

TOWN OF KILLINGLY, CONNECTICUT

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

JUNE 30, 2017

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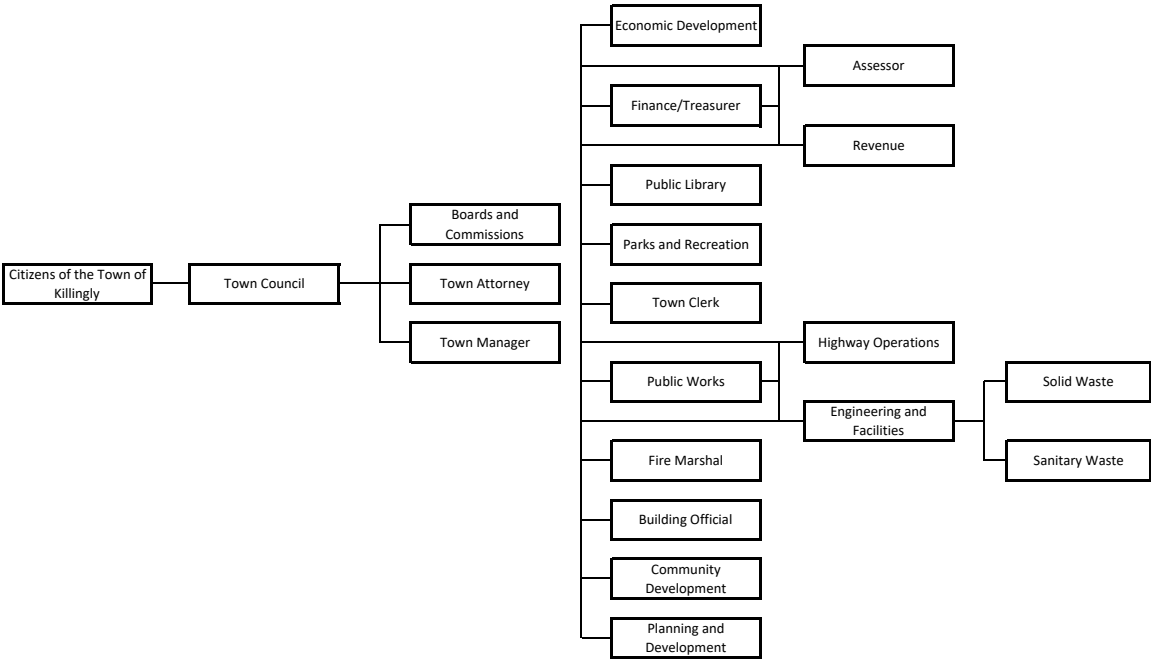
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INTRODUCTORY SECTION

TOWN OF KILLINGLY, CONNECTICUT
ORGANIZATIONAL CHART
JUNE 30, 2017



TOWN OF KILLINGLY, CONNECTICUT
LIST OF PRINCIPAL TOWN OFFICIALS
JUNE 30, 2017

TOWN COUNCIL

David Griffiths, Chairman
Gail Oakley Pratt, Vice-Chair
Joyce Ricci
Ed Grandelski
Adam Griffiths
Lynn LaBerge
Dennis Alemian
Kevin Ide

Dennis Alemian, Board of Education Liaison

TOWN DEPARTMENTS

Sean Hendricks, Town Manager
Agata Herasimowicz, 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 Public Works/Town Engineer
Tracy Mason, Parks and Recreation Director
Ann-Marie Aubrey, Director of Planning & Development
Travis Sirrine, Highway Superintendent
Patricia Monahan, Revenue Collector
Kevin C. Farr, Superintendent of Schools
Elizabeth Wilson, Town Clerk
Randy Burchard, Fire Marshal
Peter Ciparelli, Library Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Killingly, Connecticut, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison schedules for the General Fund and the Sewer Operating Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the schedules on the Town's pension plan and other post-employment benefits program on pages 61 through 66 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 67 through 101 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 102 through 110 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 January 31, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Glastonbury, Connecticut
January 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2017.

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 \$123,351,561 (net position). Of this amount, \$20,209,695 (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 \$2,807,411 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$22,964,971, an increase of \$1,003,072 in comparison with the prior year. The primary cause of this fund balance increase was related there were favorable increases in the General Fund, Sewer Operating Fund, Capital Nonrecurring fund and remaining Nonmajor funds, offset by decreases in the Capital Improvements Fund due to planned projects for which long-term financing has not yet been obtained.
- At the close of the current fiscal year, unassigned fund balance for the General Fund excluding combined sub-funds, was \$8,784,905 or 15.81% of total General Fund expenditures and net other financing uses on a budgetary basis. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 1.93 months of General Fund budgetary operating expenditures.
- The Town's capital assets increased by \$1,115,567 or 0.8% during the current year, primarily due to current year additions of \$6.2 million, offset by depreciation and amortization of \$4.9 million.
- The Town's total long-term bonded debt decreased by \$2,134,345 or 6.47% during the current fiscal year due to 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.

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.

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OVERVIEW OF THE FINANCIAL STATEMENTS (*Continued*)

Government-wide Financial Statements (*Continued*)

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

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.

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 22 of this report.

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

OVERVIEW OF THE FINANCIAL STATEMENTS (*Continued*)

Fund Financial Statements (*Continued*)

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 23 through 25 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 26 and 27 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 28 through 60 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 61 through 110 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

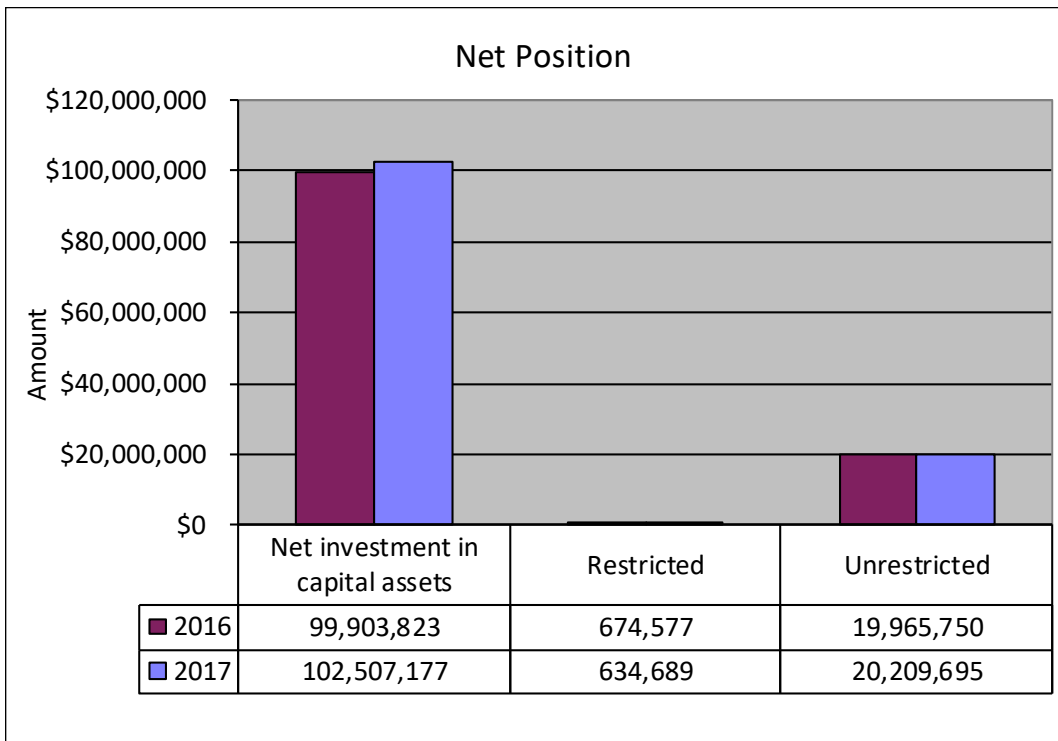
Over time, net position may serve as one measure of a government's financial position. Total net position of the Town totaled \$123,351,561 and \$120,544,150 as of June 30, 2017 and 2016, respectively, and are summarized as follows.

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

	2017	2016
Current and other assets	\$ 31,580,049	\$ 30,612,954
Capital assets	135,326,951	134,211,384
Total assets	<u>166,907,000</u>	<u>164,824,338</u>
Deferred outflows of resources	<u>1,249,022</u>	<u>1,486,929</u>
Other liabilities	5,593,779	4,512,978
Long-term liabilities	<u>38,957,429</u>	<u>41,102,164</u>
Total liabilities	<u>44,551,208</u>	<u>45,615,142</u>
Deferred inflows of resources	<u>253,253</u>	<u>151,975</u>
Net position:		
Net investment in capital assets	102,507,177	99,903,823
Restricted	634,689	674,577
Unrestricted	<u>20,209,695</u>	<u>19,965,750</u>
Total net position	<u><u>\$ 123,351,561</u></u>	<u><u>\$ 120,544,150</u></u>



TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

83.1% 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 \$2,807,411 in comparison to the prior year.

Changes in Net Position

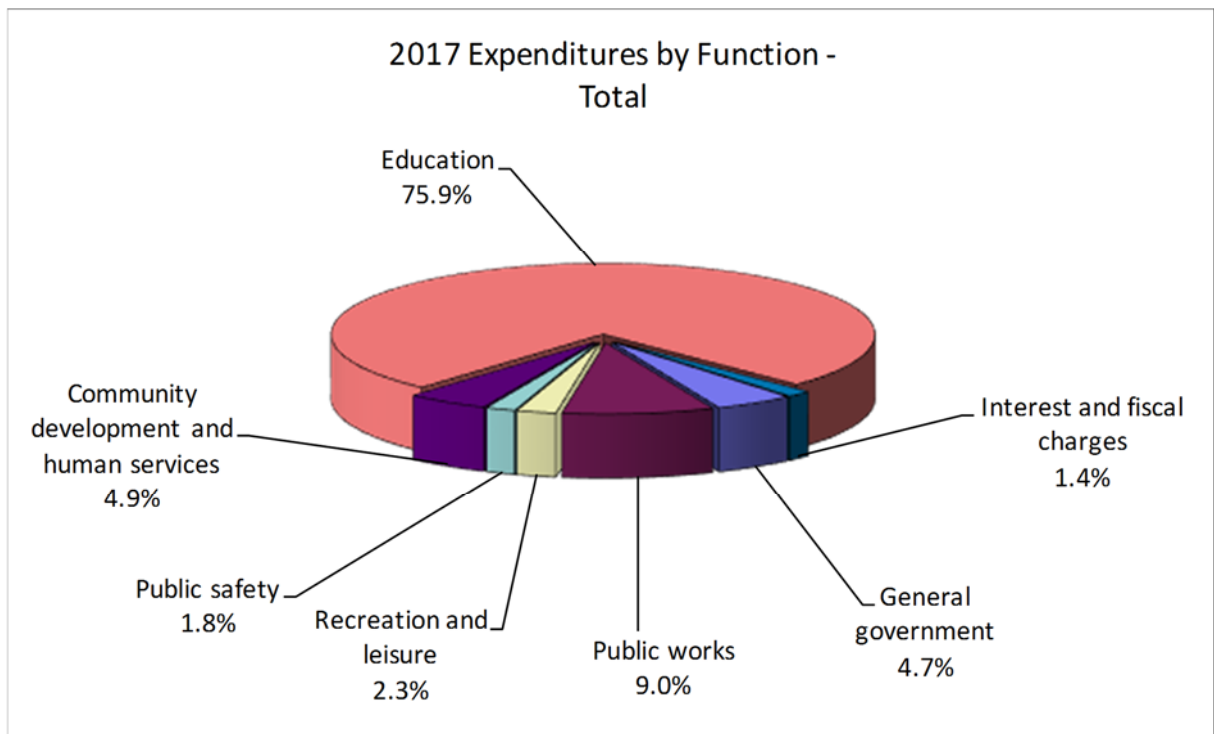
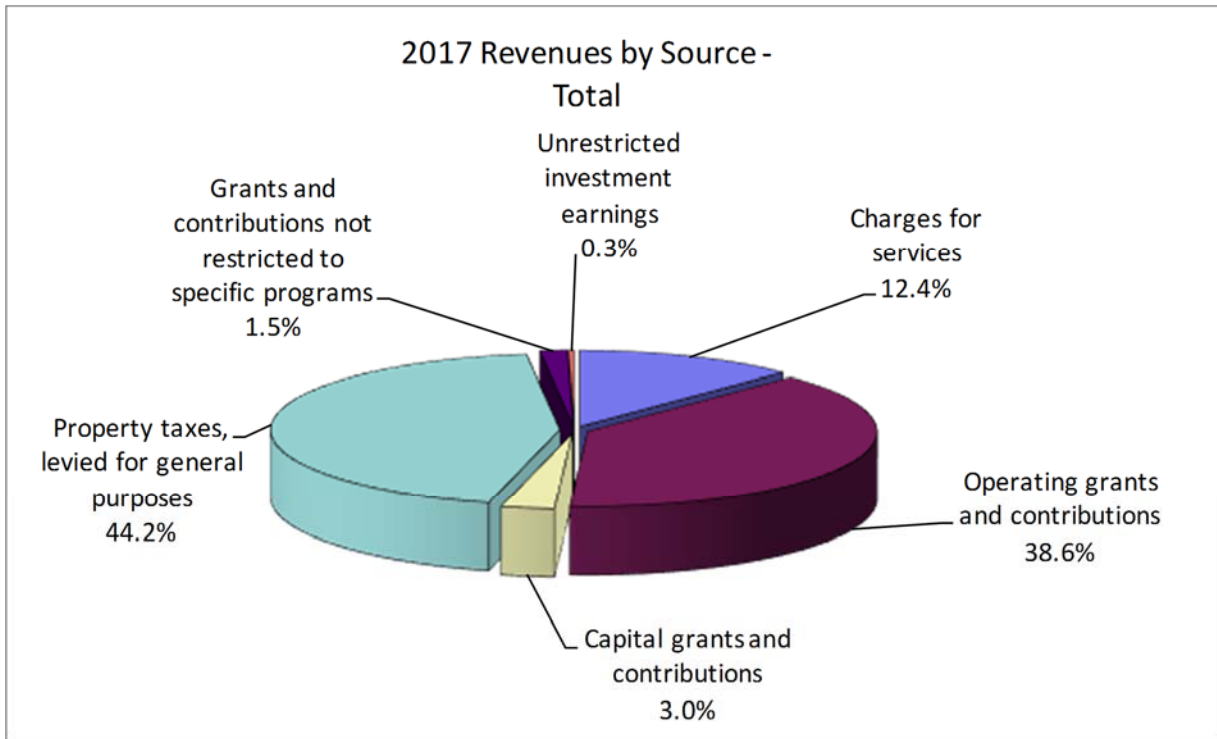
Changes in net position for the years ended June 30, 2017 and 2016 are as follows.

