided by HHIA. The returns are geometric means.

**TOWN OF KILLINGLY, CONNECTICUT**  
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Town and Board of Education Plan *(Continued)***

**Net OPEB Liability *(Continued)***

*Discount rate* - The discount rate used to measure the total OPEB liability was 4.57%. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rates and that the Town's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the OPEB 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 rates of return on the OPEB Plan's investments were applied to all periods of projected benefit payments to determine the OPEB Plan's total OPEB liability.

*Sensitivity of the net OPEB liability to changes in the discount rate* - The following presents the Town's net OPEB liability for the OPEB Plan, calculated using the discount rate disclosed above, as well as what the Town's net OPEB liability would be for the OPEB Plan if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>Discount Rates</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>(3.57%)</b>	<b>(4.57%)</b>	<b>(5.57%)</b>
Net OPEB liability as of June 30, 2018	\$ 7,988,308	\$ 6,847,357	\$ 5,906,316

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates* - The following presents the Town's net OPEB liability for the OPEB Plan, calculated using the discount rate disclosed above, as well as what the Town's net OPEB liability would be for the OPEB Plan if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>Healthcare Cost Trend Rates</b>		
	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Net OPEB liability as of June 30, 2018	\$ 5,755,680	\$ 6,847,357	\$ 8,212,167

**OPEB Plan Financial Statements**

The following presents the statements of fiduciary net position and the statement of changes in fiduciary net position for the Town's OPEB plan as of and for the year ended June 30, 2018.

	<b>OPEB Trust Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 497
Investments:	
Insurance contracts	705,180
Total assets	705,677
<b>NET POSITION</b>	
Held in trust for other post-employment benefits	\$ 705,677

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Town and Board of Education Plan *(Continued)***

**OPEB Plan Financial Statements *(Continued)***

	<b>OPEB Trust Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 10,000
Other	54,284
Total contributions	64,284
Investment earnings:	
Interest and dividends	28,376
Net change in the fair value of investments, net	28,546
Total investment earnings	56,922
Less: investment expense	(4,575)
Net investment income	52,347
Total additions	116,631
<b>DEDUCTIONS</b>	
Benefit payments	41,803
Administrative expenses	1,500
Other expense	12,481
Total deductions	55,784
Change in net position	60,847
Net position - beginning	644,830
Net position - ending	\$ 705,677

**TOWN OF KILLINGLY, CONNECTICUT**  
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Town and Board of Education Plan *(Continued)***

**OPEB Expense and Deferred Outflows and Inflows of Resources**

For the year ended June 30, 2018, the Town recognized OPEB expense of \$649,694. As of June 30, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 399,326	\$ -	\$ 399,326
Changes of assumptions	-	(368,873)	(368,873)
Net difference between projected and actual earnings on OPEB plan investments	-	(19,239)	(19,239)
Total	<u>\$ 399,326</u>	<u>\$ (388,112)</u>	<u>\$ 11,214</u>

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as a component of OPEB expense as follows:

Year ended June 30,	
2019	\$ (2,503)
2020	(2,503)
2021	(2,503)
2022	(2,502)
2023	2,307
Thereafter	18,918
	<u>\$ 11,214</u>

**Connecticut State Teachers' Retirement System**

**Plan Description**

The faculty and professional personnel of the Town's Board of Education participates in the State of Connecticut's Teachers' Retirement System ("TRS"), which is a cost sharing multiple-employer defined benefit pension plan that provides retirement, disability, survivorship and health insurance benefits to plan members and their beneficiaries. The TRS is governed by Connecticut General Statute ("CGS") *Title 10, Chapter 167a* and is administered by the Connecticut State Teachers' Retirement Board (the "Board"). The OPEB trust fund is included in the TRS, and the TRS is included in the State of Connecticut audit as a pension trust fund.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Benefit Provisions**

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

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

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

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

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

**Contributions**

Per CGS 10-183z, which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund. School district employers are not required to make contributions to the Plan.

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

Contributions remitted by the State are recognized when legally due, based upon statutory requirements.



**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Administrative Expenses**

Administrative costs of the Plan are to be paid by the General Assembly per Section 10-183r of the Connecticut General Statutes.

**Basis of Presentation**

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2017 based on an actuarial valuation performed as of June 30, 2016. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2017 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2018 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the Town as of June 30, 2018.

The components associated with the OPEB expense and deferred inflows and outflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2017.

**Allocation Methodology**

The schedule of allocations have been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2017.

For fiscal year 2017, the Town's expected contribution effort for allocation purposes totaled \$76,819 or 0.386% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2018.

The components associated with the collective OPEB expense and deferred inflows and outflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2017. The portion of the collective OPEB expense allocated to the Town totaled \$621,063. The Town has recognized this amount as an operating contribution and related education expense of the governmental activities for the year ended June 30, 2018.

The total collective net OPEB liability of participating employers for the TRS was approximately \$3.475 billion as of the June 30, 2017 measurement date. The portion attributed to the Town totaled \$13,400,857 or approximately 0.386% of the total collective net OPEB liability.

**TOWN OF KILLINGLY, CONNECTICUT**  
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Actuarial Assumptions**

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

Inflation	2.75%
Salary increases	3.25%-6.50%, including inflation
Investment rate of return	2.75%, net of investment related expense
Healthcare cost trend rates:	
Pre-Medicare	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022
Medicare	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022

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

**Long-Term Rate of Return**

The long-term expected rate of return on plan assets is reviewed as part of the actuarial valuation process. Several factors are considered in evaluation the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric 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>
U.S. Treasuries (Cash Equivalents)	100.00%	0.04%

**TOWN OF KILLINGLY, CONNECTICUT**  
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Connecticut State Teachers' Retirement System *(Continued)***

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2016. In addition to the actuarial methods and assumptions of the June 30, 2016 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

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

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

**Proportionate Share of the Collective Net Pension Liability**

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2017 measurement date, calculated using a discount rate of 3.56%, as well as what the proportionate share of the net OPEB liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (2.56%) or 1-percentage point higher (4.56%) than the current rate:

	1% Decrease (2.56%)	Current Rate (3.56%)	1% Increase (4.56%)
Proportionate share of the net OPEB liability attributed to the Town	\$ 16,150,178	\$ 13,400,857	\$ 11,239,098

*Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates* - The following presents the proportionate share of the collective net OPEB liability attributed to the Town as of the June 30, 2017 measurement date, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Proportionate share of the net OPEB liability attributed to the Town	\$ 11,033,740	\$ 13,400,857	\$ 16,587,890

**TOWN OF KILLINGLY, CONNECTICUT**  
 NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 12 - 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 health coverage. During 2018, 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.

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies that was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program.

***Workers' Compensation Pool***

The Town is a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in the coverage period will be evaluated at 18, 30 and 42 months after the effective date of coverage. The premium is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence.

***Liability-Automobile-Property Pool***

The Town is a member of CIRMA's Liability-Automobile-Property Pool, a risk-sharing pool. The Liability-Automobile-Property Pool provides general liability, automobile liability, employee benefit liability, law enforcement liability, public officials and property coverage. The premium is subject to these coverages, and claims and expense payments falling within the deductible amounts are the responsibility of the Town. CIRMA's Liability-Automobile-Property Pool retains \$1,000,000 per occurrence for each line of liability coverage.

***Health Insurance Fund***

The Health Insurance Fund, an internal service fund, was established to account for and finance employee medical benefits claims for eligible employees of both the Town and the Board of Education. The Town retains the risk of loss under the plan.

A third party processes the claims filed under the self-insured health plan, for which the General Fund is charged an administrative fee. The General Fund also pays for a stop-loss policy for individual claims exceeding \$125,000 for the plan.

The Town establishes claims liabilities based on estimates of claims that have been incurred but not reported at June 30, 2018. Claims liabilities are recorded if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of possible loss can be reasonably estimated. The amount of the claims accrual is based on the ultimate costs of settling the claims, which include past experience data, inflation and other future economic and societal factors and incremental claim adjustment expenses, net of estimated subrogation recoveries. The claims accrual does not include other allocated or unallocated claims adjustment expenses.

A summary of claims activity for the last three years is as follows:

Year Ended June 30,	Claims Payable, Beginning of Year	Claims and Changes in Estimates	Claims Paid	Claims Payable, End of Year
2016	\$ 569,000	\$ 6,410,747	\$ (6,450,078)	\$ 529,669
2017	529,669	7,538,812	(7,446,777)	621,704
2018	621,704	6,599,717	(6,507,068)	714,353

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

***Federal Awards and State Financial Assistance***

The Town has received federal awards and state financial assistance for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, management believes such disallowances, if any, will not be material. The Town may be subject to arbitrage rebate penalties to the federal government relating to various bond and note issuances. Town management believes such penalties, if any, would not materially affect the financial position of the Town.

***Encumbrances***

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund. Encumbrances are recognized as a valid and proper charge against a General Fund budget appropriation in the year in which a purchase order, contract, or other commitment is issued. Open encumbrances as of June 30, 2018 are included in assigned fund balance as of June 30, 2018.

***Legal and Other***

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.

The Town may be subject to rebate penalties to the federal government relating to various bond issues. The Town expects such amounts, if any, to be immaterial.

***Capital Projects***

The Town has total project authorizations totaling approximately \$164.6 million as of June 30, 2018. The remaining balance of those authorizations totaled approximately \$35.4 million as of June 30, 2018.

***Deficit Fund Balances***

The Capital Improvements Fund has a deficit fund balance of \$3,025,182 as of June 30, 2018. The deficit is expected to be eliminated by future bond issuance, appropriations, and/or transfers from the General Fund.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 13 - COMMITMENTS AND CONTINGENCIES *(Continued)***

***Fund Balances***

The various components of fund balance as of June 30, 2018 are as follows:

	General Fund	Capital Improvements Fund	Sewer Operating Fund	Capital Nonrecurring Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventories	\$ -	\$ -	\$ -	\$ -	\$ 33,522	\$ 33,522
Permanent funds principal	-	-	-	-	119,648	119,648
	-	-	-	-	153,170	153,170
Restricted for:						
Loan program	-	-	-	-	59,873	59,873
Grant proceeds	-	-	-	-	52,648	52,648
Special reserves - external	-	-	-	-	455,622	455,622
Unspent bond proceeds	-	258,525	-	-	-	258,525
	-	258,525	-	-	568,143	826,668
Committed to:						
General government	265,248	-	-	-	131,391	396,639
Public safety	-	-	-	-	31,640	31,640
Community development & human services	279,497	-	-	-	101,872	381,369
Recreation and leisure	-	-	-	-	70,988	70,988
Education	-	-	-	-	679,689	679,689
Capital and nonrecurring	25,000	-	-	4,719,763	1,559,729	6,304,492
Food service program	-	-	-	-	476,082	476,082
Sewer operations	-	-	3,282,790	-	-	3,282,790
	569,745	-	3,282,790	4,719,763	3,051,391	11,623,689
Assigned to:						
General government	2,238,825	-	-	-	-	2,238,825
Education	1,154,747	-	-	-	-	1,154,747
Public safety	54,085	-	-	-	-	54,085
Public works	48,709	-	-	-	-	48,709
Compensated absences	112,928	-	-	-	-	112,928
Other post-employment benefits	141,272	-	-	-	-	141,272
Cell tower	237,989	-	-	-	-	237,989
Sewer extension	38,793	-	-	-	-	38,793
Landfill post-closure	119	-	-	-	-	119
Education reserve	293,662	-	-	-	-	293,662
Subsequent year's budget	600,000	-	-	-	-	600,000
	4,921,129	-	-	-	-	4,921,129
Unassigned						
	8,986,061	(3,286,006)	-	-	-	5,700,055
	<u>\$ 14,476,935</u>	<u>\$ (3,027,481)</u>	<u>\$ 3,282,790</u>	<u>\$ 4,719,763</u>	<u>\$ 3,772,704</u>	<u>\$ 23,224,711</u>

**NOTE 14 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE**

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 is currently evaluating the potential impact of adopting this Statement on its financial statements.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 14 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE *(Continued)***

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 is currently evaluating the potential impact of adopting this Statement 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 is currently evaluating the potential impact of adopting this Statement on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2018. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objective of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement should be applied prospectively and are effective for the Town's reporting period beginning July 1, 2020. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

**NOTE 15 - SUBSEQUENT EVENT**

During October 2018, the Town converted amounts outstanding under its interim funding obligation for Project Loan 524-DC into a long-term note through the State of Connecticut Clean Water program. The note in the amount of \$2,662,156 included an initial principal payment in the amount of \$133,108 at closing and requires monthly principal payments in the amount of \$11,092 with interest payable at a rate of 2.0% per annum through October 2037, the maturity date.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF KILLINGLY, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Property taxes	\$ 35,557,367	\$ 35,557,367	\$ 34,715,247	\$ (842,120)
Intergovernmental	12,304,557	17,339,819	17,033,111	(306,708)
Licenses, permits and fees	209,000	209,000	419,045	210,045
Charges for services	2,961,444	2,961,444	3,320,781	359,337
Use of money and property	228,449	228,449	228,456	54,007
Miscellaneous	316,879	316,879	441,427	124,548
Surplus/unexpended balances	<u>51,577,696</u>	<u>56,612,958</u>	<u>56,212,067</u>	<u>(400,891)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,090,425	2,128,294	1,840,421	(287,873)
Public works	2,623,980	2,599,368	2,533,400	(65,968)
Recreation and leisure	1,406,462	1,412,277	1,313,023	(99,254)
Public safety	1,327,025	1,289,835	1,045,016	(244,819)
Community development and human services	552,118	556,688	553,659	(3,029)
Education	37,539,803	43,197,374	42,498,483	(698,891)
Miscellaneous	3,476,037	2,817,223	2,241,637	(575,586)
Debt service:				
Principal payments	2,106,063	2,106,063	2,106,063	-
Interest and fiscal charges	1,007,076	1,007,076	1,007,077	1
Debt issuance costs	30,000	30,000	-	(30,000)
Total expenditures	<u>52,158,989</u>	<u>57,144,198</u>	<u>55,138,779</u>	<u>(2,005,419)</u>
Excess of revenues over expenditures	(581,293)	(531,240)	1,073,288	1,604,528
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation from assigned fund balance	-	17,664	-	(17,664)
Appropriation from unassigned fund balance	800,000	1,214,937	-	(1,214,937)
Transfers in	932,864	932,864	913,148	(19,716)
Transfers out	(1,151,571)	(1,634,225)	(1,634,225)	-
Total other financing sources (uses)	<u>581,293</u>	<u>531,240</u>	<u>(721,077)</u>	<u>(1,252,317)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,211</u>	<u>\$ 352,211</u>

*See notes to required supplementary information.*

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>PROPERTY TAXES</b>				
Current taxes	\$ 34,254,088	\$ 34,254,088	\$ 33,190,939	\$ (1,063,149)
Prior years' taxes	770,000	770,000	844,111	74,111
Supplemental motor vehicle	300,000	300,000	366,641	66,641
Tax interest	300,000	300,000	398,260	98,260
Lien fees	11,000	11,000	13,157	2,157
Airplane tax	1,890	1,890	1,870	(20)
Phone access - SNETCO	70,984	70,984	50,864	(20,120)
Remediation financing	(150,595)	(150,595)	(150,595)	-
Total property taxes	<u>35,557,367</u>	<u>35,557,367</u>	<u>34,715,247</u>	<u>(842,120)</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
State-owned property	179,104	179,104	149,332	(29,772)
Elderly tax relief	154,283	154,283	-	(154,283)
Disability exception	4,602	4,602	4,162	(440)
Property tax abatement	175,000	175,000	-	(175,000)
Veterans' exemption	12,146	12,146	11,665	(481)
Connecticard	6,000	6,000	5,892	(108)
Adult education	105,609	105,609	107,887	2,278
Mashantucket Pequot fund	139,384	139,384	139,384	-
Hold Harmless Grant	-	-	706,717	706,717
Education equalization grant	10,564,961	15,600,223	15,267,576	(332,647)
Vocational agriculture	396,554	396,554	440,616	44,062
Nonpublic school - health services	14,737	14,737	25,843	11,106
Municipal revenue sharing	552,177	552,177	174,037	(378,140)
Total intergovernmental revenues	<u>12,304,557</u>	<u>17,339,819</u>	<u>17,033,111</u>	<u>(306,708)</u>
<b>LICENSES, PERMITS AND FEES</b>				
Building permit fees	168,000	168,000	366,646	198,646
Planning and zoning permits	18,000	18,000	20,611	2,611
Other permits	9,000	9,000	9,581	581
Library fines and fees	13,500	13,500	15,297	1,797
Animal control fines and fees	500	500	735	235
Alarm Reg Fees and Fines	-	-	6,175	6,175
Total licenses, permits and fees	<u>209,000</u>	<u>209,000</u>	<u>419,045</u>	<u>210,045</u>

*(Continued)*

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>CHARGES FOR SERVICES</b>				
Town clerk receipts	\$ 156,000	\$ 156,000	\$ 171,007	\$ 15,007
Conveyance tax	125,000	125,000	192,660	67,660
Elderly housing services	19,035	19,035	16,993	(2,042)
Recreation department	121,500	121,500	123,434	1,934
District Collections	13,791	13,791	13,774	(17)
Tuition	2,526,118	2,526,118	2,802,913	276,795
Total charges for services	<u>2,961,444</u>	<u>2,961,444</u>	<u>3,320,781</u>	<u>359,337</u>
<b>USE OF MONEY AND PROPERTY</b>				
Investment income	75,000	75,000	132,119	57,119
Sewer plant lease	44,449	44,449	42,671	(1,778)
Communications tower lease	109,000	109,000	107,666	(1,334)
Total use of money and property	<u>228,449</u>	<u>228,449</u>	<u>282,456</u>	<u>54,007</u>
<b>MISCELLANEOUS</b>				
School capital contributions	231,879	231,879	259,129	27,250
Miscellaneous	85,000	85,000	182,298	97,298
Total miscellaneous	<u>316,879</u>	<u>316,879</u>	<u>441,427</u>	<u>124,548</u>
Total revenues	<u>51,577,696</u>	<u>56,612,958</u>	<u>56,212,067</u>	<u>(400,891)</u>
<b>OTHER FINANCING SOURCES</b>				
Appropriation from assigned fund balance	-	17,664	-	(17,664)
Appropriation from unassigned fund balance	800,000	1,214,937	-	(1,214,937)
Transfers in:				
Sewer Operating Fund	932,774	932,774	913,001	(19,773)
Louisa E. Day	60	60	109	49
Thomas J. Evans	30	30	38	8
Total other financing sources	<u>1,732,864</u>	<u>2,165,465</u>	<u>913,148</u>	<u>(1,252,317)</u>
Total revenues and other financing sources	<u>\$ 53,310,560</u>	<u>\$ 58,778,423</u>	<u>\$ 57,125,215</u>	<u>\$ (1,653,208)</u> <i>(Concluded)</i>

*See notes to required supplementary information.*

**TOWN OF KILLINGLY, CONNECTICUT**  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -  
BUDGETARY BASIS - GENERAL FUND (UNAUDITED) *(Continued)*  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>GENERAL GOVERNMENT</b>				
Town Council:				
Personnel services	\$ 6,750	\$ 6,750	\$ 6,688	\$ (62)
Contractual services	36,600	36,600	31,538	(5,062)
Material and supplies	1,000	1,000	856	(144)
Total Town Council	<u>44,350</u>	<u>44,350</u>	<u>39,082</u>	<u>(5,268)</u>
Town Manager:				
Personnel services	326,465	326,465	234,307	(92,158)
Contractual services	27,140	27,140	23,593	(3,547)
Material and supplies	2,500	2,500	2,467	(33)
Total Town Manager	<u>356,105</u>	<u>356,105</u>	<u>260,367</u>	<u>(95,738)</u>
Legal Services:				
Contractual services	<u>93,737</u>	<u>93,737</u>	<u>35,975</u>	<u>(57,762)</u>
Total legal services	<u>93,737</u>	<u>93,737</u>	<u>35,975</u>	<u>(57,762)</u>
Town Clerk:				
Personnel services	141,480	145,215	145,210	(5)
Contractual services	27,925	29,125	29,119	(6)
Material and supplies	1,800	1,800	1,759	(41)
Total Town Clerk	<u>171,205</u>	<u>176,140</u>	<u>176,088</u>	<u>(52)</u>
Finance:				
Personnel services	201,955	222,619	222,605	(14)
Contractual services	60,900	59,700	54,790	(4,910)
Material and supplies	1,800	1,800	1,619	(181)
Total finance	<u>264,655</u>	<u>284,119</u>	<u>279,014</u>	<u>(5,105)</u>
Assessor:				
Personnel services	157,610	159,925	143,002	(16,923)
Contractual services	14,080	14,080	7,708	(6,372)
Materials and supplies	1,500	1,500	1,448	(52)
Total Assessor	<u>173,190</u>	<u>175,505</u>	<u>152,158</u>	<u>(23,347)</u>
Revenue Collection:				
Personnel services	181,830	187,885	187,882	(3)
Contractual services	36,990	34,210	31,533	(2,677)
Material and supplies	2,300	2,300	1,713	(587)
Total revenue collection	<u>221,120</u>	<u>224,395</u>	<u>221,128</u>	<u>(3,267)</u>

*(Continued)*

*See notes to required supplementary information.*

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>GENERAL GOVERNMENT (Continued)</b>				
Registration and Elections:				
Personnel services	\$ 60,344	\$ 60,344	\$ 30,793	\$ (29,551)
Contractual services	16,950	16,950	11,146	(5,804)
Material and supplies	500	500	437	(63)
Total registration and elections	<u>77,794</u>	<u>77,794</u>	<u>42,376</u>	<u>(35,418)</u>
Town Boards and Commissions:				
Contractual services	72,729	72,729	67,076	(5,653)
Total town boards and commissions	<u>72,729</u>	<u>72,729</u>	<u>67,076</u>	<u>(5,653)</u>
Planning and Development:				
Personnel services	213,620	217,000	216,992	(8)
Contractual services	6,350	5,270	4,976	(294)
Material and supplies	2,350	3,775	3,773	(2)
Total planning and development	<u>222,320</u>	<u>226,045</u>	<u>225,741</u>	<u>(304)</u>
Data Processing:				
Contractual services	170,400	170,400	143,947	(26,453)
Total data processing	<u>170,400</u>	<u>170,400</u>	<u>143,947</u>	<u>(26,453)</u>
Town Hall:				
Contractual services	89,250	89,250	60,746	(28,504)
Material and supplies	5,000	5,000	4,394	(606)
Total town hall	<u>94,250</u>	<u>94,250</u>	<u>65,140</u>	<u>(29,110)</u>
Economic Development:				
Personnel services	120,130	122,545	122,492	(53)
Contractual services	7,740	9,480	9,477	(3)
Material and supplies	700	700	360	(340)
Total economic development	<u>128,570</u>	<u>132,725</u>	<u>132,329</u>	<u>(396)</u>
Total general government	<u>2,090,425</u>	<u>2,128,294</u>	<u>1,840,421</u>	<u>(287,873)</u>
<b>PUBLIC WORKS</b>				
Supervision:				
Personnel services	180,175	184,105	184,102	(3)
Contractual services	12,240	10,840	10,810	(30)
Material and supplies	750	520	345	(175)
Total supervision	<u>193,165</u>	<u>195,465</u>	<u>195,257</u>	<u>(208)</u>

*(Continued)*

*See notes to required supplementary information.*

**TOWN OF KILLINGLY, CONNECTICUT**  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -  
BUDGETARY BASIS - GENERAL FUND (UNAUDITED) *(Continued)*  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>PUBLIC WORKS <i>(Continued)</i></b>				
Engineering:				
Personnel services	\$ 321,945	\$ 324,750	\$ 314,865	\$ (9,885)
Contractual services	21,270	21,270	6,299	(14,971)
Material and supplies	3,600	3,600	2,772	(828)
Total engineering	<u>346,815</u>	<u>349,620</u>	<u>323,936</u>	<u>(25,684)</u>
Central Garage:				
Personnel services	219,300	219,300	218,476	(824)
Contractual services	109,150	109,150	107,803	(1,347)
Material and supplies	257,500	257,500	219,595	(37,905)
Total central garage	<u>585,950</u>	<u>585,950</u>	<u>545,874</u>	<u>(40,076)</u>
Highways:				
Personnel services	802,800	788,019	788,019	-
Contractual services	62,250	62,031	62,031	-
Material and supplies	259,000	246,893	246,893	-
Capital Outlay	6,000	5,900	5,900	-
Total highways	<u>1,130,050</u>	<u>1,102,843</u>	<u>1,102,843</u>	<u>-</u>
Winter Maintenance:				
Personnel services	115,000	128,575	128,575	-
Contractual services	9,000	7,518	7,518	-
Material and supplies	244,000	229,397	229,397	-
Total winter maintenance	<u>368,000</u>	<u>365,490</u>	<u>365,490</u>	<u>-</u>
Total public works	<u>2,623,980</u>	<u>2,599,368</u>	<u>2,533,400</u>	<u>(65,968)</u>
<b>RECREATION AND LEISURE</b>				
Recreation:				
Personnel services	376,100	378,750	375,261	(3,489)
Contractual services	51,250	51,250	49,360	(1,890)
Material and supplies	22,500	22,500	17,950	(4,550)
Total recreation	<u>449,850</u>	<u>452,500</u>	<u>442,571</u>	<u>(9,929)</u>
Park Development and Maintenance:				
Personnel services	168,300	168,300	139,392	(28,908)
Contractual services	59,050	59,050	49,586	(9,464)
Material and supplies	43,200	43,200	37,443	(5,757)
Capital outlay	8,525	8,525	8,525	-
Total park development and maintenance	<u>279,075</u>	<u>279,075</u>	<u>234,946</u>	<u>(44,129)</u>
Public Library:				
Personnel services	388,812	399,857	399,854	(3)
Contractual services	140,650	131,310	118,044	(13,266)
Material and supplies	10,800	12,260	12,257	(3)
Total public library	<u>540,262</u>	<u>543,427</u>	<u>530,155</u>	<u>(13,272)</u>

*(Continued)*

See notes to required supplementary information.

**TOWN OF KILLINGLY, CONNECTICUT**  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -  
BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Continued)  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>RECREATION AND LEISURE (Continued)</b>				
Special Communities Activities:				
Contractual services	\$ 3,625	\$ 3,625	\$ 3,625	\$ -
Total special communities activities	<u>3,625</u>	<u>3,625</u>	<u>3,625</u>	<u>-</u>
Community Center:				
Contractual services	102,230	102,230	83,940	(18,290)
Material and supplies	9,800	9,800	6,387	(3,413)
Total community center	<u>112,030</u>	<u>112,030</u>	<u>90,327</u>	<u>(21,703)</u>
Other Town Buildings:				
Contractual services	20,870	20,870	10,675	(10,195)
Material and supplies	750	750	724	(26)
Total other town buildings	<u>21,620</u>	<u>21,620</u>	<u>11,399</u>	<u>(10,221)</u>
Total recreation and leisure	<u>1,406,462</u>	<u>1,412,277</u>	<u>1,313,023</u>	<u>(99,254)</u>
<b>PUBLIC SAFETY</b>				
Building Inspector:				
Personnel services	209,340	212,040	212,035	(5)
Contractual services	7,740	6,750	6,588	(162)
Material and supplies	5,050	4,150	3,830	(320)
Total building inspector	<u>222,130</u>	<u>222,940</u>	<u>222,453</u>	<u>(487)</u>
Animal Control:				
Contractual services	53,963	53,963	53,963	-
Material and supplies	100	100	57	(43)
Total animal control	<u>54,063</u>	<u>54,063</u>	<u>54,020</u>	<u>(43)</u>
Law Enforcement:				
Personnel services	312,000	312,000	133,919	(178,081)
Contractual services	690,132	690,132	632,784	(57,348)
Material and supplies	10,700	10,700	1,840	(8,860)
Capital outlay	38,000	-	-	-
Total law enforcement	<u>1,050,832</u>	<u>1,012,832</u>	<u>768,543</u>	<u>(244,289)</u>
Total public safety	<u>1,327,025</u>	<u>1,289,835</u>	<u>1,045,016</u>	<u>(244,819)</u>
<b>COMMUNITY DEVELOPMENT AND HUMAN SERVICES</b>				
Community Development:				
Personnel services	93,745	95,705	95,701	(4)
Contractual services	400	400	375	(25)
Material and supplies	6,400	5,825	2,828	(2,997)
Total community development	<u>100,545</u>	<u>101,930</u>	<u>98,904</u>	<u>(3,026)</u>

(Continued)

See notes to required supplementary information.