	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues:		
Charges for services	\$ 9,552,634	\$ 10,436,119
Operating grants and contributions	29,770,868	27,012,473
Capital grants and contributions	2,289,374	2,680,502
General revenues:		
Property taxes, levied for general purposes	34,101,036	33,343,852
Grants and contributions not restricted to specific programs	1,176,400	528,834
Unrestricted investment earnings	251,984	329,448
Total revenues	<u>77,142,296</u>	<u>74,331,228</u>
Expenses		
General government	3,486,120	3,553,737
Public works	6,680,406	5,687,401
Recreation and leisure	1,746,407	1,763,540
Public safety	1,309,793	1,224,197
Community development and human services	3,649,138	922,786
Education	56,386,330	56,072,307
Interest and fiscal charges	1,076,691	1,048,505
Total expenses	<u>74,334,885</u>	<u>70,272,473</u>
Change in net position	<u><u>\$ 2,807,411</u></u>	<u><u>\$ 4,058,755</u></u>

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Position (Continued)



TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS (*Continued*)

Change in Net Position (*Continued*)

Governmental activities increased the Town's net position by \$2,807,411. Key elements of this decrease are as follows:

- Increases in property tax revenues of \$757,184 or 2.27% as compared to the prior year.
- Increases in operating grants and contributions relating to economic and community development grants for the remediation of a Brownfield site which will be repurposed by a Developer.
- Increases in general grants and contributions for additional municipal sharing grants made to the Town by the State of Connecticut.
- Overall revenues increased by 3.78% or \$2,811,068, while expenses had increases compared to the prior year in the amount of 5.78% or \$4,062,412.

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 \$22,964,971, an increase of \$1,003,072 in comparison with the prior year. The primary cause of this fund balance increase was related there were favorable increases in the General Fund, Sewer Operating Fund, Capital Nonrecurring fund and remaining Nonmajor funds, offset by decreases in the Capital Improvements Fund due to planned projects for which long-term financing has not yet been obtained.

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 General Fund was \$8,784,905 on a GAAP basis. 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 15.1% of total General Fund expenditures on a GAAP basis. Expressed another way, unassigned fund balance for the budgeted General Fund was sufficient to cover approximately 1.81 months of General Fund GAAP operating expenditures.

Unassigned fund balance for the General Fund, excluding combined sub-funds, was \$8,784,905 or 15.8% of total General Fund expenditures and net other financing uses on a budgetary basis. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 1.93 months of General Fund budgetary operating expenditures.

The fund balance of the Town's General Fund increased by \$2,620,929 during the current fiscal year, which was primarily due to increases in property tax collections, increases in charges for services, while expenditures remained relatively flat in the overall functional expenditure categories.

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

Governmental Funds (*Continued*)

Capital Improvements Fund

The fund balance of the Capital Improvements Fund decreased by \$2,594,582 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.

Sewer Operating Fund

The fund balance of the Sewer Operating Fund increased by \$234,066 during the current fiscal year. This change was due primarily to decreases in revenue received from sewer waste hauling.

Capital Nonrecurring Fund

The fund balance of the Capital Nonrecurring Fund increased by \$411,309 during the current fiscal year. This increase was due primarily to decreases expenditures of the fund. In the prior year there were greater purchases due to the need for the purchase and replacement of several vehicles within the Town's fleet, while offsetting by transfers in from the General Fund remained consistent with the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual net change in fund balance of the General Fund on a budgetary basis was an increase of \$1,436,569. No supplemental appropriations were made during the current fiscal year. Expenditures were \$599,303 less than budgeted and revenues were \$840,467 higher than expected due primarily to increases in property tax collections, intergovernmental revenues, and timing of miscellaneous revenues at year end.

SEWER OPERATING FUND BUDGETARY HIGHLIGHTS

The Town adopts an annual budget for its Sewer Operating Fund. During the year ended June 30, 2017 there were no additional appropriations made to the budget. The budget for 2017 planned for the use of fund balance in the amount of \$19. The actual net change in fund balance of the Sewer Operating Fund on a budgetary basis was an increase of \$141,949. Expenditures were \$182,745 less than budgeted and total budgetary revenues were \$40,815 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)

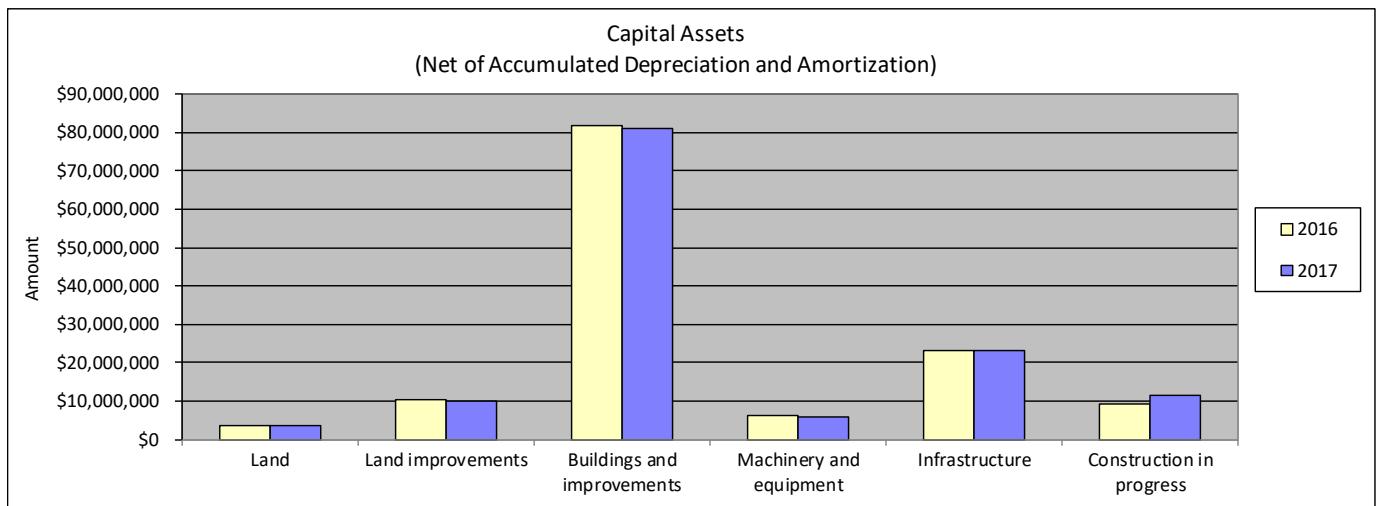
CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2017 and 2016 totaled \$135,326,951 and \$134,211,384 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 \$1,115,567 or 0.8%. This increase consisted of capital asset additions of \$6,225,614 offset by current year depreciation and amortization expense of \$4,979,074. Major capital asset events during the current fiscal year included the purchase of apple computers through a capital lease, various building improvements made to the public school buildings and various costs for other projects including drainage and sewer improvements and public works equipment.

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

	2017	2016
Land	\$ 3,674,024	\$ 3,674,024
Land improvements	9,858,586	10,384,998
Buildings and improvements	81,149,489	81,665,786
Machinery and equipment	5,915,404	6,128,920
Infrastructure	23,044,219	23,024,475
Construction in progress	11,685,229	9,333,181
Totals	<u>\$ 135,326,951</u>	<u>\$ 134,211,384</u>



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

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

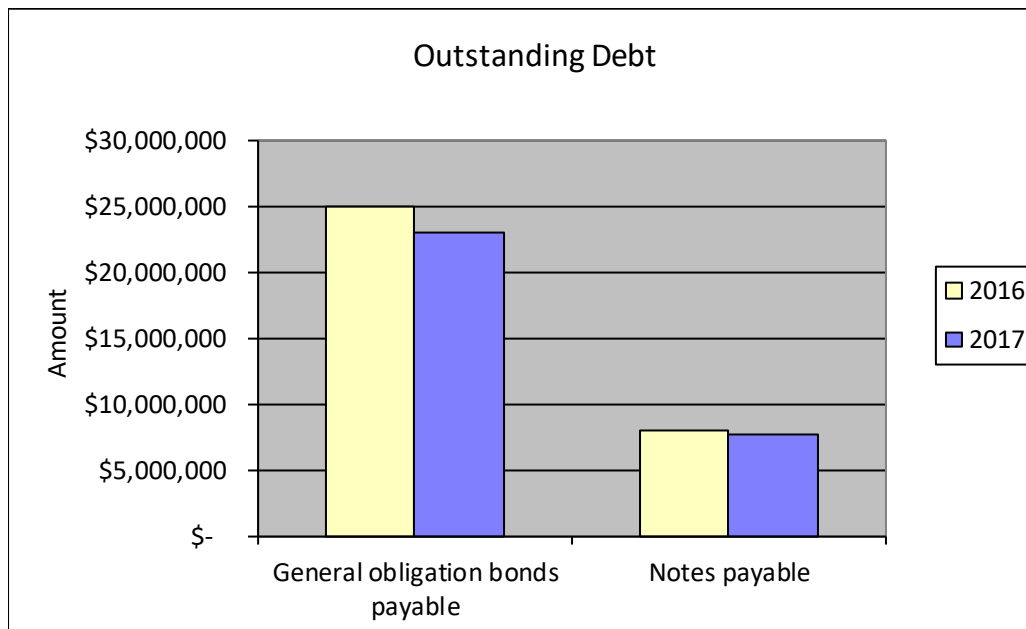
Long-term Debt

At the end of the current fiscal year, the Town had total long-term bonded debt and notes payable outstanding of \$30,875,310. This entire amount is comprised of debt backed by the full faith and credit of the Town. The Town's total bonded debt decreased by \$2,134,345 or 6.5% during the current fiscal year due current year principal repayments. The Town maintains an AA rating from Standard & Poor's Investor Service for general obligation debt.

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:

	2017	2016
General obligation bonds payable	\$ 23,105,000	\$ 24,965,000
Notes payable	7,770,310	8,044,655
Totals	<u>\$ 30,875,310</u>	<u>\$ 33,009,655</u>



Additional information on the Town's long-term debt can be found in Note 10 of this report.

TOWN OF KILLINGLY, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The unemployment rate for the Town is currently 5.5%, which is an decrease from a rate of 6.5% in the prior year, as compared to the state's average unemployment rate of 5.1% and the national unemployment rate of 4.3%.
- Inflationary trends in the region are comparable to national indices.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
 - For purposes of calculating property tax revenues for fiscal year 2018, the Assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on behalf of certain taxpayers.
 - 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 \$800,000 of fund balance for use in the 2018 budget.

All of these factors were considered in preparing the Town's budget for fiscal year 2018.

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.

BASIC FINANCIAL STATEMENTS

TOWN OF KILLINGLY, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 21,437,447
Investments	4,969,872
Receivables:	
Property taxes, net of allowance	1,466,235
Interest on property taxes, assessments and user charges, net of allowance	509,187
Assessments and user charges	748,558
Grants and contracts	1,517,315
Other	373,210
Other assets	175,316
Net pension asset	263,267
Restricted assets:	
Permanently restricted investments	119,642
Capital assets:	
Non-depreciable	15,359,253
Depreciable, net	119,967,698
Total assets	<u>166,907,000</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	1,030,060
Deferred pension expense	218,962
Total deferred outflows of resources	<u>1,249,022</u>
LIABILITIES	
Accounts payable	2,846,287
Accrued liabilities:	
Accrued interest	118,798
Other accrued liabilities	29,341
Note payable	905,692
Unearned revenue	1,071,957
Claims payable	621,704
Noncurrent liabilities:	
Due within one year	2,590,582
Due in more than one year	36,366,847
Total liabilities	<u>44,551,208</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension benefits	<u>253,253</u>
NET POSITION	
Net investment in capital assets	102,507,177
Restricted for:	
Endowments:	
Expendable	515,047
Nonexpendable	119,642
Unrestricted	20,209,695
Total net position	<u>\$ 123,351,561</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets - Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental activities:					
General government	\$ 3,486,120	\$ 668,403	\$ 559,681	\$ 496,501	\$ (1,761,535)
Public works	6,680,406	4,192,867	1,212,533	533,074	(741,932)
Recreation and leisure	1,746,407	208,119	19,556	-	(1,518,732)
Public safety	1,309,793	448	53,274	57,087	(1,198,984)
Community development and human services	3,649,138	181,272	2,912,631	-	(555,235)
Education	56,386,330	4,301,525	25,013,193	1,202,712	(25,868,900)
Interest and fiscal charges	1,076,691	-	-	-	(1,076,691)
Total governmental activities	<u>\$ 74,334,885</u>	<u>\$ 9,552,634</u>	<u>\$ 29,770,868</u>	<u>\$ 2,289,374</u>	<u>(32,722,009)</u>
General revenues:					
Property taxes, levied for general purposes					34,101,036
Grants and contributions not restricted to specific programs					1,176,400
Unrestricted investment earnings					251,984
Total general revenues					<u>35,529,420</u>
		Change in net position			2,807,411
		Net position - beginning			<u>120,544,150</u>
		Net position - ending			<u>\$ 123,351,561</u>

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

TOWN OF KILLINGLY, CONNECTICUT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2017