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (UNAUDITED) (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>COMMUNITY DEVELOPMENT AND HUMAN SERVICES (Continued)</b>				
Human Services Subsidies:				
Contractual services	\$ 451,573	\$ 454,758	\$ 454,755	\$ (3)
Total human service subsidies	<u>451,573</u>	<u>454,758</u>	<u>454,755</u>	<u>(3)</u>
Total community development and human services	<u>552,118</u>	<u>556,688</u>	<u>553,659</u>	<u>(3,029)</u>
<b>BOARD OF EDUCATION</b>				
Board of Education	43,197,374	43,819,683	42,498,483	(1,321,200)
Special Education Reimbursement	(5,657,571)	(622,309)	-	622,309
Total board of education	<u>37,539,803</u>	<u>43,197,374</u>	<u>42,498,483</u>	<u>(698,891)</u>
<b>MISCELLANEOUS</b>				
Employee benefits - contractual services	1,624,339	1,621,154	1,426,802	(194,352)
Insurance - contractual services	791,698	791,698	745,458	(46,240)
Contingencies	260,000	226,680	69,377	(157,303)
Teachers' Retirement Contribution - State	800,000	177,691	-	(177,691)
Total miscellaneous	<u>3,476,037</u>	<u>2,817,223</u>	<u>2,241,637</u>	<u>(575,586)</u>
<b>DEBT SERVICE</b>				
Principal payments	2,106,063	2,106,063	2,106,063	-
Interest and fiscal charges	1,007,076	1,007,076	1,007,077	1
Debt issuance costs	30,000	30,000	-	(30,000)
Total debt service	<u>3,143,139</u>	<u>3,143,139</u>	<u>3,113,140</u>	<u>(29,999)</u>
Total expenditures	<u>52,158,989</u>	<u>57,144,198</u>	<u>55,138,779</u>	<u>(2,005,419)</u>
<b>OTHER FINANCING USES</b>				
Transfers out:				
Capital reserve fund	25,000	25,000	25,000	-
Capital projects fund	29,088	29,088	29,088	-
Capital nonrecurring fund	414,682	414,682	414,682	-
Demolition & Relocation Reserve	10,000	10,000	10,000	-
Solid waste fund	255,191	255,191	255,191	-
Revaluation fund	75,000	75,000	75,000	-
Reserve for Dam Maintenance	10,000	10,000	10,000	-
Reserve for Negotiation of PILOT	5,000	5,000	5,000	-
Reserve for Constabulary	-	38,000	38,000	-
Reserve for Winter Maintenance	-	29,717	29,717	-
Reserve for Plan of Conservation & Development	10,000	10,000	10,000	-
Bridge Maintenance fund	25,000	25,000	25,000	-
Unexpended Education Fund	-	414,937	414,937	-
Education capital nonrecurring fund	292,610	292,610	292,610	-
Total other financing uses	<u>1,151,571</u>	<u>1,634,225</u>	<u>1,634,225</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 53,310,560</u>	<u>\$ 58,778,423</u>	<u>\$ 56,773,004</u>	<u>\$ (2,005,419)</u>
				<i>(Concluded)</i>

See notes to required supplementary information.



**TOWN OF KILLINGLY, CONNECTICUT**  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - BUDGETARY BASIS - SEWER OPERATING FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2018

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Sewer use - current	\$ 4,440,844	\$ 4,440,844	\$ 3,955,093	\$ (485,751)
Sewer use interest	40,000	40,000	98,700	58,700
Investment income	8,000	8,000	526	(7,474)
Other	1,000	1,000	12	(988)
Total revenues	<u>4,489,844</u>	<u>4,489,844</u>	<u>4,054,331</u>	<u>(435,513)</u>
<b>EXPENDITURES</b>				
Contractual services	3,759,521	3,759,521	3,579,205	(180,316)
Materials and supplies	250	250	107	(143)
Total expenditures	<u>3,759,771</u>	<u>3,759,771</u>	<u>3,579,312</u>	<u>(180,459)</u>
Excess of revenues over expenditures	730,073	730,073	475,019	(255,054)
<b>OTHER FINANCING USES</b>				
Transfers out:				
Capital Projects Fund	(570,500)	(570,500)	(260,500)	310,000
Capital and Nonrecurring Fund	(159,498)	(159,498)	(159,498)	-
General Fund	-	-	(35,227)	(35,227)
Total other financing uses	<u>(729,998)</u>	<u>(729,998)</u>	<u>(455,225)</u>	<u>274,773</u>
Net change in fund balance	<u>\$ 75</u>	<u>\$ 75</u>	<u>\$ 19,794</u>	<u>\$ 19,719</u>

*See notes to required supplementary information.*

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET PENSION ASSET**  
**TOWN GENERAL PENSION PLAN (UNAUDITED)**  
**LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>					
Service cost	\$ 177,335	\$ 156,852	\$ 151,064	\$ 141,320	\$ 135,885
Interest	407,887	389,320	379,873	383,339	371,582
Change in benefit terms	-	86,649	-	-	-
Differences between expected and actual experience	(137,777)	(192,012)	(18,660)	(232,264)	-
Changes of assumptions	(41,312)	172,613	-	19,712	-
Benefit payments, including refunds	(381,162)	(356,557)	(408,800)	(335,201)	(354,345)
Net change in total pension liability	24,971	256,865	103,477	(23,094)	153,122
Total pension liability - beginning	5,836,980	5,580,115	5,476,638	5,499,732	5,346,610
Total pension liability - ending	<u>5,861,951</u>	<u>5,836,980</u>	<u>5,580,115</u>	<u>5,476,638</u>	<u>5,499,732</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	142,943	130,480	122,206	161,874	157,123
Contributions - members	115,945	103,887	89,141	70,131	73,359
Net investment income	456,239	638,680	41,604	251,939	831,581
Benefit payments, including refunds	(381,162)	(356,557)	(408,800)	(335,201)	(354,345)
Administrative expense	(58,596)	(58,614)	(51,870)	(59,335)	(52,818)
Net change in plan fiduciary net position	275,369	457,876	(207,719)	89,408	654,900
Plan fiduciary net position - beginning	6,100,247	5,642,371	5,850,090	5,760,682	5,105,782
Plan fiduciary net position - ending	<u>6,375,616</u>	<u>6,100,247</u>	<u>5,642,371</u>	<u>5,850,090</u>	<u>5,760,682</u>
Town's net pension asset	<u>\$ (513,665)</u>	<u>\$ (263,267)</u>	<u>\$ (62,256)</u>	<u>\$ (373,452)</u>	<u>\$ (260,950)</u>
Plan fiduciary net position as a percentage of total pension liability	108.76%	104.51%	101.12%	106.82%	104.74%
Covered payroll	\$ 2,810,987	\$ 2,459,376	\$ 2,267,863	\$ 2,268,575	\$ 2,160,000
Town's net pension asset as a percentage of covered payroll	-18.27%	-10.70%	-2.75%	-16.46%	-12.08%

*See notes to required supplementary information.*

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS**  
**TOWN GENERAL PENSION PLAN (UNAUDITED)**  
**LAST FIVE FISCAL YEARS**

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	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 142,943	\$ 130,480	\$ 122,206	\$ 161,874	\$ 157,123
Contributions in relation to the actuarially determined contribution	<u>142,943</u>	<u>130,480</u>	<u>122,206</u>	<u>161,874</u>	<u>157,123</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,810,987	\$ 2,459,376	\$ 2,267,863	\$ 2,268,575	\$ 2,160,000
Contributions as a percentage of covered payroll	5.09%	5.31%	5.39%	7.14%	7.27%
Annual money-weighted rate of return, net of investment expense	7.63%	6.98%	0.73%	4.49%	16.74%

*See notes to required supplementary information.*

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)**  
**LAST FOUR FISCAL YEARS**  
**(Rounded to the Nearest Thousand)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the Town	0.386%	0.386%	0.407%	0.407%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>52,065,000</u>	<u>54,929,000</u>	<u>44,695,000</u>	<u>41,312,000</u>
Total	<u>\$ 52,065,000</u>	<u>\$ 54,929,000</u>	<u>\$ 44,695,000</u>	<u>\$ 41,312,000</u>
Town's covered payroll	\$ 16,102,000	\$ 15,396,000	\$ 15,862,000	\$ 15,812,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	55.93%	52.26%	59.50%	61.51%

*See notes to required supplementary information.*

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY**  
**OTHER POST-EMPLOYMENT BENEFITS PROGRAMS (UNAUDITED)**  
**LAST TWO FISCAL YEARS**

	<u>2018</u>	<u>2017</u>
<b>Total OPEB liability</b>		
Service cost	\$ 116,706	\$ 130,479
Interest	301,922	273,107
Changes in benefit terms	314,651	-
Differences between expected and actual experience	429,578	(75,925)
Changes of assumptions	(396,818)	(545,846)
Benefit payments, including refunds	(41,803)	(93,469)
Net change in total OPEB liability	<u>724,236</u>	<u>(311,654)</u>
Total OPEB liability - beginning	<u>6,828,798</u>	<u>7,140,452</u>
Total OPEB liability - ending	<u>7,553,034</u>	<u>6,828,798</u>
<b>Plan fiduciary net position</b>		
Contributions - employer	(2,481)	57,031
Contributions - TRB subsidy	54,284	53,177
Net investment income	52,347	73,544
Benefit payments, including refunds	(41,803)	(93,469)
Administrative expense	(1,500)	-
Net change in plan fiduciary net position	<u>60,847</u>	<u>90,283</u>
Plan fiduciary net position - beginning	<u>644,830</u>	<u>554,547</u>
Plan fiduciary net position - ending	<u>705,677</u>	<u>644,830</u>
 Town's net OPEB liability	 <u>\$ 6,847,357</u>	 <u>\$ 6,183,968</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 9.34%	 9.44%
 Covered employee payroll	 \$ 18,470,668	 \$ 15,954,000
 Town's net OPEB liability as a percentage of covered employee payroll	 37.07%	 38.76%

*See notes to required supplementary information.*

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS**  
**OTHER POST-EMPLOYMENT BENEFIT PROGRAMS (UNAUDITED)**  
**LAST TWO FISCAL YEARS**

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	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 519,900	\$ 515,900
Contributions in relation to the actuarially determined contribution	<u>(2,481)</u>	<u>57,031</u>
Contribution deficiency	<u>\$ 522,381</u>	<u>\$ 458,869</u>
Covered employee payroll	\$ 18,470,668	\$ 15,954,000
Contributions as a percentage of covered employee payroll	-0.01%	0.36%
Annual money-weighted rate of return, net of investment expense	8.08%	6.55%

*See notes to required supplementary information.*

**TOWN OF KILLINGLY, CONNECTICUT**  
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM (UNAUDITED)  
 LAST FISCAL YEAR  
 (Rounded to the Nearest Thousand)

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	<b>2018</b>
Proportion of the net OPEB liability attributed to the Town	0.386%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>13,401,000</u>
Total	<u><u>\$ 13,401,000</u></u>
Town's covered employee payroll	\$ 16,102,000
Town's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	0.0%
Plan fiduciary net position as a percentage of the total OPEB liability	1.79%

*See notes to required supplementary information.*

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND AND SEWER OPERATING FUND**

**Budgetary Information**

The Town adheres to the following procedures in establishing the budgetary data included in the General Fund and Sewer Operating Fund financial statements.

- Each department, office, board or commission of the Town (including the Board of Education) shall submit to the Town Manager a detailed estimate of expenditures and anticipated revenues for the ensuing fiscal year by March 15.
- On or before April 1, the Town Manager submits a balanced budget and budget message to the Town Council based upon requests submitted by the various Town departments.
- By April 15, the Town Council submits the proposed operating budget to one or more public hearings, at which taxpayer comments are obtained. The budget includes proposed expenditures and the means of financing them. The Town Council recommends the budget, as revised, for adoption at the annual Town meeting on the second Monday in May.
- The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is at the functional level within a department as prescribed by Town Charter. Management is not authorized to make budgetary transfers. The Town Council, in accordance with the provisions of the Charter and Connecticut General Statutes, is authorized to transfer unexpended balances from one appropriation to another. Additional appropriations up to one percent of the immediately prior year's operating budget, excluding public school education may be approved by the Town Council. Those in excess of this amount must be approved at a Town Meeting. Additional appropriations were authorized from fund balance for the General Fund during the year in the amount of \$432,601. There were no additional appropriations for the Sewer Operating Fund.
- The Department of Education is not a separate legal entity, but a separate function of the Town. Its Board is authorized under State law to make any transfers required within their budget at their discretion. Any additional appropriations must have Town Council approval and, if necessary, approval at a public hearing or referendum.
- Formal budgetary integration is employed as a management control device during the year. Formal budgetary integration is not employed in Capital Projects or Special Revenue Funds (with the exception of the Sewer Operating Fund) because budgetary control is alternatively achieved by constraints imposed by the project authorization or grant awards related to these funds.
- 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 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. Generally, all unexpended appropriations lapse at year-end, except those for the Capital Projects Funds and certain Special Revenue Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.



**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

**NOTE 1 - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND AND SEWER OPERATING FUND *(Continued)***

**Budgetary Information *(Continued)***

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ significantly 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, 2018:

	<u>Total</u>	<u>Total</u>	<u>Other</u>	<u>Net Change</u>
	<u>Revenues</u>	<u>Expenditures</u>	<u>Financing Uses -</u>	<u>In Fund</u>
			<u>Transfers, Net</u>	<u>Balance</u>
Budgetary basis	\$ 56,212,067	\$ 55,138,779	\$ (721,077)	\$ 352,211
"On-behalf" payments -				
State Teachers' Retirement				
Fund	3,979,694	3,979,694	-	-
Encumbrances outstanding:				
June 30, 2017	-	850,889	-	(850,889)
June 30, 2018	-	(406,207)	-	406,207
Intergovernmental grants netted				
against expenditures	1,224,490	1,224,490	-	-
Capital lease not recorded for				
budgetary purposes	-	1,057,880	1,057,880	-
To reclassify debt service relating				
to loan payable	150,595	150,595	-	-
Budgetary perspective differences -				
funds combined for GAAP financial				
reporting purposes	84,986	281,035	617,657	421,608
Reclassification of transfers	-	(472,932)	(472,932)	-
GAAP basis	<u>\$ 61,651,832</u>	<u>\$ 61,804,223</u>	<u>\$ 481,528</u>	<u>\$ 329,137</u>

A reconciliation of Sewer Operating Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2018:

	<u>Total</u>	<u>Total</u>	<u>Other</u>	<u>Net Change</u>
	<u>Revenues</u>	<u>Expenditures</u>	<u>Financing Uses -</u>	<u>In Fund</u>
			<u>Transfers, Net</u>	<u>Balance</u>
Budgetary basis	\$ 4,054,331	\$ 3,579,310	\$ (455,225)	\$ 19,796
Reclassification of transfers	-	(877,774)	(877,774)	-
GAAP basis	<u>\$ 4,054,331</u>	<u>\$ 2,701,536</u>	<u>\$ (1,332,999)</u>	<u>\$ 19,796</u>

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 2 - SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY - TOWN PENSION PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every year with the most recent available actuarial valuation performed as of July 1, 2017. The total pension liability was determined by a projected actuarial valuation as of June 30, 2018.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The following assumption changes had a significant effect on the calculation of the Town's total pension liability calculated as June 30, 2018:

- The RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017 was utilized, previously the table utilized was the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scape MP-2016.

**NOTE 3 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - TOWN PENSION PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, in fiscal year 2014. GASB Statement No. 67 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarially determined contributions rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2018:

Actuarial cost method:	Entry Age Normal Actuarial Cost Method
Remaining amortization period:	20 years, open
Asset valuation method:	5-year Smoothed Market Value
Inflation:	2.60%
Investment rate of return, including inflation:	7.00%
Salary increases, including inflation:	3.60% compounded annually
Retirement age:	Age 65 with one year of service
Mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 4 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CONNECTICUT STATE TEACHER'S RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, in fiscal year 2015. GASB Statement No. 68 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total pension liability.

*Assumption Changes* - The following assumption changes had a significant effect on the measurement of the total pension liability measured as of June 30, 2016 and reported as of June 30, 2018:

- the inflation assumption was reduced from 3.00% to 2.75%,
- the 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 payroll growth assumption was reduced from 3.75% to 3.25%, and
- various demographic assumption changes including the utilization of the RPH-2014 mortality tables.