	General Fund	Capital Improvements Fund	Sewer Operating Fund	Capital Nonrecurring Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 18,605,093	\$ -	\$ 359,509	\$ -	\$ 2,454,982	\$ 21,419,584
Investments	3,238,429	-	1,288,411	-	562,674	5,089,514
Receivables:						
Property taxes, net	1,466,235	-	-	-	-	1,466,235
Assessments and user charges, net	-	-	748,558	-	-	748,558
Grants and contracts	50,733	1,150,102	-	-	316,480	1,517,315
Other	261,574	-	71,192	-	39,887	372,653
Due from other funds	2,114,802	-	1,329,590	4,866,163	1,357,714	9,668,269
Inventories	-	-	-	-	32,881	32,881
Other assets	142,435	-	-	-	-	142,435
Total assets	<u>\$ 25,879,301</u>	<u>\$ 1,150,102</u>	<u>\$ 3,797,260</u>	<u>\$ 4,866,163</u>	<u>\$ 4,764,618</u>	<u>\$ 40,457,444</u>
LIABILITIES						
Accounts payable	\$ 1,276,293	\$ 661,915	\$ 196,546	\$ -	\$ 677,990	\$ 2,812,744
Other accrued liabilities	10,369	-	-	-	18,972	29,341
Note payable	-	905,692	-	-	-	905,692
Due to other funds	8,999,407	1,275,684	-	-	839,118	11,114,209
Unearned revenue	224,622	781,418	-	-	65,917	1,071,957
Total liabilities	<u>10,510,691</u>	<u>3,624,709</u>	<u>196,546</u>	<u>-</u>	<u>1,601,997</u>	<u>15,933,943</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	1,220,812	-	-	-	-	1,220,812
Unavailable revenue - sewer assessments	-	-	337,718	-	-	337,718
Total deferred inflows of resources	<u>1,220,812</u>	<u>-</u>	<u>337,718</u>	<u>-</u>	<u>-</u>	<u>1,558,530</u>
FUND BALANCES						
Nonspendable:						
Inventories	-	-	-	-	32,881	32,881
Permanent funds principal	-	-	-	-	119,642	119,642
Restricted for:						
Grant proceeds	-	-	-	-	90,588	90,588
Special reserves - external	-	-	-	-	515,047	515,047
Committed to:						
General government	318,263	-	-	-	82,921	401,184
Public safety	-	-	-	-	26,325	26,325
Community development and human services	264,973	-	-	-	93,591	358,564
Recreation and leisure	-	-	-	-	77,241	77,241
Education	-	-	-	-	572,450	572,450
Capital and nonrecurring	-	-	-	4,866,163	1,561,425	6,427,588
Sewer operations	-	-	3,262,996	-	-	3,262,996
Assigned to:						
General government	2,273,983	-	-	-	-	2,273,983
Education	1,061,419	-	-	-	-	1,061,419
Public safety	90,547	-	-	-	-	90,547
Public works	80,000	-	-	-	-	80,000
Compensated absences	130,593	-	-	-	-	130,593
Other post-employment benefits	87,018	-	-	-	-	87,018
Cell towers	217,185	-	-	-	-	217,185
Sewer extension	38,793	-	-	-	-	38,793
Landfill post-closure	119	-	-	-	-	119
Subsequent year budget	800,000	-	-	-	-	800,000
Unassigned	8,784,905	(2,474,607)	-	-	(9,490)	6,300,808
Total fund balances	<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>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 25,879,301</u>	<u>\$ 1,150,102</u>	<u>\$ 3,797,260</u>	<u>\$ 4,866,163</u>	<u>\$ 4,764,618</u>	<u>\$ 40,457,444</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, 2017

Total fund balances for governmental funds	\$ 22,964,971
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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	\$	11,685,229	
Land		3,674,024	
Land improvements		15,584,307	
Buildings and improvements		119,893,119	
Machinery and equipment		20,260,270	
Infrastructure		70,135,932	
Less: accumulated depreciation and amortization		<u>(105,905,930)</u>	
Total capital assets, net			135,326,951

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	1,220,812		
Sewer use and assessments		<u>337,718</u>	
			1,558,530

Interest receivable net of related allowance for uncollectible accounts on property taxes, sewer use and sewer assessments are not susceptible to accrual and, therefore, are not reported in the governmental funds.	509,187
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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	(30,875,310)		
Unamortized premium	(1,251,637)		
Obligations under capital lease	(817,195)		
Accrued interest payable	(118,798)		
Deferred change on refunding	1,030,060		
Other long-term liabilities:			
Compensated absences	(1,047,287)		
Accrued landfill post-closure care costs	(300,000)		
Net pension asset	263,267		
Net OPEB obligation	<u>(4,666,000)</u>		
Total long-term liabilities			(37,782,900)

Deferred outflows and inflows of resources resulting from changes in the components of the net pension asset are amortized as a component of pension expense in the statement of net position.	(34,291)
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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>809,113</u>
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Net position of governmental activities	<u><u>\$ 123,351,561</u></u>
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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, 2017

	General Fund	Capital Improvements Fund	Sewer Operating Fund	Capital Nonrecurring Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 34,043,520	\$ -	\$ -	\$ -	\$ -	\$ 34,043,520
Intergovernmental	22,586,845	4,166,705	-	-	5,088,419	31,841,969
Licenses, permits and fees	307,064	-	-	-	-	307,064
Charges for services	3,152,562	-	4,171,911	-	1,375,172	8,699,645
Investment earnings	234,186	-	6,506	-	11,292	251,984
Miscellaneous	560,189	103,993	3,952	-	60,955	729,089
Total revenues	<u>60,884,366</u>	<u>4,270,698</u>	<u>4,182,369</u>	<u>-</u>	<u>6,535,838</u>	<u>75,873,271</u>
EXPENDITURES						
Current:	-					
General government	1,893,716	-	-	-	379,394	2,273,110
Public works	2,397,106	-	2,577,424	-	-	4,974,530
Recreation and leisure	1,338,968	-	-	-	44,329	1,383,297
Public safety	1,213,168	-	-	-	33,434	1,246,602
Community development and human services	638,796	-	-	-	421,445	1,060,241
Education	44,788,575	-	-	-	5,742,945	50,531,520
Miscellaneous	2,055,479	-	-	-	-	2,055,479
Debt service:						
Principal payments	2,091,063	-	-	-	-	2,091,063
Interest and fiscal charges	1,093,714	-	-	-	-	1,093,714
Capital lease payments	452,517	-	-	-	-	452,517
Capital outlays	210,844	7,205,055	-	461,906	41,165	7,918,970
Total expenditures	<u>58,173,946</u>	<u>7,205,055</u>	<u>2,577,424</u>	<u>461,906</u>	<u>6,662,712</u>	<u>75,081,043</u>
Excess (deficiency) of revenues over expenditures	2,710,420	(2,934,357)	1,604,945	(461,906)	(126,874)	792,228
OTHER FINANCING SOURCES (USES)						
Capital lease financing	210,844	-	-	-	-	210,844
Transfers in	928,759	339,775	-	873,215	465,062	2,606,811
Transfers out	(1,229,094)	-	(1,370,879)	-	(6,838)	(2,606,811)
Total other financing sources (uses)	<u>(89,491)</u>	<u>339,775</u>	<u>(1,370,879)</u>	<u>873,215</u>	<u>458,224</u>	<u>210,844</u>
Net changes in fund balances	2,620,929	(2,594,582)	234,066	411,309	331,350	1,003,072
Fund balances (deficit) - beginning	<u>11,526,869</u>	<u>119,975</u>	<u>3,028,930</u>	<u>4,454,854</u>	<u>2,831,271</u>	<u>21,961,899</u>
Fund balances (deficit) - ending	<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>

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, 2017

Net change in fund balances for governmental funds	\$	1,003,072
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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	\$	6,225,614	
Depreciation and amortization expense		<u>(4,979,074)</u>	
Net adjustment			1,246,540

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.		(130,973)
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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.		64,645
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Deferred outflows/inflows of resources resulting from changes in the net pension asset are amortized as a component of pension expense in the statement of activities.		(268,870)
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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		(210,844)	
Principal repayments:			
Bonds and notes payable		2,134,345	
Capital lease obligations		<u>424,607</u>	
			2,348,108

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		49,841	
Accrued interest		(43,720)	
Net OPEB obligation		(388,900)	
Net pension asset		201,011	
Amortization of bond premiums		115,686	
Amortization of deferred amount on refunding		(70,315)	
Landfill post-closure costs		<u>20,000</u>	
			(116,397)

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 *(Continued)*
FOR THE YEAR ENDED JUNE 30, 2017

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.	\$ (58,872)
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>(1,279,842)</u>
Change in net position of governmental activities	<u><u>\$ 2,807,411</u></u>

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

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
REVENUES				
Property taxes	\$ 33,876,575	\$ 33,876,575	\$ 34,043,520	\$ 166,945
Intergovernmental	17,715,084	17,715,084	17,850,459	135,375
Licenses, permits and fees	214,500	214,500	307,064	92,564
Charges for services	2,874,166	2,874,166	3,152,562	278,396
Use of money and property	201,333	201,333	233,088	31,755
Miscellaneous	334,334	334,334	469,766	135,432
Surplus/unexpended balances	55,215,992	55,215,992	56,056,459	840,467
EXPENDITURES				
Current:				
General government	1,946,581	1,852,656	1,821,825	(30,831)
Public works	2,397,580	2,309,805	2,284,838	(24,967)
Recreation and leisure	1,428,790	1,367,290	1,335,669	(31,621)
Public safety	1,221,286	1,169,286	1,161,958	(7,328)
Community development and human services	529,489	517,019	514,051	(2,968)
Education	41,493,733	41,493,733	40,992,911	(500,822)
Miscellaneous	2,321,725	2,125,395	2,124,694	(701)
Debt service:				
Principal payments	2,091,063	2,091,063	2,091,063	-
Interest and fiscal charges	1,139,779	1,093,779	1,093,714	(65)
Debt issuance costs	30,000	-	-	-
Total expenditures	54,600,026	54,020,026	53,420,723	(599,303)
Excess of revenues over expenditures	615,966	1,195,966	2,635,736	1,439,770
OTHER FINANCING SOURCES (USES)				
Transfers in	931,958	931,958	928,757	(3,201)
Transfers out	(1,547,924)	(2,127,924)	(2,127,924)	-
Total other financing uses, net	(615,966)	(1,195,966)	(1,199,167)	(3,201)
Net change in fund balance	\$ -	\$ -	1,436,569	\$ 1,436,569
Fund balance - beginning			8,622,044	
Fund balance - ending			\$ 10,058,613	

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

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - SEWER OPERATING FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
REVENUES				
Sewer use - current	\$ 3,728,952	\$ 3,728,952	\$ 3,688,372	\$ (40,580)
Sewer use interest	40,000	40,000	49,532	9,532
Investment earnings	5,800	5,800	6,506	706
Miscellaneous	353,349	353,349	342,876	(10,473)
Total revenues	<u>4,128,101</u>	<u>4,128,101</u>	<u>4,087,286</u>	<u>(40,815)</u>
EXPENDITURES				
Contractual services	3,685,584	3,685,584	3,502,870	(182,714)
Materials and supplies	250	250	219	(31)
Total expenditures	<u>3,685,834</u>	<u>3,685,834</u>	<u>3,503,089</u>	<u>(182,745)</u>
Excess of revenues over expenditures	442,267	442,267	584,197	141,930
OTHER FINANCING USES				
Transfers out:				
Capital Projects Fund	(282,750)	(282,750)	(282,750)	-
Capital and Nonrecurring Fund	(159,498)	(159,498)	(159,498)	-
Total other financing uses	<u>(442,248)</u>	<u>(442,248)</u>	<u>(442,248)</u>	<u>-</u>
Net change in fund balance	<u>\$ 19</u>	<u>\$ 19</u>	141,949	<u>\$ 141,930</u>
Fund balance - beginning			<u>2,894,430</u>	
Fund balance - ending			<u>\$ 3,036,379</u>	

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

TOWN OF KILLINGLY, CONNECTICUT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017

	Governmental Activities
	Internal
	Service Fund- Health
	Insurance Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 17,863
Accounts receivable	557
Due from other funds	1,412,397
Total assets	<u>1,430,817</u>
LIABILITIES	
Current liabilities:	
Claims payable	621,704
Total liabilities	<u>621,704</u>
NET POSITION	
Unrestricted	809,113
Total net position	<u><u>\$ 809,113</u></u>

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, 2017

	Governmental Activities
	Internal Service Fund- Health Insurance Fund
OPERATING REVENUES	
Charges for service	\$ 7,597,629
Total operating revenues	<u>7,597,629</u>
OPERATING EXPENSES	
Claims incurred	7,538,812
Administrative and other	1,339,806
Total operating expenses	<u>8,878,618</u>
Operating income	(1,280,989)
NONOPERATING REVENUES	
Interest income	1,147
Total nonoperating revenue	<u>1,147</u>
Change in net position	(1,279,842)
Net position - beginning	<u>2,088,955</u>
Net position - ending	<u>\$ 809,113</u>

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, 2017

	Governmental Activities
	Internal Service Fund- Health Insurance Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from charges for services	\$ 8,143,999
Payments for claims incurred	(7,446,777)
Payments for administrative costs	(1,339,806)
Net cash used in operating activities	<u>(642,584)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>1,147</u>
Net cash provided by investing activities	<u>1,147</u>
Net change in cash and cash equivalents	(641,437)
Cash and cash equivalents - beginning	<u>659,300</u>
Cash and cash equivalents - ending	<u><u>\$ 17,863</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (1,280,989)
Adjustments to reconcile operating loss to net cash used in operating activities:	
(Increase) decrease in assets:	
Accounts receivable	(557)
Due from other funds	546,927
Increase (decrease) in liabilities:	
Claims payable	<u>92,035</u>
Net cash used in operating activities	<u><u>\$ (642,584)</u></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, 2017

	Pension Trust Fund	OPEB Trust Fund	Private Purpose Trust Funds	Agency Funds
ASSETS				
Cash and cash equivalents	\$ -	\$ 572	\$ 83,781	\$ 511,585
Contributions receivable	130,480	-	-	-
Investments:				
Guaranteed Interest Contract	5,969,767	-	-	-
Certificates of deposit	-	-	-	20,417
Mutual funds	-	644,258	128,331	-
Corporate bonds	-	-	205,789	-
Equity securities	-	-	282,256	-
Due from other fund	-	-	33,543	-
Total assets	<u>6,100,247</u>	<u>644,830</u>	<u>733,700</u>	<u>\$ 532,002</u>
LIABILITIES				
Due to student groups	-	-	-	\$ 248,261
Due to others	-	-	-	283,742
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 532,003</u>
NET POSITION				
Held in trust for pension benefits and other purposes	<u>\$ 6,100,247</u>	<u>\$ 644,830</u>	<u>\$ 733,700</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, 2017

	Pension Trust Fund	OPEB Trust Fund	Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Employer	\$ 130,480	\$ -	\$ -
Plan members	103,887	-	-
Other	-	16,739	38,221
Total contributions	<u>234,367</u>	<u>16,739</u>	<u>38,221</u>
Investment earnings:			
Interest and dividends	11,813	5,818	-
Net change in the fair value of investments, net	<u>626,868</u>	<u>72,121</u>	<u>24,892</u>
Total investment earnings	<u>638,681</u>	<u>77,939</u>	<u>24,892</u>
Total additions	873,048	94,678	63,113
DEDUCTIONS			
Benefit payments	356,557	-	-
Administrative expenses	58,614	4,395	-
Awards	-	-	37,005
Total deductions	<u>415,171</u>	<u>4,395</u>	<u>37,005</u>
Change in net position	457,877	90,283	26,108
Net position - beginning	<u>5,642,370</u>	<u>554,547</u>	<u>707,592</u>
Net position - ending	<u><u>\$ 6,100,247</u></u>	<u><u>\$ 644,830</u></u>	<u><u>\$ 733,700</u></u>

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

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

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)*
JUNE 30, 2017

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. This plan is discussed more fully in Note 11.

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. This plan is discussed more fully in Note 12.

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 and the performance bonds fund. The student activities funds accounts for monies generated by student activities in the Town’s school system. 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)*
JUNE 30, 2017

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. 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 New Accounting Standards

Effective July 1, 2016, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, GASB Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple Employer Defined Benefit Pension Plans*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, GASB Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. 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)*
JUNE 30, 2017

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

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

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. Investment losses that reduce the value of endowment investments below the original principal amount serve to reduce restricted net assets or unrestricted net assets, depending upon the applicable donor's stipulations regarding the treatment of investment income and appreciation.

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.

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

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

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

Inventories

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

Property Taxes, 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. Allowance percentages range from 2% to 25% of outstanding receivable balances at June 30, 2017 and are calculated based upon historical collections. Allowances in the amounts of \$70,000, \$26,000, and \$11,000 have been established for property tax, interest, and sewer use charges, respectively, as of June 30, 2017.

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

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

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

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

Capital Assets *(Continued)*

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.

Deferred Outflows/Inflows of Resources

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

Deferred 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 inflow or outflow of resources until that time.

Deferred outflows of resources consists of deferred charges on refunding and deferred pension expenses reported in the government-wide statement of net position. Deferred charges on refunding are amortized to interest expense using the effective-interest method over the life of the related bonds. Deferred pension expenses are amortized as a component of pension expense on a systematic and rational basis.

Deferred inflows of resources consist of revenue that is considered unavailable under the modified accrual basis of accounting and deferred pension benefits. Unavailable revenue is reported in the governmental funds balance sheet and is recognized as an inflow of resources in the period that the amounts become available. Deferred pension benefits are reported in the government-wide statement of net position and are amortized as a component of pension 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.

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

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

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

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.

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.

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

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

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

Net Position and Fund Balance *(Continued)*

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.

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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

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".

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

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

Interfund Services Provided and Used

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

Interfund Transfers

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

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 - BUDGETARY INFORMATION AND DEFICIT FUND BALANCE

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.

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

NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY *(Continued)*

Budgetary Information *(Continued)*

- 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, or \$124,055 may be approved by the Town Council. Those in excess of this amount must be approved at a Town Meeting. No additional appropriations were authorized from fund balance for the General Fund during the year. In addition, 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 (*see Note 11*) 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.

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, 2017:

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

NOTE 2 - BUDGETARY INFORMATION AND DEFICIT FUND EQUITY *(Continued)*

Budgetary Information *(Continued)*

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Uses - Transfers, Net</u>	<u>Net Change In Fund Balance</u>	<u>Fund Balance</u>
Budgetary basis	\$ 56,056,459	\$ 53,420,723	\$ (1,199,167)	\$ 1,436,569	\$10,058,613
"On-behalf" payments - State Teachers' Retirement Fund <i>(see Note 11)</i>	3,761,808	3,761,808	-	-	-
Encumbrances outstanding:					
June 30, 2016	-	468,632	-	(468,632)	-
June 30, 2017	-	(850,889)	-	850,889	850,889
Intergovernmental grants netted against expenditures	974,578	974,578	-	-	-
Capital lease not recorded for budgetary purposes	-	210,644	210,644	-	-
Budgetary perspective differences - funds combined for GAAP financial reporting purposes	91,521	315,420	1,026,002	802,103	3,238,296
Reclassification of transfers	-	(127,170)	(127,170)	-	-
GAAP basis	<u>\$ 60,884,366</u>	<u>\$ 58,173,746</u>	<u>\$ (89,691)</u>	<u>\$ 2,620,929</u>	<u>\$14,147,798</u>

Deficit Fund Balances

The following fund has a deficit balance as of June 30, 2017, which does not constitute a violation of statutory provisions:

<u>Fund</u>	<u>Deficit Fund Balance</u>
Capital Improvements Fund	\$ 2,474,607

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)*
JUNE 30, 2017

NOTE 3 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

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

Government-wide statement of net position:	
Unrestricted:	
Cash and cash equivalents	\$ 21,437,447
Statement of fiduciary net position:	
Cash and cash equivalents	595,938
Plus: Certificates of deposit considered cash	
equivalents for disclosure purposes	20,417
Less: Cash equivalents considered investments	
for disclosure purposes	(7,733,363)
	<u>\$ 14,320,439</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$14,753,823 of the Town's bank balance of \$15,552,030 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 13,279,564
Uninsured and collateralized with securities held by the pledging	
bank's trust department or agent but not in the Town's name	<u>1,474,259</u>
	<u>\$ 14,753,823</u>

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.

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

NOTE 3 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments

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

Government-wide statement of net position:	
Unrestricted investments	\$ 4,969,872
Permanently restricted investments	119,642
Statement of fiduciary net position:	
Investments	7,250,818
Plus: Cash equivalents considered investments for disclosure purposes	7,733,363
Less: certificates of deposit classified as cash equivalents for disclosure purposes	(20,417)
	<u>\$ 20,053,278</u>

As of June 30, 2017, 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
Debt Securities:					
Governmental activities:					
Short-term Investment Fund	Net asset value	AAA	\$ 7,722,126	\$ 7,722,126	\$ -
Negotiable certificates of deposit	Amortized cost	Unrated	5,089,514	1,634,053	3,455,461
Fiduciary:					
Money market funds	Net asset value	Unrated	11,237	11,237	-
Corporate bonds	Fair value	AA	40,081	25,045	15,036
Corporate bonds	Fair value	A	115,721	25,073	90,648
Corporate bonds	Fair value	BBB	49,987	-	49,987
			13,028,666	\$ 9,417,534	\$ 3,611,132
Other investments:					
Fiduciary:					
Guaranteed Interest Contracts	Contract value		5,969,767		
Equity securities	Fair value		282,256		
Mutual funds	Fair value		772,589		
			\$ 20,053,278		

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.

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

NOTE 3 - CASH DEPOSITS AND INVESTMENTS *(Continued)*

Investments *(Continued)*

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, 2017, more than 10% of the Town's governmental activities investments are invested in the Short-term Investment Fund (60.3%). As of June 30, 2017, 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.	Guaranteed Interest Contract	\$ 5,969,767	82.4%

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

NOTE 4 - 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, 2017, 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	\$ 772,589	\$ -	\$ -	\$ 772,589
Equity securities	282,256	-	-	282,256
Corporate bonds	-	205,789	-	205,789
	<u>\$ 1,054,845</u>	<u>\$ 205,789</u>	<u>\$ -</u>	<u>\$ 1,260,634</u>

NOTE 5 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 9,333,181	\$ 2,520,105	\$ (168,057)	\$ 11,685,229
Land	3,674,024	-	-	3,674,024
Total capital assets, not being depreciated	<u>13,007,205</u>	<u>2,520,105</u>	<u>(168,057)</u>	<u>15,359,253</u>
Capital assets, being depreciated:				
Land improvements	17,268,251	255,267	(1,939,211)	15,584,307
Buildings and improvements	118,398,479	1,494,640	-	119,893,119
Machinery and equipment	19,610,489	1,014,041	(364,260)	20,260,270
Infrastructure	69,989,338	1,109,618	(963,024)	70,135,932
Total capital assets, being depreciated	<u>225,266,557</u>	<u>3,873,566</u>	<u>(3,266,495)</u>	<u>225,873,628</u>
Less accumulated depreciation:				
Land improvements	6,883,253	781,679	(1,939,211)	5,725,721
Buildings and improvements	36,732,693	2,010,937	-	38,743,630
Machinery and equipment	13,481,569	1,096,584	(233,287)	14,344,866
Infrastructure	46,964,863	1,089,874	(963,024)	47,091,713
Total accumulated depreciation	<u>104,062,378</u>	<u>4,979,074</u>	<u>(3,135,522)</u>	<u>105,905,930</u>
Total capital assets, being depreciated, net	<u>121,204,179</u>	<u>(1,105,508)</u>	<u>(130,973)</u>	<u>119,967,698</u>
Governmental activities capital assets, net	<u>\$ 134,211,384</u>	<u>\$ 1,414,597</u>	<u>\$ (299,030)</u>	<u>\$ 135,326,951</u>

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

NOTE 5 - CAPITAL ASSETS (Continued)

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

Governmental Activities:		
General government	\$	915,328
Public works		739,935
Recreation and leisure		227,266
Public safety		1,161
Education		3,095,384
Total depreciation and amortization expense - governmental activities	\$	<u>4,979,074</u>

NOTE 6 - CAPITAL PROJECTS

The Town has total project authorizations totaling approximately \$163.8 million as of June 30, 2017. The remaining balance of those authorizations totaled approximately \$40.2 million as of June 30, 2017.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Nonmajor Governmental Funds	\$ 839,118
	Capital Improvements Fund	<u>1,275,684</u>
		2,114,802
Sewer Operating Fund	General Fund	<u>1,329,590</u>
Capital Nonrecurring Fund	General Fund	<u>4,866,163</u>
Nonmajor Governmental Funds	General Fund	1,357,714
Fiduciary Funds		
Private Purpose Trust Funds	General Fund	<u>33,543</u>
Proprietary Funds		
Health Insurance Fund	General Fund	<u>1,412,397</u>
Total due from / to other funds		<u>\$ 11,114,209</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
JUNE 30, 2017

NOTE 8 - INTERFUND TRANSFERS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Nonmajor Governmental Funds	\$ 839,118
	Capital Improvements Fund	<u>1,275,684</u>
		<u>2,114,802</u>
Sewer Operating Fund	General Fund	<u>1,329,590</u>
Capital Nonrecurring Fund	General Fund	<u>4,866,163</u>
Nonmajor Governmental Funds	General Fund	<u>1,357,714</u>
Fiduciary Funds		
Private Purpose Trust Funds	General Fund	<u>33,543</u>
Proprietary Funds		
Health Insurance Fund	General Fund	<u>1,412,397</u>
Total due from / to other funds		<u><u>\$ 11,114,209</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 9 - SHORT-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Note Payable:				
Interim funding obligation	\$ -	\$ 905,692	\$ -	\$ 905,692
	<u>\$ -</u>	<u>\$ 905,692</u>	<u>\$ -</u>	<u>\$ 905,692</u>

During April 2016, the State of Connecticut approved funding (the "Project Loan") 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 Fund. Maximum borrowings available under the Project Loan are \$2,567,808.

During April 2017, the State of Connecticut approved funding (the "Project Loan") 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 Fund. Maximum borrowings available under the Project Loan are \$1,627,910. No loan disbursements have been made under this loan through June 30, 2017.

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 project. 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.

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

NOTE 10 - LONG-TERM OBLIGATIONS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds payable:					
General obligation bonds	\$24,965,000	\$ -	\$ (1,860,000)	\$23,105,000	\$ 1,875,000
Unamortized premium	1,367,323	-	(115,686)	1,251,637	-
	<u>26,332,323</u>	<u>-</u>	<u>(1,975,686)</u>	<u>24,356,637</u>	<u>1,875,000</u>
Other liabilities:					
Notes payable	8,044,655	-	(274,345)	7,770,310	231,063
Capital leases	1,030,958	210,844	(424,607)	817,195	255,062
Landfill post-closure care costs	320,000	-	(20,000)	300,000	20,000
Compensated absences	1,097,128	136,138	(185,979)	1,047,287	209,457
Net OPEB obligation	4,277,100	388,900	-	4,666,000	-
	<u>\$41,102,164</u>	<u>\$ 735,882</u>	<u>\$ (2,880,617)</u>	<u>\$38,957,429</u>	<u>\$ 2,590,582</u>

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

General Obligation Bonds and Notes Payable

A summary of general obligation bonds and notes payable outstanding at June 30, 2017 are as follows:

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities				
Bonds Payable				
2007 School bonds	\$ 2,415,000	2017	4.25% - 5.00%	\$ 468,649
2007 Road/Bridges bonds	3,000,000	2017	4.25% - 5.00%	611,351
2007 School refunding bonds	685,000	2024	4.25% - 5.00%	156,475
2007 Sewer refunding bonds	3,835,000	2024	4.25% - 5.00%	876,032
2007 General purpose refunding bonds	1,565,000	2024	4.25% - 5.00%	357,493
2008 School bonds	5,000,000	2018	4.00% - 4.50%	250,000
2009 School bonds	3,000,000	2029	2.50% - 4.125%	300,000
2010 School bonds	6,500,000	2030	2.25% - 4.00%	975,000
2011 School bonds	3,500,000	2031	2.50% - 4.375%	700,000
2012 School bonds	2,400,000	2032	2.00% - 3.25%	1,800,000
2013 School/Road bonds	2,100,000	2033	2.00% - 3.00%	1,680,000
2015 General obligation bonds	4,195,000	2028	2.00% - 4.00%	4,195,000
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%	6,375,000
2016 School bonds	2,000,000	2036	2.00% - 4.00%	1,900,000
2016 School bonds	2,325,000	2036	1.00% - 3.75%	2,205,000
				<u>\$23,105,000</u>
Notes Payable				
2001 Sewer FHA loan	1,383,000	2041	4.50%	\$ 829,800
2013 Sewer USDA loan	5,600,000	2051	1.00%	4,983,306
2014 Sewer USDA loan	2,063,000	2054	1.00%	1,957,204
				<u>\$ 7,770,310</u>

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

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

Annual debt service requirements to maturity on general obligation bonds and notes payable are as follows as of June 30, 2017:

Year ending June 30:	Governmental Activities					
	General Obligation Bonds		Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,875,000	\$ 741,496	\$ 231,063	\$ 265,580	\$ 2,106,063	\$ 1,007,076
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	1,870,000	571,217	231,063	241,471	2,101,063	812,688
2022	1,830,000	513,910	231,063	233,435	2,061,063	747,345
2023-2027	8,390,000	1,599,935	1,155,315	1,046,633	9,545,315	2,646,568
2028-2032	4,385,000	477,588	1,155,315	845,725	5,540,315	1,323,313
2033-2037	965,000	76,275	1,155,315	644,820	2,120,315	721,095
2038-2042	-	-	1,120,740	443,916	1,120,740	443,916
2043-2047	-	-	982,440	266,348	982,440	266,348
2048-2052	-	-	940,096	104,339	940,096	104,339
2053-2054	-	-	105,774	4,363	105,774	4,363
	<u>\$ 23,105,000</u>	<u>\$ 5,294,231</u>	<u>\$ 7,770,310</u>	<u>\$ 4,603,680</u>	<u>\$ 30,875,310</u>	<u>\$ 9,897,911</u>

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 \$239,069,292 as of June 30, 2017. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2017.