**NOTE 5 - SCHEDULE OF CHANGES IN NET OPEB LIABILITY - OTHER-POST EMPLOYMENT BENEFITS PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in fiscal year 2017. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of July 1, 2017. The July 1, 2017 was increased by service cost and interest and decreased by benefit payments to calculate the total OPEB liability as of June 30, 2018.

*Benefit Changes* - There have been no benefit term changes that have had a significant effect on the measurement of the Town's total OPEB liability.

*Assumption Changes* - There have been no assumption changes that have had a significant effect on the measurement of the Town's total OPEB liability.

**TOWN OF KILLINGLY, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

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**NOTE 6 - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - OTHER-POST EMPLOYMENT BENEFITS PLAN**

The Town began to report this schedule when it implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, in fiscal year 2017. GASB Statement No. 74 requires the information within this schedule to be presented for the ten most recent fiscal years.

The July 1, 2017 Actuarial Valuation directly calculated the July 1, 2017 Total OPEB Liability (TOL). The July 1, 2017 TOL was increased by service cost and interest and decreased by benefit payments to estimate the TOL as of June 30, 2018.

The following methods and assumptions were utilized to determine the contribution rates for the year ended June 30, 2018:

Actuarial cost method:	Entry Age Normal Actuarial Cost Method
Remaining amortization period:	30 years, open
Asset valuation method:	Market value
Inflation:	2.60%
Investment rate of return:	4.57%
Healthcare cost trend rates:	7.00% current 4.60% final
Mortality:	RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to valuation date with Scale MP-2017

**NOTE 7 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

The Town began to report this schedule when it implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, in fiscal year 2018. GASB Statement No. 75 requires the information within this schedule to be presented for the ten most recent fiscal years.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2016. The June 30, 2016 actuarial valuation was rolled forward to the most recent measurement date of June 30, 2017. This information is utilized by the Town for reporting as of June 30, 2018.

*Benefit Changes* - There have been no changes in benefit terms that have had a significant effect on the measurement of the total OPEB liability.

*Assumption Changes* - There have been no changes in assumptions that have had a significant effect on the measurement of the total OPEB liability.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**GENERAL FUND**

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**TOWN OF KILLINGLY, CONNECTICUT**  
**COMBINING BALANCE SHEET - GENERAL FUND ACCOUNTS**  
**JUNE 30, 2018**

	<b>General Fund</b>	<b>Water Utility</b>	<b>Revaluation</b>	<b>Insurance Reserve</b>	<b>Community Employment Incentive</b>	<b>Water Mitigation</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$19,017,640	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	3,227,176	-	-	-	-	-
Receivables:						
Property taxes, net	1,627,912	-	-	-	-	-
Grants and contracts	113,901	-	-	-	-	-
Other	438,379	-	-	-	-	-
Due from other funds	1,480,564	1,167,432	229,560	301,652	7,687	75,040
Other assets	138,009	-	-	-	-	-
Total assets	<u>\$26,043,581</u>	<u>\$ 1,167,432</u>	<u>\$ 229,560</u>	<u>\$ 301,652</u>	<u>\$ 7,687</u>	<u>\$ 75,040</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,651,411	\$ -	\$ 7,200	\$ -	\$ -	\$ -
Accrued liabilities:						
Salaries and benefits payable	87,423	-	-	-	-	-
Other accrued liabilities	10,369	-	-	-	-	-
Due to other funds	11,948,400	-	-	-	-	-
Unearned revenue	8,998	-	-	-	-	-
Total liabilities	<u>13,706,601</u>	<u>-</u>	<u>7,200</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	<u>1,519,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Committed	-	-	222,360	-	7,687	-
Assigned	1,830,970	1,167,432	-	301,652	-	75,040
Unassigned	8,986,061	-	-	-	-	-
Total fund balances	<u>10,817,031</u>	<u>1,167,432</u>	<u>222,360</u>	<u>301,652</u>	<u>7,687</u>	<u>75,040</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$26,043,581</u>	<u>\$ 1,167,432</u>	<u>\$ 229,560</u>	<u>\$ 301,652</u>	<u>\$ 7,687</u>	<u>\$ 75,040</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
**COMBINING BALANCE SHEET - GENERAL FUND ACCOUNTS (Continued)**  
**JUNE 30, 2018**

	<b>Planning and Conservation</b>	<b>Demo and Relocation</b>	<b>Tercentennial</b>	<b>Civil War Monument</b>	<b>Unexpended Education Fund</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 891	\$ 778,241
Investments	-	-	-	2,900	-
Receivables:					
Property taxes, net	-	-	-	-	-
Grants and contracts	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	80,488	22,888	2,000	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 80,488</u>	<u>\$ 22,888</u>	<u>\$ 2,000</u>	<u>\$ 3,791</u>	<u>\$ 778,241</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities:					
Salaries and benefits payable	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	-	-	-	-	-
<b>FUND BALANCES</b>					
Committed	80,488	22,888	2,000	3,791	-
Assigned	-	-	-	-	778,241
Unassigned	-	-	-	-	-
Total fund balances	<u>80,488</u>	<u>22,888</u>	<u>2,000</u>	<u>3,791</u>	<u>778,241</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 80,488</u>	<u>\$ 22,888</u>	<u>\$ 2,000</u>	<u>\$ 3,791</u>	<u>\$ 778,241</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*



**TOWN OF KILLINGLY, CONNECTICUT**  
**COMBINING BALANCE SHEET - GENERAL FUND ACCOUNTS (Continued)**  
**JUNE 30, 2018**

	<u>Maintenance of Dams</u>	<u>Reserve for Constabulary</u>	<u>Reserve for Negotiation PILOT</u>	<u>Rate Stabilization</u>	<u>Winter Maintenance</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables:					
Property taxes, net	-	-	-	-	-
Grants and contracts	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	20,000	54,215	15,000	650,000	48,709
Other assets	-	-	-	-	-
Total assets	<u>\$ 20,000</u>	<u>\$ 54,215</u>	<u>\$ 15,000</u>	<u>\$ 650,000</u>	<u>\$ 48,709</u>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 130	\$ -	\$ -	\$ -
Accrued liabilities:					
Salaries and benefits payable	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	<u>-</u>	<u>130</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	-	-	-	-	-
<b>FUND BALANCES</b>					
Committed	20,000	-	-	-	-
Assigned	-	54,085	15,000	650,000	48,709
Unassigned	-	-	-	-	-
Total fund balances	<u>20,000</u>	<u>54,085</u>	<u>15,000</u>	<u>650,000</u>	<u>48,709</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,000</u>	<u>\$ 54,215</u>	<u>\$ 15,000</u>	<u>\$ 650,000</u>	<u>\$ 48,709</u>

*(Continued)*

See accompanying Independent Auditor's Report.

**TOWN OF KILLINGLY, CONNECTICUT**  
**COMBINING BALANCE SHEET - GENERAL FUND ACCOUNTS (Concluded)**  
**JUNE 30, 2018**

	<u>Economic Development</u>	<u>Fuel System</u>	<u>Kelp</u>	<u>Earl Chandler</u>	<u>Bridge Maintenance Fund</u>	<u>Eliminations</u>	<u>Combined General Fund</u>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 158,585	\$ 5,184	\$ 552	\$ 101	\$ -	\$ -	\$19,961,194
Investments	-	19,550	1,559	-	-	-	3,251,185
Receivables:							
Property taxes, net	-	-	-	-	-	-	1,627,912
Grants and contracts	-	-	-	-	-	-	113,901
Other	-	-	-	-	-	-	438,379
Due from other funds	-	-	-	-	25,000	(2,699,671)	1,480,564
Other assets	-	-	-	-	-	-	138,009
Total assets	<u>\$ 158,585</u>	<u>\$ 24,734</u>	<u>\$ 2,111</u>	<u>\$ 101</u>	<u>\$ 25,000</u>	<u>\$ (2,699,671)</u>	<u>\$27,011,144</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,658,741
Accrued liabilities:							
Salaries and benefits payable	-	-	-	-	-	-	87,423
Other accrued liabilities	-	-	-	-	-	-	10,369
Due to other funds	-	-	-	-	-	(2,699,671)	9,248,729
Unearned revenues	-	-	-	-	-	-	8,998
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,699,671)</u>	<u>11,014,260</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - property taxes	-	-	-	-	-	-	1,519,949
<b>FUND BALANCES</b>							
Committed	158,585	24,734	2,111	101	25,000	-	569,745
Assigned	-	-	-	-	-	-	4,921,129
Unassigned	-	-	-	-	-	-	8,986,061
Total fund balances	<u>158,585</u>	<u>24,734</u>	<u>2,111</u>	<u>101</u>	<u>25,000</u>	<u>-</u>	<u>14,476,935</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 158,585</u>	<u>\$ 24,734</u>	<u>\$ 2,111</u>	<u>\$ 101</u>	<u>\$ 25,000</u>	<u>\$ (2,699,671)</u>	<u>\$27,011,144</u>

*(Concluded)*

See accompanying Independent Auditor's Report.

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND ACCOUNTS  
 FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Water Utility	Revaluation	Insurance Reserve	Community Employment Incentive	Water Mitigation
<b>REVENUES</b>						
Property taxes	\$34,865,842	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	22,266,574	-	-	-	-	-
Licenses, permits and fees	419,045	-	-	-	-	-
Charges for services	3,320,761	-	-	-	-	-
Investment income	282,456	-	-	-	-	-
Other	412,168	-	-	76,193	-	-
Total revenues	<u>61,566,846</u>	<u>-</u>	<u>-</u>	<u>76,193</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,836,313	-	7,200	61,232	-	-
Public works	2,545,636	-	-	-	-	-
Recreation and leisure	1,305,591	-	-	-	-	-
Public safety	1,069,259	-	-	-	-	-
Community development and human services	553,659	-	-	-	-	-
Education	46,659,350	-	-	-	-	-
Other	2,268,194	-	-	-	-	-
Debt service:						
Principal payments	2,600,888	-	-	-	-	-
Interest and fiscal charges	1,083,087	-	-	-	-	-
Capital outlays	1,601,211	-	-	-	-	-
Total expenditures	<u>61,523,188</u>	<u>-</u>	<u>7,200</u>	<u>61,232</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	43,658	-	(7,200)	14,961	-	-
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital lease financing	1,057,880	-	-	-	-	-
Transfers in	913,148	-	75,000	-	-	-
Transfers out	(2,107,157)	-	-	-	-	-
Total other financing sources (uses)	<u>(136,129)</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(92,471)	-	67,800	14,961	-	-
Fund balances - beginning	<u>10,909,502</u>	<u>1,167,432</u>	<u>154,560</u>	<u>286,691</u>	<u>7,687</u>	<u>75,040</u>
Fund balances - ending	<u>\$10,817,031</u>	<u>\$ 1,167,432</u>	<u>\$ 222,360</u>	<u>\$ 301,652</u>	<u>\$ 7,687</u>	<u>\$ 75,040</u>

(Continued)

See accompanying Independent Auditor's Report.

**TOWN OF KILLINGLY, CONNECTICUT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND ACCOUNTS *(Continued)*  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Planning and Conservation</u>	<u>Demo and Relocation</u>	<u>Tercentennial</u>	<u>Civil War Monument</u>	<u>Unexpended Education Fund</u>
<b>REVENUES</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment income	-	-	-	48	-
Other	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>48</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
General government	384	-	-	-	-
Public works	-	-	-	-	-
Recreation and leisure	-	-	-	-	-
Public safety	-	-	-	-	-
Community development and human services	-	72,861	-	-	-
Education	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal payments	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlays	-	-	-	-	-
Total expenditures	<u>384</u>	<u>72,861</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(384)	(72,861)	-	48	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital lease financing	-	-	-	-	-
Transfers in	10,000	10,000	-	3	414,937
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>3</u>	<u>414,937</u>
Net changes in fund balances	9,616	(62,861)	-	51	414,937
Fund balances - beginning	<u>70,872</u>	<u>85,749</u>	<u>2,000</u>	<u>3,740</u>	<u>363,304</u>
Fund balances - ending	<u>\$ 80,488</u>	<u>\$ 22,888</u>	<u>\$ 2,000</u>	<u>\$ 3,791</u>	<u>\$ 778,241</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND ACCOUNTS *(Continued)*  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Maintenance of Dams</u>	<u>Reserve for Constabulary</u>	<u>Reserve for Negotiation PILOT</u>	<u>Rate Stabilization</u>	<u>Winter Maintenance</u>
<b>REVENUES</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment income	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public works	-	-	-	-	61,008
Recreation and leisure	-	-	-	-	-
Public safety	-	74,462	-	-	-
Community development and human services	-	-	-	-	-
Education	-	-	-	-	-
Other	-	-	-	-	-
Debt service:					
Principal payments	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlays	-	-	-	-	-
Total expenditures	<u>-</u>	<u>74,462</u>	<u>-</u>	<u>-</u>	<u>61,008</u>
Excess (deficiency) of revenues over expenditures	-	(74,462)	-	-	(61,008)
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital lease financing	-	-	-	-	-
Transfers in	10,000	38,000	5,000	-	29,717
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>10,000</u>	<u>38,000</u>	<u>5,000</u>	<u>-</u>	<u>29,717</u>
Net changes in fund balances	10,000	(36,462)	5,000	-	(31,291)
Fund balances - beginning	<u>10,000</u>	<u>90,547</u>	<u>10,000</u>	<u>650,000</u>	<u>80,000</u>
Fund balances - ending	<u>\$ 20,000</u>	<u>\$ 54,085</u>	<u>\$ 15,000</u>	<u>\$ 650,000</u>	<u>\$ 48,709</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND ACCOUNTS *(Concluded)*  
 FOR THE YEAR ENDED JUNE 30, 2018

	Economic Development	Fuel System	Kelp	Earl Chandler	Bridge Maintenance Fund	Eliminations	Combined General Fund
<b>REVENUES</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$34,865,842
Intergovernmental	-	-	-	-	-	-	22,266,574
Licenses, permits and fees	-	-	-	-	-	-	419,045
Charges for services	-	-	-	-	-	-	3,320,761
Investment income	-	296	-	-	-	-	282,800
Other	3,713	4,736	-	-	-	-	496,810
Total revenues	<u>3,713</u>	<u>5,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,651,832</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	-	-	1,905,129
Public works	-	3,388	-	-	-	-	2,610,032
Recreation and leisure	-	-	-	-	-	-	1,305,591
Public safety	-	-	-	-	-	-	1,143,721
Community development and human services	500	-	-	-	-	-	627,020
Education	-	-	-	-	-	-	46,659,350
Other	-	-	-	-	-	-	2,268,194
Debt service:							
Principal payments	-	-	-	-	-	-	2,600,888
Interest and fiscal charges	-	-	-	-	-	-	1,083,087
Capital outlays	-	-	-	-	-	-	1,601,211
Total expenditures	<u>500</u>	<u>3,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,804,223</u>
Excess (deficiency) of revenues over expenditures	3,213	1,644	-	-	-	-	(152,391)
<b>OTHER FINANCING SOURCES (USES)</b>							
Capital lease financing	-	-	-	-	-	-	1,057,880
Transfers in	-	-	-	-	25,000	(617,654)	913,151
Transfers out	-	-	-	-	-	617,654	(1,489,503)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>481,528</u>
Net changes in fund balances	3,213	1,644	-	-	25,000	-	329,137
Fund balances - beginning	<u>155,372</u>	<u>23,090</u>	<u>2,111</u>	<u>101</u>	<u>-</u>	<u>-</u>	<u>14,147,798</u>
Fund balances - ending	<u>\$ 158,585</u>	<u>\$ 24,734</u>	<u>\$ 2,111</u>	<u>\$ 101</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$14,476,935</u>