The amount of authorized, unissued bonds at June 30, 2017 totaled \$1,885,000, \$11,990,800 and \$5,048,000 for general purposes, schools and sewers, respectively.

Capital Leases

A summary of assets acquired through capital leases is as follows as of June 30, 2017:

	Governmental Activities
Machinery and equipment	\$ 3,910,656
Less: accumulated amortization	<u>3,032,957</u>
	<u>\$ 877,699</u>

Amortization expense relative to leased property under capital leases totaled \$465,818 for the year ended June 30, 2017 and is included in depreciation and amortization expense disclosed in Note 5.

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

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

Future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 are as follows:

Year ending June 30:	Governmental Activities
2018	\$ 280,929
2019	233,708
2020	244,067
2021	<u>141,366</u>
Total minimum lease payments	900,070
Less: amount representing interest	<u>82,875</u>
	<u><u>\$ 817,195</u></u>

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 15 years totals \$300,000 at June 30, 2017. These amounts are based on estimates, which are subject to change due to inflation, technology or changes in applicable laws and regulations.

NOTE 11 - 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.

Plan Membership – Membership of the Plan consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	73
Terminated plan members entitled to but not yet receiving benefits	25
Active plan members	<u>73</u>
Total	<u><u>171</u></u>

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

NOTE 11 - EMPLOYEE RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

Benefits Provided – 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, up to a maximum of 30 years. For the Assistant Superintendent, the date above changes to 4/1/1997. 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. 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, 2017, employer contributions to the Plan totaled \$130,480 and 5.31% of covered payroll.

Summary of Significant Accounting Policies

Basis of Accounting - 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 value 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 – As of June 30, 2017, more than 10% of the Plan's investments are invested in the following:

<u>Issuer</u>	<u>Investment</u>	<u>Value</u>	<u>% of the Plan's Investments</u>
Prudential Retirement Insurance and Annuity Co.	Guaranteed Interest Contract	\$ 5,969,767	100%

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

NOTE 11 - EMPLOYEE RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Summary of Significant Accounting Policies (Continued)

Rate of return - For the year ended June 30, 2017 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 6.98%. The money-weighted rate of return expresses investment performance, net of investment expense adjusted for the changing amounts actually invested.

Net Pension Asset

The components of the Town's net pension asset of the Plan at June 30, 2017, was as follows:

Total pension liability	\$ 5,836,980
Plan fiduciary net position	<u>6,100,247</u>
Town's net pension asset	<u><u>(263,267)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	104.51%

The components of the changes in the net pension asset for the Plan for the year ended June 30, 2017, 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, 2016	\$ 5,580,115	\$ 5,642,371	\$ (62,256)
Changes for the year:			
Service cost	156,852	-	156,852
Interest	389,320	-	389,320
Changes in benefit terms	86,649	-	86,649
Actuarial (gains) losses	(192,012)	-	(192,012)
Changes in assumptions	172,613	-	172,613
Contributions - employer	-	130,480	(130,480)
Contributions - employee	-	103,887	(103,887)
Net investment income	-	638,680	(638,680)
Benefit payments, including refunds	(356,557)	(356,557)	-
Administrative expense	-	(58,614)	58,614
Net changes	<u>256,865</u>	<u>457,876</u>	<u>(201,011)</u>
Balance as of June 30, 2017	<u><u>\$ 5,836,980</u></u>	<u><u>\$ 6,100,247</u></u>	<u><u>\$ (263,267)</u></u>

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

NOTE 11 - EMPLOYEE RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Net Pension Asset (Continued)

Actuarial assumptions - The total pension liability for the Plan was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	1.00%
Investment rate of return	7.00%

Mortality rates were based on the RP-2014 Mortality Table, RP-2014 Adjusted to 2016 Total Dataset Mortality Table projected to valuation date with Scale MP-2016.

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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap	32.00%	5.75%
Mid Cap	4.00%	6.25%
Small Cap	6.00%	6.50%
International Equity	15.00%	5.50%
Real Estate	5.00%	6.00%
Intermediate Term Fixed	26.00%	2.05%
Guaranteed Deposit	12.00%	2.00%

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.

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

NOTE 11 – EMPLOYEE RETIREMENT PLANS (Continued)

Defined Benefit Pension Plan (Continued)

Net Pension Liability (Asset) (Continued)

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:

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town Plan's net pension liability (asset) as of June 30, 2017	\$ 337,144	\$ (263,267)	\$ (778,226)

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, the Town recognized pension expense of \$198,339. At June 30, 2017 the Town reported deferred outflows and inflows of resources related to the Plan from the following sources:

	Deferred (Inflows) Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ (253,253)
Differences between expected and actual experience	73,933
Change of assumptions	145,029
Total	<u>\$ (34,291)</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:

	Amortization of Deferred (Inflows) Outflows of Resources
Year ended June 30,	
2018	\$ (463)
2019	3,876
2020	15,845
2021	(53,549)
	<u>\$ (34,291)</u>

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

NOTE 11 - EMPLOYEE RETIREMENT PLANS *(Continued)*

State Teachers' Retirement System

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

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

The contribution requirements of plan members and the State are established and may be amended by the State legislature. In accordance with Section 10-183z of the General Statutes, the Town does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute one hundred percent of employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Plan members are currently required to contribute 7.25% of their annual earnings to the plan. After five years of service, teachers are fully vested in their own contributions. After ten years of service, teachers are fully vested in the monthly pension benefit which is payable at the age of sixty. For the year ended June 30, 2017, plan members of the Town contributed \$1,116,187 to the plan and covered payroll for the year was \$15,395,694. The Town has recognized on-behalf payments of \$3,761,168 made by the State of Connecticut into the plan as intergovernmental revenues, and related expenditures of the General Fund in the accompanying statement of revenues, expenditures and changes in fund balances of the governmental funds.

Administrative costs of the plan are funded by the State.

The total estimated net pension liability of the TRS as of June 30, 2016 was \$14,245 billion, the most recent available reporting provided by the Board. The portion that was associated with the Town totaled approximately \$54.9 million or approximately 0.386% of the total estimated net pension liability. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The portion of the net pension liability associated with the Town was based on a projection of the long-term share of contributions to the plan related to the Town relative to the projected contributions of all participating employers, actuarially determined.

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

Inflation	2.75%
Salary increases	3.25% - 6.50%, including inflation
Investment rate of return	8.0%, net of investment related expense
Cost of living adjustments:	
Retirements prior to 9/1/1992	3.0%
Retirements on or after 9/1/1992	2.0%

For healthy retirees and beneficiaries, mortality rates were based on the RPH 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
JUNE 30, 2017

NOTE 11 - EMPLOYEE RETIREMENT PLANS (Continued)

State Teachers' Retirement System (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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.80%
Developed Non-U.S. Equities	18.0%	6.60%
Emerging Markets (Non-U.S.)	9.0%	8.30%
Core Fixed Income	7.0%	1.30%
Inflation Linked Bonds	3.0%	1.00%
Emerging Market Bonds	5.0%	3.70%
High Yield Bonds	5.0%	3.90%
Real Estate	7.0%	5.10%
Private Equity	11.0%	7.60%
Alternative investments	8.0%	4.10%
Cash	6.0%	0.40%
	<u>100%</u>	

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 State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Town's proportionate share of the net pension liability (expressed in thousands)	\$ 67,767	\$ 54,929	\$ 44,076

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

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

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Town of Killingly provides healthcare insurance benefits for eligible 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.

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

Funding Policy

Contribution requirements of the plan members and the Town are established by and may be amended through negotiations between the Town and the Board of Education and their respective unions. Currently, Town employees who are department heads or supervisors who retire at age 65 with 25 years of service with the Town are eligible for the health insurance and life insurance benefits. Public works employees who retire at age 65 with 25 years of service with the Town are eligible for the life insurance benefit. 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.

Plan Membership

Membership of the OPEB Plan consisted of the following as of July 1, 2015, the date of the latest actuarial valuation:

Inactive plan members or beneficiaries currently receiving benefits	32
Inactive plan members entitled to but not yet receiving benefits	-
Active members	<u>231</u>
Total members	<u>263</u>

Annual OPEB Cost and Net OPEB Obligation

The Town's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Town's annual OPEB cost and net OPEB obligation are primarily attributed to an implicit rate subsidy, whereby retirees are considered to be receiving a benefit from the Town for access to insurance rates offered to the Town's active employees. The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

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

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Annual required contribution	\$ 515,900
Interest on net OPEB obligation	162,500
Adjustment to annual required contribution	<u>(232,500)</u>
Annual OPEB cost	445,900
Contributions made	<u>57,000</u>
Increase in net OPEB obligation	388,900
Net OPEB obligation, beginning of the year	<u>4,277,100</u>
Net OPEB obligation, end of the year	<u><u>\$ 4,666,000</u></u>

Three Year Trend Information

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed by the Town for such benefits, and the net OPEB obligation for fiscal year 2017 and two most prior years is as follows:

Plan Year Ended June 30,	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation
2015	\$ 765,100	\$ 331,800	43%	\$ 4,064,900
2016	758,000	545,800	72%	4,277,100
2017	445,900	57,000	13%	4,666,000

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015 (the date of the most recent actuarial valuation) was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age Cost Method (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
July 1, 2015	\$ -	\$ 6,913,000	\$ 6,913,000	0.0%	\$15,038,300	46.0%

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

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

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability

The components of the Town's net OPEB liability related to its OPEB Plan as of June 30, 2017, was as follows:

Total OPEB liability	\$ 6,828,798
Plan fiduciary net position	<u>644,830</u>
Town's net OPEB liability	<u><u>\$ 6,183,968</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.44%

Actuarial Methods and Assumptions

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

Significant methods and assumptions were as follows:

Valuation date:	July 1, 2015
Actuarial cost method:	Entry Age Normal Actuarial Cost Method
Amortization method:	Unfunded Accrued Liability
Remaining amortization period:	30 years
Asset valuation method:	Market Value
Actuarial assumptions:	
Inflation	3.00%
Investment rate of return	4.36%
Healthcare cost trend rate	8.00% initial 5.00% final

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, 2017 are summarized in the following table:

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

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions(Continued)

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

Discount rate - The discount rate used to measure the total OPEB liability was 4.36%. 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:

	Discount Rates		
	1% Decrease (3.36%)	Current (4.36%)	1% Increase (5.36%)
Net OPEB liability as of June 30, 2017	\$ 7,201,967	\$ 6,183,968	\$ 5,341,091

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:

	Healthcare Cost Trend Rates		
	1% Decrease (7.00%)	Current (8.00%)	1% Increase (9.00%)
Net OPEB liability as of June 30, 2017	\$ 6,321,716	\$ 6,183,968	\$ 9,193,757

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

NOTE 13 - 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 2017, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years.

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, 2017. 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
2015	\$ 538,058	\$ 6,889,129	\$ 6,858,187	\$ 569,000
2016	569,000	6,410,747	6,450,078	529,669
2017	529,669	7,538,812	7,446,777	621,704

The Town is also a member of the Connecticut Interlocal Risk Management Agency ("CIRMA"), a public entity risk pool established for the purpose of administering an interlocal risk management program pursuant to the provisions of Section 7-479a of Connecticut General Statutes, for workers' compensation coverage.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants and Contracts

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

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

NOTE 14 - COMMITMENTS AND CONTINGENCIES (*Continued*)

Litigation

The Town is currently a defendant in a number of lawsuits. It is the opinion of Town officials and legal counsel that such pending litigation will not be finally determined so as to result individually or in the aggregate in a final judgment against the Town which would materially affect its financial position.

Encumbrances

As of June 30, 2017, the Town has recorded \$850,889 in encumbrances. Such encumbrances have been included in assigned fund balance of the General Fund.

NOTE 15 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

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

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

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

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

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

NOTE 15 - IMPACT OF NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE (*Continued*)

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

NOTES TO SCHEDULE:

The Town began to report the changes in net pension asset when it implemented GASB Statement No. 67 in fiscal year 2014.

See accompanying Independent Auditor's Report.

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

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

NOTES TO SCHEDULE:

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 67

Actuarially determined contribution rates are calculated as of December 31, prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Actuarial Cost
Remaining amortization period	20 years, open
Asset valuation method	5-year Smoothed Market value
Inflation	3.60%
Investment rate of return	7.00%
Salary increases	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-2016.

See accompanying Independent Auditor's Report.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	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	54,929	44,695	41,312
Total	<u>\$ 54,929</u>	<u>\$ 44,695</u>	<u>\$ 41,312</u>
Town's covered payroll	\$ 15,396	\$ 15,862	\$ 15,812
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	52.26%	59.50%	61.51%

NOTES TO SCHEDULE:

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

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

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

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

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

See accompanying Independent Auditor's Report.

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age Normal (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
Other Post-Employment Benefit Plan						
July 1, 2011	\$ -	\$ 9,244,200	\$ 9,244,200	0.0%	\$ 16,613,000	55.6%
July 1, 2013	-	10,074,300	10,074,300	0.0%	15,758,000	63.9%
July 1, 2015	-	6,913,000	6,913,000	0.0%	15,038,300	46.0%

See accompanying Independent Auditor's Report.

TOWN OF KILLINGLY, CONNECTICUT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (UNAUDITED)
OTHER POST-EMPLOYMENT BENEFITS PROGRAMS
JUNE 30, 2017

	2017
Total OPEB liability	
Service cost	\$ 130,479
Interest	273,107
Changes in benefit terms	-
Differences between expected and actual experience	(75,925)
Changes of assumptions	(545,846)
Benefit payments, including refunds	(93,469)
Net change in total OPEB liability	(311,654)
Total OPEB liability - beginning	7,140,452
Total OPEB liability - ending	6,828,798
Plan fiduciary net position	
Contributions - employer	57,031
Contributions - members	-
Contributions - TRB subsidy	53,177
Net investment income	73,544
Benefit payments, including refunds	(93,469)
Administrative expense	-
Net change in plan fiduciary net position	90,283
Plan fiduciary net position - beginning	554,547
Plan fiduciary net position - ending	644,830
Town's net OPEB liability	\$ 6,183,968
Plan fiduciary net position as a percentage of total OPEB liability	9.44%
Covered employee payroll	\$ 15,954,000
Town's net OPEB liability as a percentage of covered employee payroll	38.76%

NOTES TO SCHEDULE:

The Town began to report the schedule of changes in net OPEB liability when it implemented GASB Statement No. 74 in fiscal year 2017.

TOWN OF KILLINGLY, CONNECTICUT
SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS (UNAUDITED)
OTHER POST-EMPLOYMENT BENEFIT PROGRAMS
JUNE 30, 2017

	<u>2017</u>
Actuarially determined contribution	\$ 515,900
Contributions in relation to the actuarially determined contribution	<u>57,031</u>
Contribution deficiency	<u><u>\$ 458,869</u></u>
Covered employee payroll	\$ 15,954,000
Contributions as a percentage of covered employee payroll	0.36%
Annual money-weighted rate of return, net of investment expense	6.55%

NOTES TO SCHEDULE:

The Town began to report the schedule of contributions and investment returns when it implemented GASB Statement No. 74 in fiscal year 2017.

Actuarial determined contribution for fiscal year ending June 30, 2017 was determined with the July 1, 2014 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Asset valuation method	Market value of assets
Inflation	3.00%
Investment rate of return	4.36%
Salary increases	3.00%
Healthcare trend rates	8.00% current
	5.00% final
Mortality	RP-2014 Adjusted to 2006 Total Dataset Mortality Ta projected to valuation date with Scale MP-2016

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

TOWN OF KILLINGLY, CONNECTICUT
COMBINING BALANCE SHEET - GENERAL FUND ACCOUNTS
JUNE 30, 2017

	General Fund	Water Utility	Revaluation	Insurance Reserve	Community Employment Incentive	Water Mitigation
ASSETS						
Cash and cash equivalents	18,079,740	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	3,216,064	-	-	-	-	-
Receivables:						
Property taxes, net	1,466,235	-	-	-	-	-
Grants and contracts	50,733	-	-	-	-	-
Other	261,574	-	-	-	-	-
Due from other funds	2,108,908	1,167,432	154,560	286,691	7,687	75,040
Other assets	124,671	-	-	-	-	-
Total assets	<u>\$ 25,307,925</u>	<u>\$ 1,167,432</u>	<u>\$ 154,560</u>	<u>\$ 286,691</u>	<u>\$ 7,687</u>	<u>\$ 75,040</u>
LIABILITIES						
Accounts payable	1,276,293	\$ -	\$ -	\$ -	\$ -	\$ -
Other accrued liabilities	10,369	-	-	-	-	-
Due to other funds	11,666,327	-	-	-	-	-
Unearned revenue	224,622	-	-	-	-	-
Total liabilities	<u>13,177,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	<u>1,220,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Committed to:						
General government	-	-	154,560	67,954	-	-
Community development and human services	-	-	-	-	7,687	-
Assigned to:						
General government	152,774	1,167,432	-	218,737	-	75,040
Education	698,115	-	-	-	-	-
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Compensated absences	130,593	-	-	-	-	-
Other post-employment benefits	87,018	-	-	-	-	-
Cell towers	217,185	-	-	-	-	-
Sewer extension	38,793	-	-	-	-	-
Landfill post-closure	119	-	-	-	-	-
Subsequent year budget	800,000	-	-	-	-	-
Unassigned	<u>8,784,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<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>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 25,307,925</u>	<u>\$ 1,167,432</u>	<u>\$ 154,560</u>	<u>\$ 286,691</u>	<u>\$ 7,687</u>	<u>\$ 75,040</u>

See accompanying Independent Auditor's Report.

TOWN OF KILLINGLY, CONNECTICUT
COMBINING BALANCE SHEET - GENERAL FUND ACCOUNTS (Continued)
JUNE 30, 2017

	Planning and Conservation	Demo and Relocation	Tercentennial	Civil War Monument	Unexpended Education Fund
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 840	\$ 363,304
Investments	-	-	-	2,900	-
Receivables:					
Property taxes, net	-	-	-	-	-
Grants and contracts	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	70,872	85,749	2,000	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 70,872</u>	<u>\$ 85,749</u>	<u>\$ 2,000</u>	<u>\$ 3,740</u>	<u>\$ 363,304</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Other accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Committed to:					
General government	-	85,749	-	-	-
Community development and human services	70,872	-	2,000	3,740	-
Assigned to:					
General government	-	-	-	-	-
Education	-	-	-	-	363,304
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Compensated absences	-	-	-	-	-
Other post-employment benefits	-	-	-	-	-
Cell towers	-	-	-	-	-
Sewer extension	-	-	-	-	-
Landfill post-closure	-	-	-	-	-
Subsequent year budget	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>70,872</u>	<u>85,749</u>	<u>2,000</u>	<u>3,740</u>	<u>363,304</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 70,872</u>	<u>\$ 85,749</u>	<u>\$ 2,000</u>	<u>\$ 3,740</u>	<u>\$ 363,304</u>

See accompanying Independent Auditor's Report.

TOWN OF KILLINGLY, CONNECTICUT
COMBINING BALANCE SHEET - GENERAL FUND ACCOUNTS (Continued)
JUNE 30, 2017

	Maintenance of Dams	Reserve for Constabulary	Reserve for Negotiation of PILOT	Rate Stabilization	Winter Maintenance
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables:					
Property taxes, net	-	-	-	-	-
Grants and contracts	-	-	-	-	-
Other	-	-	-	-	-
Due from other funds	10,000	90,547	10,000	650,000	80,000
Other assets	-	-	-	-	-
Total assets	<u>\$ 10,000</u>	<u>\$ 90,547</u>	<u>\$ 10,000</u>	<u>\$ 650,000</u>	<u>\$ 80,000</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Other accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	-	-	-
FUND BALANCES					
Committed to:					
General government	10,000	-	-	-	-
Community development and human services	-	-	-	-	-
Assigned to:					
General government	-	-	10,000	650,000	-
Education	-	-	-	-	-
Public safety	-	90,547	-	-	-
Public works	-	-	-	-	80,000
Compensated absences	-	-	-	-	-
Other post-employment benefits	-	-	-	-	-
Cell towers	-	-	-	-	-
Sewer extension	-	-	-	-	-
Landfill post -closure	-	-	-	-	-
Subsequent year budget	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>10,000</u>	<u>90,547</u>	<u>10,000</u>	<u>650,000</u>	<u>80,000</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 10,000</u>	<u>\$ 90,547</u>	<u>\$ 10,000</u>	<u>\$ 650,000</u>	<u>\$ 80,000</u>

See accompanying Independent Auditor's Report.

TOWN OF KILLINGLY, CONNECTICUT
COMBINING BALANCE SHEET - GENERAL FUND ACCOUNTS (Concluded)
JUNE 30, 2017

	Economic Development	Fuel System	Kelp	Earl Chandler	Eliminations	Combined General Fund
ASSETS						
Cash and cash equivalents	\$ 155,372	\$ 5,184	\$ 552	\$ 101	\$ -	\$ 18,605,093
Investments	-	17,906	1,559	-	-	3,238,429
Receivables:						
Property taxes, net	-	-	-	-	-	1,466,235
Grants and contracts	-	-	-	-	-	50,733
Other	-	-	-	-	-	261,574
Due from other funds	-	-	-	-	(2,690,578)	2,108,908
Other assets	-	-	-	-	-	124,671
Total assets	<u>\$ 155,372</u>	<u>\$ 23,090</u>	<u>\$ 2,111</u>	<u>\$ 101</u>	<u>\$ (2,690,578)</u>	<u>\$ 25,855,643</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,276,293
Other accrued liabilities	-	-	-	-	-	10,369
Due to other funds	-	-	-	-	(2,690,578)	8,975,749
Unearned revenues	-	-	-	-	-	224,622
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,690,578)</u>	<u>10,487,033</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - property taxes	-	-	-	-	-	1,220,812
FUND BALANCES						
Committed to:						
General government	-	-	-	-	-	318,263
Community development and human services	155,372	23,090	2,111	101	-	264,973
Assigned to:						
General government	-	-	-	-	-	2,273,983
Education	-	-	-	-	-	1,061,419
Public safety	-	-	-	-	-	90,547
Public works	-	-	-	-	-	80,000
Compensated absences	-	-	-	-	-	130,593
Other post-employment benefits	-	-	-	-	-	87,018
Cell towers	-	-	-	-	-	217,185
Sewer extension	-	-	-	-	-	38,793
Landfill post -closure	-	-	-	-	-	119
Subsequent year budget	-	-	-	-	-	800,000
Unassigned	-	-	-	-	-	8,784,905
Total fund balances	<u>155,372</u>	<u>23,090</u>	<u>2,111</u>	<u>101</u>	<u>-</u>	<u>14,147,798</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 155,372</u>	<u>\$ 23,090</u>	<u>\$ 2,111</u>	<u>\$ 101</u>	<u>\$ (2,690,578)</u>	<u>\$ 25,855,643</u>

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, 2017

	General Fund	Water Utility	Revaluation	Insurance Reserve	Community Employment Incentive	Water Mitigation
REVENUES						
Property taxes	\$ 34,043,520	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	22,586,845	-	-	-	-	-
Licenses, permits and fees	307,064	-	-	-	-	-
Charges for services	3,152,562	-	-	-	-	-
Use of money and property	233,088	-	-	-	-	-
Miscellaneous	469,766	-	-	84,228	-	-
Total revenues	<u>60,792,845</u>	<u>-</u>	<u>-</u>	<u>84,228</u>	<u>-</u>	<u>-</u>
EXPENDITURES						
Current:						
General government	1,822,224	-	-	71,492	-	-
Public works	2,397,106	-	-	-	-	-
Recreation and leisure	1,338,968	-	-	-	-	-
Public safety	1,137,715	-	-	-	-	-
Community development and human services	514,051	-	-	-	-	-
Education	44,744,845	-	-	-	-	-
Miscellaneous	2,055,479	-	-	-	-	-
Debt service:						
Principal payments	2,091,063	-	-	-	-	-
Interest and fiscal charges	1,093,714	-	-	-	-	-
Capital lease payments	452,517	-	-	-	-	-
Capital outlays	210,844	-	-	-	-	-
Total expenditures	<u>57,858,526</u>	<u>-</u>	<u>-</u>	<u>71,492</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	2,934,319	-	-	12,736	-	-
OTHER FINANCING SOURCES (USES)						
Capital lease financing	210,844	-	-	-	-	-
Transfers in	928,757	-	75,000	25,000	-	-
Transfers out	(2,255,094)	-	-	-	-	-
Total other financing sources (uses)	<u>(1,115,493)</u>	<u>-</u>	<u>75,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	1,818,826	-	75,000	37,736	-	-
Fund balances - beginning	<u>9,090,676</u>	<u>1,167,432</u>	<u>79,560</u>	<u>248,955</u>	<u>7,687</u>	<u>75,040</u>
Fund balances - ending	<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>

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, 2017

	Planning and Conservation	Demo and Relocation	Tercentennial	Civil War Monument	Unexpended Education Fund
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	40	-
Miscellaneous	-	-	-	-	-
Total revenues	-	-	-	40	-
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public works	-	-	-	-	-
Recreation and leisure	-	-	-	-	-
Public safety	-	-	-	-	-
Community development and human services	-	-	-	115	-
Education	-	-	-	-	44,000
Miscellaneous	-	-	-	-	-
Debt service:					
Principal payments	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital lease payments	-	-	-	-	-
Capital outlays	-	-	-	-	-
Total expenditures	-	-	-	115	44,000
Excess (deficiency) of revenues over expenditures	-	-	-	(75)	(44,000)
OTHER FINANCING SOURCES (USES)					
Capital lease financing	-	-	-	-	-
Transfers in	-	10,000	-	2	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	10,000	-	2	-
Net changes in fund balances	-	10,000	-	(73)	(44,000)
Fund balances - beginning	70,872	75,749	2,000	3,813	407,304
Fund balances - ending	<u>\$ 70,872</u>	<u>\$ 85,749</u>	<u>\$ 2,000</u>	<u>\$ 3,740</u>	<u>\$ 363,304</u>