*(Concluded)*

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Grand List Year	Uncollected Taxes July 1, 2017	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2018
			Additions	Deletions			Taxes	Interest	Liens	
2016	\$ -	\$ 34,817,679	\$ 399,279	\$ 924,919	\$ 582	\$ 34,291,457	\$ 33,695,039	\$ 120,229	\$ 2,972	\$ 596,418
2015	748,879	-	4,366	16,378	1,467	735,400	505,070	100,050	5,979	230,330
2014	283,130	-	6,200	3,307	2,180	283,843	138,417	49,222	1,734	145,426
2013	184,017	-	797	7,184	9,250	168,380	75,346	36,621	894	93,034
2012	111,556	-	269	163	4,548	107,114	55,418	34,022	612	51,696
2011	74,100	-	178	-	3,047	71,231	28,068	20,920	354	43,163
2010	59,052	-	366	153	1,710	57,555	20,494	15,964	264	37,061
2009	34,772	-	430	153	1,095	33,954	14,384	13,818	270	19,570
2008	16,230	-	531	145	1,451	15,165	4,299	3,182	78	10,866
2007	9,278	-	340	-	869	8,749	357	619	-	8,392
2006	9,095	-	248	-	40	9,303	746	1,399	-	8,557
2005	3,066	-	870	341	8	3,587	595	1,212	-	2,992
2004	1,084	-	697	451	8	1,322	246	547	-	1,076
2003	970	-	894	758	7	1,099	136	331	-	963
2002	820	-	48	-	-	868	48	124	-	820
2001	157	-	-	3	154	-	-	-	-	-
	<u>\$ 1,536,206</u>	<u>\$ 34,817,679</u>	<u>\$ 415,513</u>	<u>\$ 953,955</u>	<u>\$ 26,416</u>	<u>\$ 35,789,027</u>	<u>\$ 34,538,663</u>	<u>\$ 398,260</u>	<u>\$ 13,157</u>	<u>\$ 1,250,364</u>

See accompanying Independent Auditor's Report.

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF DEBT LIMITATION**  
**CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)**  
**FOR THE YEAR ENDED JUNE 30, 2018**

Total cash collections for the year ended  
June 30, 2018:

Taxes	\$ 34,538,663
Interest and lien fees	411,417
Total	<u>34,950,080</u>

Reimbursement for revenue loss:  
Tax relief (CGS 12-129d)

	15,827
Base	<u>\$ 34,965,907</u>

	<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	\$ 78,673,291	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	157,346,582	-	-	-
3-3/4 times base	-	-	131,122,151	-	-
3-1/4 times base	-	-	-	113,639,198	-
3 times base	-	-	-	-	104,897,721
Total debt limitation	<u>78,673,291</u>	<u>157,346,582</u>	<u>131,122,151</u>	<u>113,639,198</u>	<u>104,897,721</u>
Indebtedness:					
Bonds payable	5,538,869	14,966,356	724,775	-	-
Clean Water Fund:					
Loans	-	-	7,539,247	-	-
Interim Funding Obligations	-	-	3,838,980	-	-
	<u>5,538,869</u>	<u>14,966,356</u>	<u>12,103,002</u>	<u>-</u>	<u>-</u>
Add: Authorized, unissued bonds	5,085,000	6,525,000	21,145,020	-	-
Less: Sewer assessments receivable	-	-	(282,894)	-	-
Total indebtedness	<u>10,623,869</u>	<u>21,491,356</u>	<u>33,530,916</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 68,049,422</u>	<u>\$ 135,855,226</u>	<u>\$ 97,591,235</u>	<u>\$ 113,639,198</u>	<u>\$ 104,897,721</u>
Total capacity of borrowing (7 times base)	\$ 244,761,349				
Total present indebtedness	65,646,141				
Margin for additional borrowing	<u>\$ 179,115,208</u>				

*See accompanying Independent Auditor's Report.*



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**CAPITAL IMPROVEMENTS FUND**

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**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND PROJECT APPROPRIATIONS - CAPITAL IMPROVEMENTS FUND**  
**YEAR ENDED JUNE 30, 2018**

	Project Appropriations			Project Expenditures			Remaining Balance June 30, 2018
	Balance	Current Year	Balance	Balance	Current Year	Balance	
	June 30, 2017	Appropriations	June 30, 2018	June 30, 2017	Expenditures	June 30, 2018	
Guide Rail Replacement	\$ 387,500	\$ -	\$ 387,500	\$ 387,500	\$ -	\$ 387,500	\$ -
Sidewalks	860,034	-	860,034	848,538	11,205	859,743	291
Alexanders Lake Sewer	2,204,980	-	2,204,980	2,173,447	-	2,173,447	31,533
Spot Drainage	215,499	-	215,499	186,403	4,901	191,304	24,195
Putnam Road/Five Mile	1,125,000	-	1,125,000	1,034,488	-	1,034,488	90,512
Landfill Closure	3,000,001	-	3,000,001	2,792,107	-	2,792,107	207,894
Killingly Industrial Park	20,848	-	20,848	15,543	-	15,543	5,305
KIS Athletic/Recreation Fields	190,000	-	190,000	181,472	-	181,472	8,528
WPCA Odor Control	4,097,727	-	4,097,727	4,097,727	-	4,097,727	-
Quinebaug River Bike	1,888,926	-	1,888,926	1,827,709	-	1,827,709	61,217
Vo-Ag Classroom Remodeling and Equipmen	1,000,000	-	1,000,000	997,331	-	997,331	2,669
Anchor Glass Prop MDP	354,700	-	354,700	155,635	-	155,635	199,065
KIS Fire Protect System Replacement	1,100,000	-	1,100,000	843,144	-	843,144	256,856
WPCA - BNR Study A	237,711	-	237,711	199,211	-	199,211	38,500
WPCA - Collections System B	214,693	-	214,693	165,247	-	165,247	49,446
Mashentuck Road - Phase II	301,488	-	301,488	251,043	-	251,043	50,445
Industrial Park Sign	16,803	-	16,803	16,803	-	16,803	-
WPCA Sewer/Relining Replacement	-	-	-	(1,292)	-	(1,292)	1,292
High School/Vo-Ag	80,867,766	-	80,867,766	80,867,766	-	80,867,766	-
KHS Asbestos Abatement	237,444	-	237,444	237,362	-	237,362	82
Armory Building	25,000	-	25,000	25,000	-	25,000	-
Pratt/Ledge Roads	251,469	-	251,469	152,810	-	152,810	98,659
Lake Road Phase II	176,000	-	176,000	148,716	-	148,716	27,284
Fuel Oil Tank Removal/Replacement	25,000	-	25,000	11,004	-	11,004	13,996
KCC Theatre Lighting	29,043	-	29,043	24,867	-	24,867	4,176
Street Tree Replacement	8,496	-	8,496	8,496	-	8,496	-
Salt Storage Facilities	421,414	-	421,414	410,752	6,286	417,038	4,376
Rock Avenue	298,064	-	298,064	255,542	94	255,636	42,428
Chestnut Hill Road Bridge	66,889	-	66,889	33,950	-	33,950	32,939
KCC Gym Floor	6,354	-	6,354	6,354	-	6,354	-
Sewer- Reline and Replace	402,000	-	402,000	251,384	-	251,384	150,616
Cat Hollow Park Dev	15,000	-	15,000	-	3,381	3,381	11,619
Rock Avenue Bridge	3,870,001	-	3,870,001	2,298,986	-	2,298,986	1,571,015
Sanitary Sewer Line Replacement	10,289,691	-	10,289,691	10,289,691	-	10,289,691	-
Chiller - Old High School	183,622	-	183,622	4,840	-	4,840	178,782
Lake Road ARRA	558,901	-	558,901	427,870	-	427,870	131,031
Town Hall Building Improvement	1,288,000	-	1,288,000	182,974	25,703	208,677	1,079,323
David Avenue Extension	55,340	-	55,340	55,340	-	55,340	-
Footbridge Rehab	250,000	-	250,000	249,571	-	249,571	429
Highway Garage Truck Wash/Bay	50,000	-	50,000	-	-	-	50,000
Bugbee Bldg Interior Renovations	50,000	-	50,000	5,864	-	5,864	44,136
River Road Bridges	2,750,000	-	2,750,000	2,750,000	-	2,750,000	-
Sewer Replacement 10-11	100,000	-	100,000	44,742	-	44,742	55,258
WPCA Capital Projects 2011-2012	529,343	21,842	551,185	528,163	23,022	551,185	-
Highway Garage Roof	140,000	(39,781)	100,219	100,219	-	100,219	-
Spot Drainage (TA)	35,000	-	35,000	15,276	-	15,276	19,724

(Continued)

See accompanying Independent Auditor's Report.

**TOWN OF KILLINGLY, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND PROJECT APPROPRIATIONS - CAPITAL IMPROVEMENTS FUND (Concluded)**  
**YEAR ENDED JUNE 30, 2018**

	Project Appropriations			Project Expenditures			Remaining Balance June 30, 2018
	Balance	Current Year	Balance	Balance	Current Year	Balance	
	June 30, 2017	Appropriations	June 30, 2018	June 30, 2017	Expenditures	June 30, 2018	
Community Center Roof (12-13)	\$ 356,983	\$ (10,965)	\$ 346,018	\$ 346,018	\$ -	\$ 346,018	\$ -
WPCA - Capital Projects 12-13	150,001	107,163	257,164	137,761	56,344	194,105	63,059
Owen Bell Track & Court Renovations	188,545	54,749	243,294	153,094	90,200	243,294	-
Town Hall Generator	113,665	(66,334)	47,331	47,331	-	47,331	-
WPCA - Capital Projects 13-14	120,000	21,023	141,023	117,209	2,791	120,000	21,023
Relocate/Replace Garage Fuel Tanks	314,834	-	314,834	303,609	-	303,609	11,225
Road Renewal 14-15 Unimproved TA	24,000	-	24,000	19,719	-	19,719	4,281
Highway Garage Boiler	35,000	(5,994)	29,006	29,006	-	29,006	-
KCC Underground Tank	30,000	-	30,000	8,875	-	8,875	21,125
KCC Gutters	64,000	-	64,000	-	-	-	64,000
14-15 WPCA Capital Projects	147,000	-	147,000	147,000	-	147,000	-
Road Renewal 15-16 Unimproved TA	58,000	-	58,000	2,125	-	2,125	55,875
Road Renewal 15-16 TA	154,187	-	154,187	153,775	189	153,964	223
KCC Building Improvements	20,000	-	20,000	-	-	-	20,000
15-16 WPCA Capital Projects	341,000	-	341,000	207,384	66,218	273,602	67,398
P&A Mill - Brownfield Remediation	2,617,204	-	2,617,204	2,616,399	462	2,616,861	343
Rogers Pump Station	3,000,000	155,943	3,155,943	1,746,282	1,375,343	3,121,625	34,318
Force Main	500,000	-	500,000	444,248	38,558	482,806	17,194
WPCA Facility Update - CWF	22,300,000	-	22,300,000	669,334	1,247,671	1,917,005	20,382,995
16-17 TA Improved roads	260,844	-	260,844	192,926	-	192,926	67,918
Road Renewal 16-17 TA Unimproved	61,619	-	61,619	40,590	10,151	50,741	10,878
Armory Roof	67,207	-	67,207	61,603	-	61,603	5,604
Spot Drainage 16-17 TA Unimproved	5,000	-	5,000	-	-	-	5,000
Guide Rails 16-17 TA	10,000	-	10,000	10,000	-	10,000	-
Sidewalks 16-17 TA	10,000	-	10,000	-	10,000	10,000	-
Downtown improvement project	1,000,000	-	1,000,000	24,780	82,371	107,151	892,849
North St Bridge Walkway	196,619	-	196,619	167,099	3,127	170,226	26,393
School Renovations	40,000	-	40,000	43,065	-	43,065	(3,065)
Library Fiber Grant	9,280	-	9,280	9,280	-	9,280	-
16-17 WPCA Capital Project	282,750	-	282,750	-	-	-	282,750
LOTICIP Main St Sidewalk Replacement	482,155	-	482,155	306,651	71,540	378,191	103,964
Bear Hill Road Bridge/ Valley Road	1,800,000	-	1,800,000	-	130,338	130,338	1,669,662
Bugbee Bld HVAC System 16-17	100,000	(31,675)	68,325	131	6,153	6,284	62,041
Killingly Community Center	2,200,000	-	2,200,000	-	29,933	29,933	2,170,067
KCS/KMS Goodyear Storage Tank Remova	300,000	-	300,000	-	-	-	300,000
KMS Roof Replacement	1,600,000	-	1,600,000	1,609	1,033,456	1,035,065	564,935
KMS Window Replacement	3,000,000	-	3,000,000	-	18,159	18,159	2,981,841
KCS Roof Replacement	1,275,000	-	1,275,000	1,581	983,225	984,806	290,194
Good year Roof replacement	350,000	-	350,000	1,235	237,888	239,123	110,877
Town Hall Blinds	-	10,000	10,000	-	10,000	10,000	-
KCS ADA Compliance project	-	-	-	-	20,400	20,400	(20,400)
KMS ADA Compliance project	-	-	-	-	21,080	21,080	(21,080)
17-18 Road Renewal TA	-	250,000	250,000	-	-	-	250,000
17-18 Sewer Replacement	-	260,000	260,000	-	12,637	12,637	247,363
17-18 Capital Project	-	500	500	-	-	-	500
17-18 Guide Rail Replacements	-	20,000	20,000	-	-	-	20,000
17-18 Sidewalks	-	10,000	10,000	-	625	625	9,375
17-18 Spot Drainage	-	20,000	20,000	-	-	-	20,000
	<u>\$ 163,780,640</u>	<u>\$ 776,471</u>	<u>\$ 164,557,111</u>	<u>\$ 123,569,314</u>	<u>\$ 5,633,451</u>	<u>\$ 129,202,765</u>	<u>\$ 35,354,346</u>

(Concluded)

See accompanying Independent Auditor's Report.