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, 2017

	Maintenance of Dams	Reserve for Constabulary	Reserve for Negotiation of PILOT	Rate Stabilization	Winter Maintenance
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Licenses, permits and fees	-	-	-	-	-
Charges for services	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	-	-	-	-	-
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public works	-	-	-	-	-
Recreation and leisure	-	-	-	-	-
Public safety	-	75,453	-	-	-
Community development and human services	-	-	-	-	-
Education	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Debt service:					
Principal payments	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital lease payments	-	-	-	-	-
Capital outlays	-	-	-	-	-
Total expenditures	-	75,453	-	-	-
Excess (deficiency) of revenues over expenditures	-	(75,453)	-	-	-
OTHER FINANCING SOURCES (USES)					
Capital lease financing	-	-	-	-	-
Transfers in	10,000	166,000	10,000	650,000	80,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	10,000	166,000	10,000	650,000	80,000
Net changes in fund balances	10,000	90,547	10,000	650,000	80,000
Fund balances - beginning	-	-	-	-	-
Fund balances - ending	\$ 10,000	\$ 90,547	\$ 10,000	\$ 650,000	\$ 80,000

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, 2017

	Economic Development	Fuel System	Kelp	Earl Chandler	Eliminations	Combined General Fund
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,043,520
Intergovernmental	-	-	-	-	-	22,586,845
Licenses, permits and fees	-	-	-	-	-	307,064
Charges for services	-	-	-	-	-	3,152,562
Investment earnings	862	196	-	-	-	234,186
Miscellaneous	1,690	4,505	-	-	-	560,189
Total revenues	<u>2,552</u>	<u>4,701</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,884,366</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	1,893,716
Public works	-	-	-	-	-	2,397,106
Recreation and leisure	-	-	-	-	-	1,338,968
Public safety	-	-	-	-	-	1,213,168
Community development and human services	124,630	-	-	-	-	638,796
Education	-	-	-	-	-	44,788,845
Miscellaneous	-	-	-	-	-	2,055,479
Debt service:						-
Principal payments	-	-	-	-	-	2,091,063
Interest and fiscal charges	-	-	-	-	-	1,093,714
Capital lease payments	-	-	-	-	-	452,517
Capital outlays	-	-	-	-	-	210,844
Total expenditures	<u>124,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,174,216</u>
Excess (deficiency) of revenues over expenditures	(122,078)	4,701	-	-	-	2,710,150
OTHER FINANCING SOURCES (USES)						
Capital lease financing	-	-	-	-	-	210,844
Transfers in	-	-	-	-	(1,026,000)	928,759
Transfers out	-	-	-	-	1,026,000	(1,229,094)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(89,491)</u>
Net changes in fund balances	(122,078)	4,701	-	-	-	2,620,659
Fund balances - beginning	<u>277,450</u>	<u>18,389</u>	<u>2,111</u>	<u>101</u>	<u>-</u>	<u>11,527,139</u>
Fund balances - ending	<u>\$ 155,372</u>	<u>\$ 23,090</u>	<u>\$ 2,111</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ 14,147,798</u>

See accompanying Independent Auditor's Report.

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

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
PROPERTY TAXES				
Current taxes	\$ 32,806,330	\$ 32,806,330	\$ 32,777,039	\$ (29,291)
Prior years' taxes	600,000	600,000	662,763	62,763
Supplemental motor vehicle	262,726	262,726	361,149	98,423
Tax interest	275,000	275,000	314,854	39,854
Lien fees	10,600	10,600	8,990	(1,610)
Airplane tax	1,530	1,530	2,250	720
Phone access - SNETCO	70,984	70,984	67,070	(3,914)
Remediation financing	(150,595)	(150,595)	(150,595)	-
Total property taxes	33,876,575	33,876,575	34,043,520	166,945
INTERGOVERNMENTAL REVENUES				
State-owned property	180,836	180,836	179,430	(1,406)
Elderly tax relief	159,292	159,292	154,283	(5,009)
Disability exception	3,855	3,855	4,602	747
Property tax abatement	183,334	183,334	430,133	246,799
Veterans' exemption	12,466	12,466	12,146	(320)
Connecticard	6,000	6,000	6,276	276
Library grant	1,000	1,000	-	(1,000)
Adult education	101,109	101,109	107,820	6,711
Mashantucket Pequot fund	145,825	145,825	145,447	(378)
Hold Harmless Grant	706,717	706,717	706,717	-
Education equalization grant	15,245,632	15,245,632	15,239,336	(6,296)
School transportation	185,682	185,682	-	(185,682)
Vocational agriculture	416,000	416,000	440,616	24,616
Nonpublic school - health services	29,473	29,473	27,847	(1,626)
Transportation - nonpublic	28,765	28,765	-	(28,765)
Municipal revenue sharing	309,098	309,098	395,806	86,708
Total intergovernmental revenues	17,715,084	17,715,084	17,850,459	135,375
LICENSES, PERMITS AND FEES				
Building permit fees	175,000	175,000	254,780	79,780
Planning and zoning permits	18,000	18,000	27,792	9,792
Other permits	7,000	7,000	9,760	2,760
Library fines and fees	13,500	13,500	14,284	784
Animal control fines and fees	1,000	1,000	448	(552)
Total licenses, permits and fees	214,500	214,500	307,064	92,564
(Continued)				

(Continued)

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

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
CHARGES FOR SERVICES				
Town clerk receipts	154,000	154,000	165,568	\$ 11,568
Conveyance tax	98,000	98,000	183,899	85,899
Elderly housing services	18,730	18,730	18,730	-
Recreation department	125,000	125,000	138,852	13,852
District Collections	13,613	13,613	13,612	(1)
Tuition	2,464,823	2,464,823	2,631,901	167,078
Total charges for services	2,874,166	2,874,166	3,152,562	278,396
USE OF MONEY AND PROPERTY				
Investment income	50,000	50,000	82,470	32,470
Sewer plant lease	42,333	42,333	42,332	(1)
Communications tower lease	109,000	109,000	108,286	(714)
Total use of money and property	201,333	201,333	233,088	31,755
MISCELLANEOUS				
School capital contributions	254,334	254,334	268,150	13,816
Miscellaneous	80,000	80,000	201,616	121,616
Total miscellaneous	334,334	334,334	469,766	135,432
Total revenues	55,215,992	55,215,992	56,056,459	840,467
OTHER FINANCING SOURCES				
Transfers in:				
Sewer Operating Fund	931,888	931,888	928,631	(3,257)
Louisa E. Day	50	50	93	43
Thomas J. Evans	20	20	33	13
Total other financing sources	931,958	931,958	928,757	(3,201)
Total revenues and other financing sources	\$ 56,147,950	\$ 56,147,950	\$ 56,985,216	\$ 837,266
				(Concluded)

See accompanying Independent Auditor's Report.

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

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
GENERAL GOVERNMENT				
Town Council:				
Personnel services	6,750	6,750	6,563	\$ (187)
Contractual services	38,600	38,600	34,161	(4,439)
Material and supplies	1,200	1,200	1,059	(141)
Total Town Council	46,550	46,550	41,783	(4,767)
Town Manager:				
Personnel services	213,535	207,535	206,554	(981)
Contractual services	30,790	21,790	21,369	(421)
Material and supplies	3,000	3,000	2,988	(12)
Total Town Manager	247,325	232,325	230,911	(1,414)
Legal Services:				
Contractual services	93,071	39,071	38,498	(573)
Total legal services	93,071	39,071	38,498	(573)
Town Clerk:				
Personnel services	138,730	140,405	140,404	(1)
Contractual services	31,350	30,875	29,901	(974)
Material and supplies	2,400	2,400	2,394	(6)
Total Town Clerk	172,480	173,680	172,699	(981)
Finance:				
Personnel services	196,945	200,545	199,871	(674)
Contractual services	59,900	59,900	57,247	(2,653)
Material and supplies	1,800	1,800	1,719	(81)
Total finance	258,645	262,245	258,837	(3,408)
Assessor:				
Personnel services	158,005	158,755	156,383	(2,372)
Contractual services	13,085	13,085	12,827	(258)
Materials and supplies	1,500	1,500	1,451	(49)
Total Assessor	172,590	173,340	170,661	(2,679)
Revenue Collection:				
Personnel services	177,685	179,205	179,202	(3)
Contractual services	38,165	32,965	32,542	(423)
Material and supplies	2,300	2,300	2,066	(234)
Total revenue collection	218,150	214,470	213,810	(660)
(Continued)				

(Continued)

See accompanying Independent Auditor's Report.

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

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
GENERAL GOVERNMENT <i>(Continued)</i>				
Registration and Elections:				
Personnel services	\$ 64,037	\$ 39,037	\$ 38,335	\$ (702)
Contractual services	19,425	19,425	15,971	(3,454)
Material and supplies	500	500	493	(7)
Total registration and elections	83,962	58,962	54,799	(4,163)
Town Boards and Commissions:				
Contractual services	73,893	73,893	72,845	(1,048)
Total town boards and commissions	73,893	73,893	72,845	(1,048)
Planning and Development:				
Personnel services	209,365	211,615	207,409	(4,206)
Contractual services	5,880	5,880	4,043	(1,837)
Material and supplies	2,200	2,200	2,148	(52)
Total planning and development	217,445	219,695	213,600	(6,095)
Data Processing:				
Contractual services	139,000	147,555	147,551	(4)
Total data processing	139,000	147,555	147,551	(4)
Town Hall:				
Contractual services	87,200	73,200	73,004	(196)
Material and supplies	7,500	7,500	4,234	(3,266)
Total town hall	94,700	80,700	77,238	(3,462)
Economic Development:				
Personnel services	118,730	120,130	120,091	(39)
Contractual services	9,290	9,290	7,769	(1,521)
Material and supplies	750	750	733	(17)
Total economic development	128,770	130,170	128,593	(1,577)
Total general government	1,946,581	1,852,656	1,821,825	(30,831)
PUBLIC WORKS				
Supervision:				
Personnel services	186,300	173,300	172,450	(850)
Contractual services	12,350	12,230	9,057	(3,173)
Material and supplies	750	870	861	(9)
Total supervision	199,400	186,400	182,368	(4,032)
<i>(Continued)</i>				

(Continued)

See accompanying Independent Auditor's Report.

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

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
PUBLIC WORKS (Continued)				
Engineering:				
Personnel services	\$ 240,970	\$ 256,845	\$ 256,810	\$ (35)
Contractual services	11,680	5,680	5,353	(327)
Material and supplies	3,000	3,000	2,400	(600)
Total engineering	<u>255,650</u>	<u>265,525</u>	<u>264,563</u>	<u>(962)</u>
Central Garage:				
Personnel services	210,480	216,095	216,092	(3)
Contractual services	109,150	116,050	116,033	(17)
Material and supplies	246,500	224,735	223,816	(919)
Total central garage	<u>566,130</u>	<u>556,880</u>	<u>555,941</u>	<u>(939)</u>
Highways:				
Personnel services	774,900	787,500	774,164	(13,336)
Contractual services	52,000	35,000	34,908	(92)
Material and supplies	209,000	197,591	196,624	(967)
Capital Outlay	9,500	9,500	9,169	(331)
Total highways	<u>1,045,400</u>	<u>1,029,591</u>	<u>1,014,865</u>	<u>(14,726)</u>
Winter Maintenance:				
Personnel services	115,000	106,000	105,916	(84)
Contractual services	8,000	8,000	6,427	(1,573)
Material and supplies	208,000	157,409	154,758	(2,651)
Total winter maintenance	<u>331,000</u>	<u>271,409</u>	<u>267,101</u>	<u>(4,308)</u>
Total public works	<u>2,397,580</u>	<u>2,309,805</u>	<u>2,284,838</u>	<u>(24,967)</u>
RECREATION AND LEISURE				
Recreation:				
Personnel services	369,260	355,540	355,146	(394)
Contractual services	59,700	48,700	47,946	(754)
Material and supplies	23,500	23,500	19,504	(3,996)
Total recreation	<u>452,460</u>	<u>427,740</u>	<u>422,596</u>	<u>(5,144)</u>
Park Development and Maintenance:				
Personnel services	186,230	177,030	162,196	(14,834)
Contractual services	60,150	53,150	52,576	(574)
Material and supplies	44,850	44,850	41,540	(3,310)
Total park development and maintenance	<u>291,230</u>	<u>275,030</u>	<u>256,312</u>	<u>(18,718)</u>
Public Library:				
Personnel services	387,555	399,785	399,782	(3)
Contractual services	136,650	119,840	119,666	(174)
Material and supplies	12,800	12,800	10,562	(2,238)
Total public library	<u>537,005</u>	<u>532,425</u>	<u>530,010</u>	<u>(2,415)</u>

(Continued)

See accompanying Independent Auditor's Report.

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

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
RECREATION AND LEISURE (Continued)				
Special Communities Activities:				
Contractual services	\$ 6,125	\$ 6,125	\$ 6,125	\$ -
Total special communities activities	6,125	6,125	6,125	-
Community Center:				
Contractual services	108,420	92,420	92,229	(191)
Material and supplies	13,000	13,000	9,073	(3,927)
Total community center	121,420	105,420	101,302	(4,118)
Other Town Buildings:				
Contractual services	19,800	19,800	19,262	(538)
Material and supplies	750	750	62	(688)
Total other town buildings	20,550	20,550	19,324	(1,226)
Total recreation and leisure	1,428,790	1,367,290	1,335,669	(31,621)
PUBLIC SAFETY				
Building Inspector:				
Personnel services	197,620	185,620	184,709	(911)
Contractual services	6,900	6,900	6,466	(434)
Material and supplies	4,900	4,900	4,416	(484)
Total building inspector	209,420	197,420	195,591	(1,829)
Animal Control:				
Contractual services	54,092	54,092	54,092	-
Material and supplies	100	100	57	(43)
Total animal control	54,192	54,192	54,149	(43)
Law Enforcement:				
Personnel services	16,020	16,020	11,119	(4,901)
Contractual services	940,454	900,454	900,372	(82)
Material and supplies	1,200	1,200	727	(473)
Total law enforcement	957,674	917,674	912,218	(5,456)
Total public safety	1,221,286	1,169,286	1,161,958	(7,328)
COMMUNITY DEVELOPMENT AND HUMAN SERVICES				
Community Development:				
Personnel services	88,095	73,245	72,550	(695)
Contractual services	400	400	343	(57)
Material and supplies	5,900	5,900	3,688	(2,212)
Total community development	94,395	79,545	76,581	(2,964)
				(Continued)

(Continued)

See accompanying Independent Auditor's Report.