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**NONMAJOR GOVERNMENTAL FUNDS**

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**TOWN OF KILLINGLY, CONNECTICUT**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<b>Nonmajor Special Revenue Funds</b>					
	<b>School Cafeteria Fund</b>	<b>Educational Grants Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Cemetery Fund</b>	<b>Workplace Substance Abuse Grant Fund</b>	<b>Recreation Revolving Fund</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 433,384	\$ 1,126,777	\$ 59,873	\$ 26,433	\$ -	\$ -
Investments	-	-	-	-	-	-
Receivables:						
Grants and contracts	127,004	209,970	157,982	-	-	-
Other	14,803	-	18,291	-	-	-
Due from other funds	-	2,095	-	-	5,167	43,266
Inventories	33,522	-	-	-	-	-
Total assets	<u>\$ 608,713</u>	<u>\$ 1,338,842</u>	<u>\$ 236,146</u>	<u>\$ 26,433</u>	<u>\$ 5,167</u>	<u>\$ 43,266</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 87,046	\$ 177,162	\$ 79,524	\$ 300	\$ -	\$ -
Due to other funds	-	712,392	78,458	-	-	-
Unearned revenue	12,063	449,288	18,291	-	-	-
Total liabilities	<u>99,109</u>	<u>1,338,842</u>	<u>176,273</u>	<u>300</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Nonspendable	33,522	-	-	-	-	-
Restricted	-	-	59,873	-	-	-
Committed	476,082	-	-	26,133	5,167	43,266
Total fund balances	<u>509,604</u>	<u>-</u>	<u>59,873</u>	<u>26,133</u>	<u>5,167</u>	<u>43,266</u>
Total liabilities and fund balances	<u>\$ 608,713</u>	<u>\$ 1,338,842</u>	<u>\$ 236,146</u>	<u>\$ 26,433</u>	<u>\$ 5,167</u>	<u>\$ 43,266</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS (Continued)  
 JUNE 30, 2018

	<b>Nonmajor Special Revenue Funds</b>					
	<b>Public Investment Community Grant in Aid Fund</b>	<b>Miscellaneous Special Revenue Fund</b>	<b>Law Enforcement Fund</b>	<b>Historic Preservation Fund</b>	<b>Solid Waste Fund</b>	<b>Armory Fund</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 776,298	\$ -	\$ -	\$ 8,930	\$ -
Investments	-	-	-	-	-	-
Receivables:						
Grants and contracts	-	9,849	-	-	-	-
Other	-	-	-	-	5,671	-
Due from other funds	5,324	-	-	47,324	148,053	39,490
Inventories	-	-	-	-	-	-
Total assets	<u>\$ 5,324</u>	<u>\$ 786,147</u>	<u>\$ -</u>	<u>\$ 47,324</u>	<u>\$ 162,654</u>	<u>\$ 39,490</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 17,105	\$ -	\$ -	\$ 24,533	\$ 7,850
Due to other funds	-	78,448	-	-	-	-
Unearned revenue	-	10,905	-	-	6,730	-
Total liabilities	<u>-</u>	<u>106,458</u>	<u>-</u>	<u>-</u>	<u>31,263</u>	<u>7,850</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	-	-	-
Restricted	5,324	-	-	47,324	-	-
Committed	-	679,689	-	-	131,391	31,640
Total fund balances	<u>5,324</u>	<u>679,689</u>	<u>-</u>	<u>47,324</u>	<u>131,391</u>	<u>31,640</u>
Total liabilities and fund balances	<u>\$ 5,324</u>	<u>\$ 786,147</u>	<u>\$ -</u>	<u>\$ 47,324</u>	<u>\$ 162,654</u>	<u>\$ 39,490</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS *(Continued)*  
 JUNE 30, 2018

	Nonmajor Special Revenue Funds			Nonmajor Capital Projects Funds		
	Library Operating Fund	Community Outdoor Beautification Fund	Community Garden	Total Nonmajor Special Revenue Funds	Industrial Park Fund	Capital Reserve Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 38,652	\$ -	\$ 2,470,347	\$ 438,788	\$ -
Investments	-	31,920	-	31,920	-	-
Receivables:						
Grants and contracts	-	-	-	504,805	-	-
Other	-	-	-	38,765	-	2,022
Due from other funds	24,031	-	3,691	318,441	7,954	865,931
Inventories	-	-	-	33,522	-	-
Total assets	<u>\$ 24,031</u>	<u>\$ 70,572</u>	<u>\$ 3,691</u>	<u>\$ 3,397,800</u>	<u>\$ 446,742</u>	<u>\$ 867,953</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 393,520	\$ -	\$ -
Due to other funds	-	-	-	869,298	-	-
Unearned revenue	-	-	-	497,277	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,760,095</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	-	33,522	-	-
Restricted	-	-	-	112,521	-	-
Committed	24,031	70,572	3,691	1,491,662	446,742	867,953
Total fund balances	<u>24,031</u>	<u>70,572</u>	<u>3,691</u>	<u>1,637,705</u>	<u>446,742</u>	<u>867,953</u>
Total liabilities and fund balances	<u>\$ 24,031</u>	<u>\$ 70,572</u>	<u>\$ 3,691</u>	<u>\$ 3,397,800</u>	<u>\$ 446,742</u>	<u>\$ 867,953</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS *(Concluded)*  
 JUNE 30, 2018

	<b>Nonmajor Capital Projects Funds</b>					<b>Permanent Trust Funds</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Open Space Acquisition Fund</b>	<b>State Line Road Improvement Fund</b>	<b>Pettingill Hill Road Improvement Fund</b>	<b>Benefit Assessment Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>		
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 438,788	\$ 133,632	\$ 3,042,767
Investments	-	8,876	-	13,635	22,511	441,638	496,069
Receivables:							
Grants and contracts	-	-	-	-	-	-	504,805
Other	-	-	-	-	2,022	-	40,787
Due from other funds	218,639	-	-	3,884	1,096,408	-	1,414,849
Inventories	-	-	-	-	-	-	33,522
Total assets	<u>\$ 218,639</u>	<u>\$ 8,876</u>	<u>\$ -</u>	<u>\$ 17,519</u>	<u>\$ 1,559,729</u>	<u>\$ 575,270</u>	<u>\$ 5,532,799</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 393,520
Due to other funds	-	-	-	-	-	-	869,298
Unearned revenue	-	-	-	-	-	-	497,277
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,760,095</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	-	-	119,648	153,170
Restricted	-	-	-	-	-	455,622	568,143
Committed	218,639	8,876	-	17,519	1,559,729	-	3,051,391
Total fund balances	<u>218,639</u>	<u>8,876</u>	<u>-</u>	<u>17,519</u>	<u>1,559,729</u>	<u>575,270</u>	<u>3,772,704</u>
Total liabilities and fund balances	<u>\$ 218,639</u>	<u>\$ 8,876</u>	<u>\$ -</u>	<u>\$ 17,519</u>	<u>\$ 1,559,729</u>	<u>\$ 575,270</u>	<u>\$ 5,532,799</u>

*(Concluded)*

*See accompanying Independent Auditor's Report.*



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

	<b>Nonmajor Special Revenue Funds</b>					
	<b>School Cafeteria Fund</b>	<b>Educational Grants Fund</b>	<b>Community Development Block Grant Fund</b>	<b>Cemetery Fund</b>	<b>Workplace Substance Abuse Grant Fund</b>	<b>Recreation Revolving Fund</b>
<b>REVENUES</b>						
Intergovernmental	\$ 737,640	\$ 2,862,732	\$ 877,043	\$ -	\$ -	\$ -
Charges for services	462,721	-	14,786	-	-	34,494
Investment income	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>1,200,361</u>	<u>2,862,732</u>	<u>891,829</u>	<u>-</u>	<u>-</u>	<u>34,494</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	-
Recreation and leisure	-	-	-	-	-	36,840
Public safety	-	-	-	-	-	-
Community development and human services	-	-	876,195	2,456	-	-
Education	1,186,084	2,700,510	-	-	-	-
Capital outlays	-	162,222	-	-	-	-
Total expenditures	<u>1,186,084</u>	<u>2,862,732</u>	<u>876,195</u>	<u>2,456</u>	<u>-</u>	<u>36,840</u>
Excess (deficiency) of revenues over expenditures	14,277	-	15,634	(2,456)	-	(2,346)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	471,936	-	-	1,568	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>471,936</u>	<u>-</u>	<u>-</u>	<u>1,568</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	486,213	-	15,634	(888)	-	(2,346)
Fund balances - beginning	<u>23,391</u>	<u>-</u>	<u>44,239</u>	<u>27,021</u>	<u>5,167</u>	<u>45,612</u>
Fund balances - ending	<u>\$ 509,604</u>	<u>\$ -</u>	<u>\$ 59,873</u>	<u>\$ 26,133</u>	<u>\$ 5,167</u>	<u>\$ 43,266</u>

*(Continued)*

See accompanying Independent Auditor's Report.

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS *(Continued)*  
 FOR THE YEAR ENDED JUNE 30, 2018

	<b>Nonmajor Special Revenue Funds</b>					
	<b>Public Investment Community Grant in Aid Fund</b>	<b>Miscellaneous Special Revenue Fund</b>	<b>Law Enforcement Fund</b>	<b>Historic Preservation Fund</b>	<b>Solid Waste Fund</b>	<b>Armory Fund</b>
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ 75,104	\$ 34,055	\$ 4,000	\$ -	\$ -
Charges for services	-	673,807	-	-	174,283	13,165
Investment income	-	-	-	-	-	-
Other	-	-	10,134	14,050	-	-
Total revenues	<u>-</u>	<u>748,911</u>	<u>44,189</u>	<u>18,050</u>	<u>174,283</u>	<u>13,165</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	375,363	7,850
Recreation and leisure	-	-	-	6,584	-	-
Public safety	-	-	44,189	-	-	-
Community development and human services	-	-	-	-	-	-
Education	-	635,263	-	-	-	-
Capital outlays	-	6,409	-	-	-	-
Total expenditures	<u>-</u>	<u>641,672</u>	<u>44,189</u>	<u>6,584</u>	<u>375,363</u>	<u>7,850</u>
Excess (deficiency) of revenues over expenditures	-	107,239	-	11,466	(201,080)	5,315
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	255,191	-
Transfers out	-	-	-	-	(5,641)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,550</u>	<u>-</u>
Net changes in fund balances	-	107,239	-	11,466	48,470	5,315
Fund balances - beginning	<u>5,324</u>	<u>572,450</u>	<u>-</u>	<u>35,858</u>	<u>82,921</u>	<u>26,325</u>
Fund balances - ending	<u>\$ 5,324</u>	<u>\$ 679,689</u>	<u>\$ -</u>	<u>\$ 47,324</u>	<u>\$ 131,391</u>	<u>\$ 31,640</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS *(Continued)*  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Nonmajor Special Revenue Funds</u>			<u>Nonmajor Capital Projects</u>		
	<u>Library Operating Fund</u>	<u>Community Outdoor Beautification Fund</u>	<u>Community Garden</u>	<u>Total Nonmajor Special Revenue Funds</u>	<u>Industrial Park Fund</u>	<u>Capital Reserve Fund</u>
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ -	\$ 4,590,574	\$ -	\$ -
Charges for services	-	3,149	-	1,376,405	-	21,156
Investment income	-	853	-	853	1,961	-
Other	12,309	-	2,195	38,688	-	-
Total revenues	<u>12,309</u>	<u>4,002</u>	<u>2,195</u>	<u>6,006,520</u>	<u>1,961</u>	<u>21,156</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	383,213	-	-
Recreation and leisure	14,839	-	-	58,263	-	-
Public safety	-	-	-	44,189	-	-
Community development and human services	-	-	3,572	882,223	-	-
Education	-	-	-	4,521,857	-	-
Capital outlays	-	-	-	168,631	-	54,808
Total expenditures	<u>14,839</u>	<u>-</u>	<u>3,572</u>	<u>6,058,376</u>	<u>-</u>	<u>54,808</u>
Excess (deficiency) of revenues over expenditures	(2,530)	4,002	(1,377)	(51,856)	1,961	(33,652)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	728,695	-	25,000
Transfers out	-	-	-	(5,641)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>723,054</u>	<u>-</u>	<u>25,000</u>
Net changes in fund balances	(2,530)	4,002	(1,377)	671,198	1,961	(8,652)
Fund balances - beginning	<u>26,561</u>	<u>66,570</u>	<u>5,068</u>	<u>966,507</u>	<u>444,781</u>	<u>876,605</u>
Fund balances - ending	<u>\$ 24,031</u>	<u>\$ 70,572</u>	<u>\$ 3,691</u>	<u>\$ 1,637,705</u>	<u>\$ 446,742</u>	<u>\$ 867,953</u>

*(Continued)*

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS *(Concluded)*  
 FOR THE YEAR ENDED JUNE 30, 2018

	<b>Nonmajor Capital Projects Funds</b>					<b>Permanent Trust Funds</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Open Space Acquisition Fund</b>	<b>State Line Road Improvement Fund</b>	<b>Pettingill Hill Road Improvement Fund</b>	<b>Benefit Assessment Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>		
<b>REVENUES</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,590,574
Charges for services	-	-	-	-	21,156	-	1,397,561
Investment income	-	113	-	218	2,292	9,066	12,211
Other	5,000	-	-	-	5,000	22,556	66,244
Total revenues	<u>5,000</u>	<u>113</u>	<u>-</u>	<u>218</u>	<u>28,448</u>	<u>31,622</u>	<u>6,066,590</u>
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	-	-	383,213
Recreation and leisure	-	-	-	-	-	-	58,263
Public safety	-	-	-	-	-	-	44,189
Community development and human services	-	-	-	-	-	90,319	972,542
Education	-	-	-	-	-	-	4,521,857
Capital outlays	-	-	336	-	55,144	-	223,775
Total expenditures	<u>-</u>	<u>-</u>	<u>336</u>	<u>-</u>	<u>55,144</u>	<u>90,319</u>	<u>6,203,839</u>
Excess (deficiency) of revenues over expenditures	5,000	113	(336)	218	(26,696)	(58,697)	(137,249)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	-	-	25,000	683	754,378
Transfers out	-	-	-	-	-	(1,405)	(7,046)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>(722)</u>	<u>747,332</u>
Net changes in fund balances	5,000	113	(336)	218	(1,696)	(59,419)	610,083
Fund balances - beginning	<u>213,639</u>	<u>8,763</u>	<u>336</u>	<u>17,301</u>	<u>1,561,425</u>	<u>634,689</u>	<u>3,162,621</u>
Fund balances - ending	<u>\$ 218,639</u>	<u>\$ 8,876</u>	<u>\$ -</u>	<u>\$ 17,519</u>	<u>\$ 1,559,729</u>	<u>\$ 575,270</u>	<u>\$ 3,772,704</u>

*(Concluded)*

See accompanying Independent Auditor's Report.

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING BALANCE SHEET - KILLINGLY PUBLIC LIBRARY TRUST FUNDS  
 JUNE 30, 2018

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Due from Other Funds</u>	<u>Restricted Special Reserves External</u>
<b>Killingly Public Library Funds</b>				
Mildred Sterns	\$ 295	\$ 1,517	\$ -	\$ 1,812
Emily Danielson	985	3,470	-	4,455
Mary Dexter	236	837	-	1,073
Frederick A. Jacobs	352	218	-	570
Basset Hammond	755	2,705	-	3,460
Nathan Prince	90,098	285,040	-	375,138
Almond M. Paine	5,869	21,558	-	27,427
Ella Dorrance	2,892	8,725	-	11,617
Lena Tripp	-	244	-	244
Adolp Goldwater	-	2,445	-	2,445
Almond M. Paine	-	-	-	-
Library Special	-	2,586	-	2,586
Total Killingly Public Library Funds	<u>\$ 101,482</u>	<u>\$ 329,345</u>	<u>\$ -</u>	<u>\$ 430,827</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 KILLINGLY PUBLIC LIBRARY TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Fund Balance July 1, 2017</u>	<u>Investment Income</u>	<u>Contributions</u>	<u>Community Development and Human Services</u>	<u>Transfers In (Out), net</u>	<u>Fund Balance June 30, 2018</u>
<b>Killingly Public Library Funds</b>						
Mildred Sterns	\$ 1,315	\$ 17	\$ -	\$ -	\$ 480	\$ 1,812
Emily Danielson	4,386	56	-	-	13	4,455
Mary Dexter	1,053	14	-	-	6	1,073
Frederick A. Jacobs	1,569	20	-	(1,025)	6	570
Basset Hammond	3,361	43	-	-	56	3,460
Nathan Prince	401,347	5,163	22,556	(53,928)	-	375,138
Almond M. Paine	26,146	1,281	-	-	-	27,427
Ella Dorrance	11,772	147	-	(321)	19	11,617
Lena Tripp	19,083	244	-	(19,083)	-	244
Adolp Goldwater	4,448	57	-	(2,099)	39	2,445
Almond M. Paine	940	-	-	(940)	-	-
Library Special	15,211	195	-	(12,820)	-	2,586
Total Killingly Public Library Funds	<u>\$ 490,631</u>	<u>\$ 7,237</u>	<u>\$ 22,556</u>	<u>\$ (90,216)</u>	<u>\$ 619</u>	<u>\$ 430,827</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
**COMBINING BALANCE SHEET - PERMANENT TRUST FUNDS**  
**JUNE 30, 2018**

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Nonspendable Permanent Fund Principal</u>	<u>Restricted Special Reserves External</u>
<b>Permanent Trust Funds</b>				
Thomas J. Evans	\$ 673	\$ 2,327	\$ 3,000	\$ -
Ezra Mathewson	90	310	400	-
Shubael Hutchins Nonspendable	1,122	3,878	5,000	-
Louisa E. Day	1,919	6,626	8,545	-
Civil War Monument	45	157	202	-
Arthur Wilkes	112	388	500	-
Hutchins Burial Lot	47	157	204	-
Mildred Stearns	8,418	29,082	37,500	-
Paine Mitchell Matthews	359	1,241	1,600	-
Paine Cemetery - Town	11,224	38,776	50,000	-
Emily Danielson	224	776	1,000	-
Eunice Randell	225	775	1,000	-
Earl Chandler	-	851	851	-
Mary Dexter	112	388	500	-
Frederick A. Jacobs	112	388	500	-
Basset Hammond	976	3,370	4,346	-
Ella Dorrance	337	1,163	1,500	-
Adolp Goldwater	673	2,327	3,000	-
Shubael Hutchins Spendable	5,482	19,313	-	24,795
Total Permanent Trust Funds	<u>\$ 32,150</u>	<u>\$ 112,293</u>	<u>\$ 119,648</u>	<u>\$ 24,795</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 PERMANENT TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Fund Balance, July 1, 2017</u>	<u>Investment Income</u>	<u>Community Development and Human Services</u>	<u>Transfers In (Out), net</u>	<u>Fund Balance, June 30, 2018</u>
<b>Permanent Trust Funds</b>					
Thomas J. Evans	\$ 3,000	\$ 38	\$ -	\$ (38)	\$ 3,000
Ezra Mathewson	400	5	-	(5)	400
Shubael Hutchins Nonspendable	5,000	64	-	(64)	5,000
Louisa E. Day	8,545	109	-	(109)	8,545
Civil War Monument	202	3	-	(3)	202
Arthur Wilkes	500	6	(6)	-	500
Hutchins Burial Lot	204	3	-	(3)	204
Mildred Stearns	37,500	480	-	(480)	37,500
Paine Mitchell Matthews	1,600	20	-	(20)	1,600
Paine Cemetery - Town	50,000	640	(96)	(544)	50,000
Emily Danielson	1,000	13	-	(13)	1,000
Eunice Randell	1,000	-	-	-	1,000
Earl Chandler	845	7	(1)	-	851
Mary Dexter	500	6	-	(6)	500
Frederick A. Jacobs	500	6	-	(6)	500
Basset Hammond	4,346	56	-	(56)	4,346
Ella Dorrance	1,500	19	-	(19)	1,500
Adolp Goldwater	3,000	39	-	(39)	3,000
Shubael Hutchins Spendable	24,416	315	-	64	24,795
Total Permanent Trust Funds	<u>\$ 144,058</u>	<u>\$ 1,829</u>	<u>\$ (103)</u>	<u>\$ (1,341)</u>	<u>\$ 144,443</u>

*See accompanying Independent Auditor's Report.*



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**PRIVATE PURPOSE TRUST FUNDS**

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**TOWN OF KILLINGLY, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUST FUNDS**  
**JUNE 30, 2018**

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Due from Other Funds</u>	<u>Held in Trust for Endowment Purposes</u>
Olivia Boulais	\$ 2,909	\$ -	\$ -	\$ 2,909
Robert D. Payne	2,000	-	-	2,000
Blanche Phoenix	1,000	-	-	1,000
Frances Upham Spaulding	-	1,000	-	1,000
Ruth E. Osgood	-	7,505	-	7,505
Goldwater Weisberg	853	-	-	853
Laura Pike Rowe	23,244	622,036	-	645,280
Adrian Herklots	504	-	-	504
Normington Memorial Savings	2,589	-	-	2,589
Normington Memorial CD	2,197	-	-	2,197
Jeffrey Lehman	27,751	-	-	27,751
Chris Wood	20,267	-	-	20,267
Ryan Doyle	6,763	-	-	6,763
John E. Bitgood Trust	-	-	41,870	41,870
Helen Lupien Savings	319	-	-	319
Olive Boulais	2,196	-	-	2,196
Robert D. Payne	654	-	-	654
Blanche Phoenix	100	-	-	100
Frances Upham Spaulding	-	166	-	166
Ruth E. Osgood	141	-	-	141
William Hoss	1,654	-	-	1,654
KHS Public Speaking	100	-	-	100
KHS Public Speaking Investment	2,253	-	-	2,253
Earle Chandler CD	952	-	-	952
Total Private Purpose Trust Funds	<u>\$ 98,446</u>	<u>\$ 630,707</u>	<u>\$ 41,870</u>	<u>\$ 771,023</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 PRIVATE PURPOSE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

	Fund Balance, July 1, 2017	Additions		Deletions	Transfers In (Out)	Fund Balance, June 30, 2018
		Contributions	Investment Income	Awards		
Olive Boulais	\$ 2,908	\$ -	\$ 8	\$ -	\$ (7)	\$ 2,909
Robert D. Payne	2,000	-	4	-	(4)	2,000
Blanche Phoenix	1,000	-	1	-	(1)	1,000
Frances Upham Spaulding	1,000	-	10	-	(10)	1,000
Ruth E. Osgood	7,500	-	67	-	(62)	7,505
Goldwater Weisberg	853	-	-	-	-	853
Laura Pike Rowe	627,041	-	18,239	-	-	645,280
Adrian Herklots	504	2,100	-	(2,100)	-	504
Normington Memorial Savings	2,588	1,000	1	(1,000)	-	2,589
Normington Memorial CD	2,193	-	4	-	-	2,197
Jeffrey Lehman	22,725	10,000	26	(5,000)	-	27,751
Chris Wood	17,747	10,000	20	(7,500)	-	20,267
Ryan Doyle	2,860	4,900	3	(1,000)	-	6,763
John E. Bitgood Trust	33,543	-	8,327	-	-	41,870
John Lagarde Savings	200	-	-	(574)	374	-
John Lagarde CD	374	-	-	-	(374)	-
Helen Lupien Savings	319	-	-	-	-	319
Olive Boulais	2,189	-	-	-	7	2,196
Robert D. Payne	650	-	-	-	4	654
Blanche Phoenix	99	-	-	-	1	100
Frances Upham Spaulding	156	-	-	-	10	166
Ruth E. Osgood	79	-	-	-	62	141
William Hoss	1,633	-	21	-	-	1,654
KHS Public Speaking	100	-	-	-	-	100
KHS Public Speaking Investment	2,488	-	-	(235)	-	2,253
Earle Chandler	951	-	1	-	-	952
Total Private Purpose Trust Funds	<u>\$ 733,700</u>	<u>\$ 28,000</u>	<u>\$ 26,732</u>	<u>\$ (17,409)</u>	<u>\$ -</u>	<u>\$ 771,023</u>

*See accompanying Independent Auditor's Report.*

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**AGENCY FUNDS**

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**TOWN OF KILLINGLY, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2018**

	<b>Student Activities Fund</b>	<b>Performance Bonds Fund</b>	<b>Veterans Coffee House Fund</b>	<b>Total Agency Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 247,478	\$ 253,920	\$ -	\$ 501,398
Investments	20,825	-	-	20,825
Due from other funds	-	-	7,777	7,777
Total assets	<u>\$ 268,303</u>	<u>\$ 253,920</u>	<u>\$ 7,777</u>	<u>\$ 530,000</u>
<b>LIABILITIES</b>				
Due to student groups	\$ 268,303	\$ -	\$ -	\$ 268,303
Due to others	-	253,920	7,777	261,697
Total liabilities	<u>\$ 268,303</u>	<u>\$ 253,920</u>	<u>\$ 7,777</u>	<u>\$ 530,000</u>

*See accompanying Independent Auditor's Report.*

**TOWN OF KILLINGLY, CONNECTICUT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2018</u>
<b>Student Activities Fund</b>				
Assets				
Cash and cash equivalents:				
Killingly High School	\$ 118,822	\$ 398,614	\$ 388,930	\$ 128,506
Killingly Intermediate School	57,480	68,159	62,363	63,276
Killingly Central School	8,122	20,089	13,724	14,487
Killingly Memorial School	20,134	25,539	20,281	25,392
Goodyear Early Childhood Center	9,323	5,675	6,084	8,914
BASP student activity account	9,997	1,111	4,223	6,885
Killingly Kares	3,965	547	4,494	18
Investments - Killingly High School	20,418	407	-	20,825
Total assets	<u>\$ 248,261</u>	<u>\$ 520,141</u>	<u>\$ 500,099</u>	<u>\$ 268,303</u>
Liabilities				
Due to student groups	\$ 248,261	\$ 520,141	\$ 500,099	\$ 268,303
Total liabilities	<u>\$ 248,261</u>	<u>\$ 520,141</u>	<u>\$ 500,099</u>	<u>\$ 268,303</u>
<b>Performance Bonds Fund</b>				
Assets				
Cash and cash equivalents	<u>\$ 283,742</u>	<u>\$ 24,832</u>	<u>\$ 54,654</u>	<u>\$ 253,920</u>
Total assets	<u>\$ 283,742</u>	<u>\$ 24,832</u>	<u>\$ 54,654</u>	<u>\$ 253,920</u>
Liabilities				
Due to others	<u>\$ 283,742</u>	<u>\$ 24,832</u>	<u>\$ 54,654</u>	<u>\$ 253,920</u>
Total liabilities	<u>\$ 283,742</u>	<u>\$ 24,832</u>	<u>\$ 54,654</u>	<u>\$ 253,920</u>
<b>Veterans Coffeehouse Fund</b>				
Assets				
Due from other funds	<u>\$ -</u>	<u>\$ 15,595</u>	<u>\$ 7,818</u>	<u>\$ 7,777</u>
Total assets	<u>\$ -</u>	<u>\$ 15,595</u>	<u>\$ 7,818</u>	<u>\$ 7,777</u>
Liabilities				
Due to others	<u>\$ -</u>	<u>\$ 15,595</u>	<u>\$ 7,818</u>	<u>\$ 7,777</u>
Total liabilities	<u>\$ -</u>	<u>\$ 15,595</u>	<u>\$ 7,818</u>	<u>\$ 7,777</u>
<b>Total Agency Funds</b>				
Assets				
Cash and cash equivalents	\$ 511,585	\$ 544,566	\$ 554,753	\$ 501,398
Investments	20,418	407	-	20,825
Due from other funds	-	15,595	7,818	7,777
Total assets	<u>\$ 532,003</u>	<u>\$ 560,568</u>	<u>\$ 562,571</u>	<u>\$ 530,000</u>
Liabilities				
Due to student groups	\$ 248,261	\$ 520,141	\$ 500,099	\$ 268,303
Due to others	283,742	40,427	62,472	261,697
Total liabilities	<u>\$ 532,003</u>	<u>\$ 560,568</u>	<u>\$ 562,571</u>	<u>\$ 530,000</u>

*See accompanying Independent Auditor's Report.*

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**OTHER INFORMATION (UNAUDITED)**

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**TOWN OF KILLINGLY, CONNECTICUT**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
*(Accrual Basis of Accounting - Unaudited)*

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017*</u>	<u>2018</u>
Governmental activities										
Net investment in capital assets	\$ 65,404,213	\$ 95,429,775	\$ 95,726,718	\$ 97,765,533	\$ 101,541,317	\$ 103,443,636	\$ 104,643,805	\$ 99,903,823	\$ 102,507,177	\$ 103,327,029
Restricted for:										
Endowments - expendable	1	1	484,838	506,970	530,161	552,215	547,792	554,935	515,047	455,622
Endowments - nonexpendable	119,634	119,634	119,634	119,630	119,630	119,630	119,632	119,642	119,642	119,648
Other purposes	-	-	-	-	-	-	-	-	-	112,521
Unrestricted	27,301,434	21,309,425	20,510,460	17,963,381	13,674,955	13,713,426	11,174,166	19,965,750	17,454,884	17,736,453
Total governmental activities net position	<u>\$ 92,825,282</u>	<u>\$ 116,858,835</u>	<u>\$ 116,841,650</u>	<u>\$ 116,355,514</u>	<u>\$ 115,866,063</u>	<u>\$ 117,828,907</u>	<u>\$ 116,485,395</u>	<u>\$ 120,544,150</u>	<u>\$ 120,596,750</u>	<u>\$ 121,751,273</u>

\* Amounts adjusted for the implementation of GASB Statement No. 75 and to correct certain errors identified.



**TOWN OF KILLINGLY, CONNECTICUT**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
*(Accrual Basis of Accounting - Unaudited)*

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 5,482,757	\$ 5,158,527	\$ 2,573,800	\$ 3,619,835	\$ 3,403,030	\$ 4,005,969	\$ 3,494,171	\$ 3,553,737	\$ 3,486,120	\$ 3,439,137
Public works	5,647,186	5,341,129	5,275,524	5,203,896	5,265,384	5,825,718	6,108,779	5,687,401	6,680,406	7,108,844
Recreation and leisure	2,284,037	2,152,551	2,016,637	1,926,344	1,979,551	1,426,575	1,773,789	1,763,540	1,746,407	1,634,809
Public safety	916,807	924,916	875,611	1,055,882	998,195	1,015,900	1,050,732	1,224,197	1,309,793	1,234,382
Community development and human services	1,030,228	829,070	1,088,021	1,342,336	943,972	1,382,091	906,536	922,786	3,649,138	1,717,757
Education	44,247,785	45,322,415	50,528,114	51,275,566	52,455,544	53,959,068	54,525,897	56,072,307	56,386,330	59,009,409
Interest and fiscal charges	800,416	767,585	976,042	1,550,711	1,051,283	873,546	1,155,761	1,048,505	1,076,691	1,037,512
Total governmental activities expenses	<u>60,409,216</u>	<u>60,496,193</u>	<u>63,333,749</u>	<u>65,974,570</u>	<u>66,096,959</u>	<u>68,488,867</u>	<u>69,015,665</u>	<u>70,272,473</u>	<u>74,334,885</u>	<u>75,181,850</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	971,507	869,058	1,065,652	1,092,072	616,933	961,098	507,533	608,290	668,403	1,197,134
Public works	4,360,811	3,627,236	3,565,532	3,870,175	3,668,673	3,311,533	4,112,042	4,810,621	4,192,867	4,022,925
Recreation and leisure	220,479	236,225	202,152	195,559	218,743	140,129	175,233	170,582	208,119	15,297
Public safety	15,401	25,081	49,074	22,671	24,550	1,710	4,879	7,949	448	-
Community development and human services	31,965	23,087	25,079	32,899	24,397	17,282	162,650	191,588	181,272	158,362
Education	3,217,596	3,668,551	3,774,361	4,099,742	4,656,775	4,356,732	4,447,256	4,647,089	4,301,525	3,265,614
Operating grants and contributions	23,142,921	23,429,911	22,737,176	24,602,333	24,076,446	27,649,324	23,879,797	27,012,473	29,770,868	29,383,271
Capital grants and contributions	27,031,903	24,719,465	2,725,162	1,089,494	2,810,977	2,690,253	1,493,682	2,680,502	2,289,374	2,853,903
Total governmental activities program revenues	<u>58,992,583</u>	<u>56,598,614</u>	<u>34,144,188</u>	<u>35,004,945</u>	<u>36,097,494</u>	<u>39,128,061</u>	<u>34,783,072</u>	<u>40,129,094</u>	<u>41,612,876</u>	<u>40,896,506</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	(1,416,633)	(3,897,579)	(29,189,561)	(30,969,625)	(29,999,465)	(29,360,806)	(34,232,593)	(30,143,379)	(32,722,009)	(34,285,344)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	25,943,148	26,730,410	28,043,355	28,367,953	28,753,203	30,683,974	31,879,104	33,343,852	34,101,036	34,655,792
Unrestricted grants and contributions	1,081,066	1,012,177	1,053,240	1,258,030	1,254,281	506,500	541,271	528,834	1,176,400	488,538
Investment income	250,898	188,545	75,781	175,314	184,722	133,176	207,756	329,448	251,984	295,537
Total governmental activities	<u>27,275,112</u>	<u>27,931,132</u>	<u>29,172,376</u>	<u>29,801,297</u>	<u>30,192,206</u>	<u>31,323,650</u>	<u>32,628,131</u>	<u>34,202,134</u>	<u>35,529,420</u>	<u>35,439,867</u>
<b>Change in Net Position</b>										
Governmental activities	<u>\$ 25,858,479</u>	<u>\$ 24,033,553</u>	<u>\$ (17,185)</u>	<u>\$ (1,168,328)</u>	<u>\$ 192,741</u>	<u>\$ 1,962,844</u>	<u>\$ (1,604,462)</u>	<u>\$ 4,058,755</u>	<u>\$ 2,807,411</u>	<u>\$ 1,154,523</u>

**TOWN OF KILLINGLY, CONNECTICUT**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

<b>Fiscal Year Ended June 30,</b>	<b>Residential Real Property (%)</b>	<b>Commercial &amp; Industrial Property (%)</b>	<b>All Other Land (%)</b>	<b>Personal Property (%)</b>	<b>Motor Vehicles (%)</b>	<b>Gross Taxable Grand List</b>	<b>Disability Farm, Veterans, and Elderly Relief</b>	<b>Manufacturing Exemption Sec. 12-81 (59) and (60)</b>	<b>Net Taxable Grand List at 70%</b>
2009	48.64	19.57	3.62	22.13	6.04	\$ 1,665,623,346	\$ 6,541,680	\$ 402,077,649	\$ 1,257,004,017
2010	48.09	21.13	3.42	21.65	5.71	1,703,661,744	7,781,724	402,264,890	1,293,615,130
2011	48.01	21.17	3.43	21.77	5.63	1,720,057,294	7,582,720	409,828,215	1,302,646,359
2012	48.01	21.00	3.49	21.62	5.87	1,732,442,346	7,915,160	413,076,450	1,311,450,736
2013	44.60	22.30	3.36	23.87	5.87	1,795,222,510	430,043,201	-	1,365,179,309
2014	45.51	22.74	3.44	22.45	5.87	1,765,102,163	428,814,673	-	1,336,287,490
2015	39.41	24.82	3.15	25.62	7.01	1,497,944,702	413,602,923	-	1,084,341,779
2016	38.89	24.97	2.41	26.72	7.01	1,527,677,336	420,887,802	-	1,106,789,534
2017	32.02	20.59	2.12	39.12	6.16	1,859,439,124	722,170,145	-	1,137,268,979
2018	38.49	20.57	3.87	30.98	6.09	1,783,656,710	620,140,892	-	1,163,515,818

**Notes:** Taxes are levied on all taxable, assessed property on the October 1 grand list, prior to the beginning of the fiscal year. Real property taxes are payable in four installments on July 1, October 1, January 1 and April 1. Motor vehicle supplemental bills are payable on January 1. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after five years, at which time they cease to be carried as receivables. Delinquent real estate accounts are collectible for up to 15 years after the due date in accordance with State Statutes.

**Source:** Town of Killingly, Office of the Assessor.

**TOWN OF KILLINGLY, CONNECTICUT**  
**PROPERTY TAX LEVIES AND COLLECTIONS (1)**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

FISCAL YEAR ENDED JUNE 30	TAX RATE IN MILLS	GRAND LIST OF OCTOBER 1	NET TAXABLE GRAND LIST	TOTAL ADJUSTED TAX LEVY (2)	NET CURRENT TAX COLLECTIONS	PERCENT OF LEVY COLLECTED	PERCENT OF LEVY UNCOLLECTED
2018	27.31	2016	\$ 1,163,515,818	\$ 34,291,457	\$ 33,695,039	98.26%	1.74%
2017	27.31	2015	1,137,268,979	33,761,002	33,012,123	97.78%	2.22%
2016	27.31	2014	1,106,789,534	33,021,360	32,284,966	97.77%	2.23%
2015	26.51	2013	1,084,341,779	31,596,382	30,824,027	97.56%	2.44%
2014	20.70	2012	1,336,287,490	30,395,902	29,663,595	97.59%	2.41%
2013	19.70	2011	1,365,179,309	28,764,633	27,961,980	97.21%	2.79%
2012	19.20	2010	1,311,450,736	28,023,792	27,240,681	97.21%	2.79%
2011	19.10	2009	1,302,646,359	27,730,505	26,935,751	97.13%	2.87%
2010	18.15	2008	1,293,615,130	26,462,489	25,818,119	97.56%	2.44%
2009	17.80	2007	1,257,004,017	25,550,095	24,916,013	97.52%	2.48%

(1) Taxes are levied on all taxable, assessed property on the October 1 grand list, prior to the beginning of the fiscal year. Real property taxes are payable in four installments on July 1, October 1, January 1 and April 1. Motor vehicle supplemental bills are payable on January 1. Payments not received within one month after the due date become delinquent, with interest charged at the rate of one and one-half percent per month from the due date on the tax. In accordance with State law, the oldest outstanding tax is collected first. Outstanding real estate tax accounts are liened each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle and personal property accounts are transferred to a suspense account after five years, at which time they cease to be carried as receivables. Delinquent real estate accounts are collectible for up to 15 years after the due date in accordance with State Statutes.

(2) Tax levy is per \$1,000 of the assessed value of taxable property.

Table 5

**TOWN OF KILLINGLY, CONNECTICUT**  
**PRINCIPAL TAXPAYERS**  
**JUNE 30, 2018**  
*(Unaudited)*

TAXPAYER	NATURE OF BUSINESS	ASSESSMENT (1)	PERCENT OF NET TAXABLE GRAND LIST
EVERSOURCE Aka CL&P	UTILITY DISTRIBUTION CO.	\$ 50,960,840	4.38%
DAYVILLE PROPERTY DEVELOPMENT	COMMERCIAL DEVELOPMENT	36,228,150	3.11%
FRITO LAY	MANUFACTURER - SNACK FOODS	22,700,876	1.95%
UNITED NATURAL FOODS	FOOD PRODUCTS	18,611,650	1.60%
STAPLES	RETAIL/WAREHOUSING	14,990,100	1.29%
CT WATER	UTILITY DISTRIBUTION CO.	12,969,720	1.11%
TARGET CORPORATION	RETAIL DISCOUNT STORE	10,167,410	0.87%
PJC - REALTY	REALTY HOLDING COMPANY	9,502,360	0.82%
ALEXANDERS LAND TRUST	REALTY HOLDING COMPANY	9,241,590	0.79%
YANKEE GAS	UTILITY DISTRIBUTION CO.	8,471,500	0.73%
		<hr/>	
TOTAL		<u>\$ 142,883,356</u>	<u>12.28%</u>

(1) The net taxable grand list as of October 1, 2016 totaled \$1,163,515,818

Source: Assessor's Office, Town of Killingly

**TOWN OF KILLINGLY, CONNECTICUT**  
**RATIO OF GROSS GENERAL BONDED DEBT TO ASSESSED VALUE**  
**AND GROSS GENERAL BONDED DEBT PER CAPITA -**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

FISCAL YEAR ENDED JUNE 30	POPULATION(1)	NET TAXABLE GRAND LIST	BONDED DEBT	RATIO OF BONDED DEBT TO ASSESSED VALUE	BONDED DEBT PER CAPITA
2018	17,172	\$ 1,163,515,818	\$ 28,769,247	2.47%	\$ 1,675
2017	17,268	1,137,268,979	30,875,310	2.71%	1,788
2016	17,131	1,106,789,534	32,967,321	2.98%	1,924
2015	17,172	1,106,789,534	30,488,360	2.75%	1,775
2014	17,223	1,137,268,979	30,099,935	2.65%	1,748
2013	17,358	1,336,287,490	32,008,100	2.40%	1,844
2012	17,330	1,311,450,736	27,092,675	2.07%	1,563
2011	17,370	1,302,646,359	25,424,700	1.95%	1,464
2010	17,291	1,293,615,130	23,541,825	1.82%	1,362
2009	17,826	1,257,004,017	19,046,400	1.52%	1,068

(1) State of Connecticut, Department of Public Health estimates.

**TOWN OF KILLINGLY, CONNECTICUT**  
**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE**  
**AND NET GENERAL BONDED DEBT PER CAPITA -**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

FISCAL YEAR ENDED JUNE 30	POPULATION(1)	NET TAXABLE GRAND LIST	BONDED DEBT	AMOUNT TO BE PROVIDED BY STATE (2)	BONDED DEBT, NET	RATIO OF NET BONDED DEBT TO ASSESSED VALUE	NET BONDED DEBT PER CAPITA
2018	17,172	1,163,515,818	\$ 28,769,247	-	\$ 28,769,247	2.5%	1,675
2017	17,268	1,137,268,979	30,875,310	-	30,875,310	2.7%	1,788
2016	17,131	1,106,789,534	32,967,321	-	32,967,321	3.0%	1,924
2015	17,172	1,084,341,779	30,488,360	-	30,488,360	2.8%	1,775
2014	17,223	1,336,287,490	30,099,935	-	30,099,935	2.3%	1,748
2013	17,358	1,365,179,309	32,008,100	-	32,008,100	2.3%	1,844
2012	17,330	1,311,450,736	27,092,675	-	27,092,675	2.1%	1,563
2011	17,370	1,302,646,359	25,424,700	112,654	25,312,046	1.9%	1,457
2010	17,291	1,293,615,130	23,541,825	427,769	23,114,056	1.8%	1,337
2009	17,826	1,257,004,017	19,046,400	535,448	18,510,952	1.5%	1,038

(1) State of Connecticut, Department of Public Health estimates.

(2) Amounts to be provided for debt service by the State of Connecticut.

Table 8

**TOWN OF KILLINGLY, CONNECTICUT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
(Unaudited)**

<b>Fiscal Year</b>	<b>(1) Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>(1) Median Age</b>	<b>(2) School Enrollment</b>	<b>(3) Unemployment Rate</b>
2018	17,172	\$ 507,896,244	\$ 29,577	41.2	2,523	4.90%
2017	17,268	469,863,586	27,210	41.4	2,519	6.70%
2016	17,131	471,941,919	27,549	40.0	2,515	7.30%
2015	17,172	473,071,428	27,549	39.8	1,764	8.70%
2014	17,223	474,476,427	27,549	39.8	2,687	10.20%
2013	17,358	468,266,766	26,977	39.8	2,689	10.30%
2012	17,330	460,718,050	26,585	39.8	2,685	11.10%
2011	17,370	452,019,510	26,023	39.8	2,681	10.90%
2010	17,291	435,992,565	25,215	36.5	2,726	9.10%
2009	17,826	352,580,454	19,779	36.5	2,707	6.40%

(1) CERC

(2) Town of Killingly, Board of Education

(3) State of Connecticut, Labor Department, Office of Research and Statistics

**TOWN OF KILLINGLY, CONNECTICUT**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
*(Unaudited)*

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 179,478,628	\$ 186,242,840	\$ 198,771,097	\$ 197,312,479	\$ 200,800,754	\$ 214,639,355	\$ 223,066,781	\$ 233,820,685	\$ 239,069,282	\$ 244,761,349
Total net debt applicable to limit	37,770,618	39,373,722	34,951,553	45,652,341	46,231,900	44,323,735	44,643,570	40,408,455	50,704,802	65,646,141
Legal Debt Margin	<u>\$ 141,708,010</u>	<u>\$ 146,869,118</u>	<u>\$ 163,819,544</u>	<u>\$ 151,660,138</u>	<u>\$ 154,568,854</u>	<u>\$ 170,315,620</u>	<u>\$ 178,423,211</u>	<u>\$ 193,412,230</u>	<u>\$ 188,364,480</u>	<u>\$ 179,115,208</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>21.04%</u>	<u>21.14%</u>	<u>17.58%</u>	<u>23.14%</u>	<u>23.02%</u>	<u>20.65%</u>	<u>20.01%</u>	<u>17.28%</u>	<u>21.21%</u>	<u>26.82%</u>

**Note:** Connecticut General Statutes, Section 7-374(b) limits the amount of general obligation debt a government entity may use to 7 times total tax collections, including interest and lien fees and the tax relief. The calculation of the 2018 debt limit can be found on page 96 of this report.