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

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
COMMUNITY DEVELOPMENT AND HUMAN SERVICES (Continued)				
Human Services Subsidies:				
Contractual services	\$ 435,094	\$ 437,474	\$ 437,470	\$ (4)
Total human service subsidies	435,094	437,474	437,470	(4)
Total community development and human services	529,489	517,019	514,051	(2,968)
BOARD OF EDUCATION	41,493,733	41,493,733	40,992,911	(500,822)
MISCELLANEOUS				
Employee benefits - contractual services	1,365,989	1,255,814	1,255,218	(596)
Insurance - contractual services	695,736	700,316	700,309	(7)
Contingencies	260,000	169,265	169,167	(98)
Total miscellaneous	2,321,725	2,125,395	2,124,694	(701)
DEBT SERVICE				
Principal payments	2,091,063	2,091,063	2,091,063	-
Interest and fiscal charges	1,139,779	1,093,779	1,093,714	(65)
Debt issuance costs	30,000	-	-	-
Total debt service	3,260,842	3,184,842	3,184,777	(65)
Total expenditures	54,600,026	54,020,026	53,420,723	(599,303)
OTHER FINANCING USES				
Transfers out:				
Capital reserve fund	75,000	75,000	75,000	-
Capital projects fund	57,025	57,025	57,025	-
Capital nonrecurring fund	408,516	408,516	408,516	-
Demolition & Relocation Reserve	10,000	10,000	10,000	-
Insurance reserve fund	25,000	25,000	25,000	-
Solid waste fund	261,823	261,823	261,823	-
Revaluation fund	75,000	75,000	75,000	-
Reserve for Dam Maintenance	10,000	10,000	10,000	-
Reserve for Negotiation of PILOT	10,000	10,000	10,000	-
Reserve for Constabulary	166,000	166,000	166,000	-
Rate Stabilization fund	150,000	650,000	650,000	-
Winter Maintenance fund	-	80,000	80,000	-
Education capital nonrecurring fund	299,560	299,560	299,560	-
Total other financing uses	1,547,924	2,127,924	2,127,924	-
Total expenditures and other financing uses	\$ 56,147,950	\$ 56,147,950	\$ 55,548,647	\$ (599,303)
				(Concluded)

(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, 2017

Grand List Year	Uncollected Taxes July 1, 2016	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections			Uncollected Taxes June 30, 2017
			Additions	Deletions			Taxes	Interest	Liens	
2015	\$ -	\$ 33,934,991	\$ 2,966,728	\$3,140,147	\$ 570	\$ 33,761,002	\$ 33,012,123	\$ 119,244	\$ 2,029	\$ 748,879
2014	736,394	-	37,969	56,105	6,148	712,110	428,980	81,634	5,359	283,130
2013	330,368	-	41,810	46,162	6,888	319,128	135,111	49,802	1,002	184,017
2012	149,715	-	31,352	811	5,073	175,183	63,627	28,632	102	111,556
2011	91,638	-	-	1,073	3,135	87,430	13,330	9,067	102	74,100
2010	73,058	-	-	718	3,038	69,302	10,250	9,851	48	59,052
2009	38,514	-	-	392	427	37,695	2,923	4,253	72	34,772
2008	20,485	-	-	-	(461)	20,946	4,716	6,072	-	16,230
2007	9,976	-	-	-	(272)	10,248	970	1,393	-	9,278
2006	9,379	-	-	-	(827)	10,206	1,111	1,793	-	9,095
2005	3,592	-	-	-	(266)	3,858	792	1,628	-	3,066
2004	1,306	-	-	-	(138)	1,444	360	635	-	1,084
2003	1,378	-	-	-	(42)	1,420	450	171	-	970
2002	820	-	-	-	-	820	-	349	-	820
2001	157	-	-	-	(136)	293	136	356	-	157
2000	254	-	-	-	254	-	-	-	-	-
	<u>\$ 1,467,034</u>	<u>\$ 33,934,991</u>	<u>\$ 3,077,859</u>	<u>\$3,245,408</u>	<u>\$ 23,391</u>	<u>\$ 35,211,085</u>	<u>\$ 33,674,879</u>	<u>\$ 314,880</u>	<u>\$ 8,714</u>	<u>\$ 1,536,206</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, 2017

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

Taxes	\$ 33,674,879
Interest and lien fees	323,594
Total	<u>33,998,473</u>

Reimbursement for revenue loss:

Tax relief for elderly freeze (CGS 12-129d)	154,283
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Base \$ 34,152,756

	General Purposes	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2-1/4 times base	\$ 76,843,701	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	153,687,402	-	-	-
3-3/4 times base	-	-	128,072,835	-	-
3-1/4 times base	-	-	-	110,996,457	-
3 times base	-	-	-	-	102,458,268
Total debt limitation	<u>76,843,701</u>	<u>153,687,402</u>	<u>128,072,835</u>	<u>110,996,457</u>	<u>102,458,268</u>
Indebtedness:					
Bonds and notes payable	5,906,044	16,322,924	9,552,034	-	-
Authorized, unissued bonds	<u>1,885,000</u>	<u>11,990,800</u>	<u>5,048,000</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>7,791,044</u>	<u>28,313,724</u>	<u>14,600,034</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 69,052,657</u></u>	<u><u>\$ 125,373,678</u></u>	<u><u>\$ 113,472,801</u></u>	<u><u>\$ 110,996,457</u></u>	<u><u>\$ 102,458,268</u></u>
Total capacity of borrowing (7 times base)	\$ 239,069,292				
Total present indebtedness	<u>50,704,802</u>				
Margin for additional borrowing	<u><u>\$ 188,364,490</u></u>				

See accompanying Independent Auditor's Report.

CAPITAL IMPROVEMENTS FUND

TOWN OF KILLINGLY, CONNECTICUT
SCHEDULE OF EXPENDITURES AND PROJECT APPROPRIATIONS - CAPITAL IMPROVEMENTS FUND
YEAR ENDED JUNE 30, 2017

	Project Appropriations			Project Expenditures			Remaining Balance June 30, 2017
	Balance June 30, 2016	Current Year Appropriations	Balance June 30, 2017	Balance June 30, 2016	Current Year Expenditures	Balance June 30, 2017	
Guide Rail Replacement	\$ 387,500	\$ -	\$ 387,500	\$ 383,924	\$ 3,576	\$ 387,500	\$ -
Sidewalks	860,034	-	860,034	848,538	-	848,538	11,496
Alexanders Lake Sewer	2,205,000	(20)	2,204,980	2,173,447	-	2,173,447	31,533
Spot Drainage	215,500	(1)	215,499	186,403	-	186,403	29,096
Putnam Road/Five Mile	1,125,000	-	1,125,000	1,034,488	-	1,034,488	90,512
Landfill Closure	3,000,000	1	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	4,380,553	(282,826)	4,097,727	4,097,727	-	4,097,727	-
Quinebaug River Bike	1,888,925	1	1,888,926	1,827,709	-	1,827,709	61,217
Vo-Ag Classroom Remodeling and Equipment	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	20,000	(3,197)	16,803	16,803	-	16,803	-
WPCA Sewer/Relining Replacement	-	-	-	(1,292)	-	(1,292)	1,292
High School/Vo-Ag	81,265,000	(397,234)	80,867,766	80,817,766	50,000	80,867,766	-
KHS Asbestos Abatement	237,445	(1)	237,444	237,362	-	237,362	82
Armory Building	27,706	(2,706)	25,000	25,000	-	25,000	-
Pratt/Ledge Roads	251,469	-	251,469	10,884	141,926	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	10,337	(1,841)	8,496	8,496	-	8,496	-
Salt Storage Facilities	421,414	-	421,414	168,249	242,503	410,752	10,662
Rock Avenue	298,064	-	298,064	248,497	7,045	255,542	42,522
Chestnut Hill Road Bridge	66,889	-	66,889	32,250	1,700	33,950	32,939
KCC Gym Floor	15,750	(9,396)	6,354	6,354	-	6,354	-
Sewer- Reline and Replace	400,000	2,000	402,000	251,384	-	251,384	150,616
Cat Hollow Park Dev	15,000	-	15,000	-	-	-	15,000
Rock Avenue Bridge	3,870,000	1	3,870,001	2,298,986	-	2,298,986	1,571,015
Sanitary Sewer Line Replacement	10,373,000	(83,309)	10,289,691	10,289,691	-	10,289,691	-
Chiller - Old High School	183,621	1	183,622	4,840	-	4,840	178,782
Lake Road ARRA	558,900	1	558,901	427,870	-	427,870	131,031
Town Hall Building Improvement	288,000	1,000,000	1,288,000	130,541	52,433	182,974	1,105,026
David Avenue Extension	95,000	(39,660)	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

(Continued)

See accompanying Independent Auditor's Report.

TOWN OF KILLINGLY, CONNECTICUT
SCHEDULE OF EXPENDITURES AND PROJECT APPROPRIATIONS - CAPITAL IMPROVEMENTS FUND (Continued)
YEAR ENDED JUNE 30, 2017

	Project Appropriations			Project Expenditures			Remaining Balance June 30, 2017
	Balance June 30, 2016	Current Year Appropriations	Balance June 30, 2017	Balance June 30, 2016	Current Year Expenditures	Balance June 30, 2017	
River Road Bridges	\$ 3,150,000	\$ (400,000)	\$ 2,750,000	\$ 2,750,000	\$ -	\$ 2,750,000	\$ -
Sewer Replacement 10-11	100,000	-	100,000	40,792	3,950	44,742	55,258
WPCA Capital Projects 2011-2012	529,343	-	529,343	528,163	-	528,163	1,180
Highway Garage Roof	140,000	-	140,000	100,219	-	100,219	39,781
Spot Drainage (TA)	20,000	15,000	35,000	15,276	-	15,276	19,724
Community Center Roof (12-13)	356,983	-	356,983	346,018	-	346,018	10,965
WPCA - Capital Projects 12-13	150,000	1	150,001	136,947	814	137,761	12,240
Owen Bell Track & Court Renovations	13,545	175,000	188,545	370	152,724	153,094	35,451
Town Hall Generator	113,665	-	113,665	47,331	-	47,331	66,334
WPCA - Capital Projects 13-14	120,000	-	120,000	117,209	-	117,209	2,791
Relocate/Replace Garage Fuel Tanks	314,834	-	314,834	275,964	27,645	303,609	11,225
Road Renewal 14-15 Unimproved TA	24,000	-	24,000	4,544	15,175	19,719	4,281
Highway Garage Boiler	35,000	-	35,000	29,006	-	29,006	5,994
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	127,162	19,838	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	10,110	143,665	153,775	412
KCC Building Improvements	20,000	-	20,000	-	-	-	20,000
15-16 WPCA Capital Projects	341,000	-	341,000	32,525	174,859	207,384	133,616
P&A Mill - Brownfield Remediation	17,083	2,600,121	2,617,204	23,571	2,592,828	2,616,399	805
Rogers Pump Station	3,000,000	-	3,000,000	148,158	1,598,124	1,746,282	1,253,718
Force Main	500,000	-	500,000	7	444,241	444,248	55,752
WPCA Facility Update - CWF	22,300,000	-	22,300,000	-	669,334	669,334	21,630,666
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	40,590	21,029
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
Downtown improvement project	-	1,000,000	1,000,000	-	24,780	24,780	975,220
North St Bridge Walkway	-	196,619	196,619	-	167,099	167,099	29,520
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
LOT/CP Main St Sidewalk Replacement	-	482,155	482,155	-	306,651	306,651	175,504
Bear Hill Road Bridge	-	450,000	450,000	-	-	-	450,000
Valley Road Bridge	-	1,350,000	1,350,000	-	-	-	1,350,000
Bugbee Bld HVAC System 16-17	-	100,000	100,000	-	131	131	99,869
Killingly Community Center	-	2,200,000	2,200,000	-	-	-	2,200,000
KCS/KMS Goodyear Storage Tank Removal	-	300,000	300,000	-	-	-	300,000
KMS Roof Replacement	-	1,600,000	1,600,000	-	1,609	1,609	1,598,391
KMS Window Replacement	-	3,000,000	3,000,000	-	-	-	3,000,000
KCS Roof Replacement	-	1,275,000	1,275,000	-	1,581	1,581	1,273,419
Good year Roof replacement	-	350,000	350,000	-	1,235	1,235	348,765
	<u>\$ 148,198,230</u>	<u>\$ 15,582,410</u>	<u>\$ 163,780,640</u>	<u>\$ 116,364,259</u>	<u>\$ 7,205,055</u>	<u>\$ 123,569,314</u>	<u>\$ 40,211,326</u>

(Concluded)

See accompanying Independent Auditor's Report.

NONMAJOR GOVERNMENTAL FUNDS

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

	Nonmajor Special Revenue Funds					
	School Cafeteria Fund	Educational Grants Fund	Community Development Block Grant Fund	Cemetery Fund	Workplace Substance Abuse Grant Fund	Recreation Revolving Fund
ASSETS						
Cash and cash equivalents	\$ 439,765	\$ 748,622	\$ 48,084	\$ 27,021	\$ -	\$ -
Investments	-	-	-	-	-	-
Receivables:						
Grants and contracts	113,016	106,691	34,912	-	-	-
Other	12,835	-	21,086	-	-	-
Due from other funds	-	-	-	-	5,167	45,612
Inventories	32,881	-	-	-	-	-
Total assets	<u>\$ 598,497</u>	<u>\$ 855,313</u>	<u>\$ 104,082</u>	<u>\$ 27,021</u>	<u>\$ 5,167</u>	<u>\$ 45,612</u>
LIABILITIES						
Accounts payable	\$ 84,198	\$ 505,138	\$ 35,023	\$ -	\$ -	\$ -
Due to other funds	471,936	333,439	-	-	-	-
Unearned revenue	-	16,736	24,820	-	-	-
Other	18,972	-	-	-	-	-
Total liabilities	<u>575,106</u>	<u>855,313</u>	<u>59,843</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable:						
Inventories	32,881	-	-	-	-	-
Permanent funds principal	-	-	-	-	-	-
Restricted for:						
Grant proceeds	-	-	44,239	-	5,167	-
Special reserves - external	-	-	-	-	-	-
Committed to:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Community development and human services	-	-	-	27,021	-	-
Recreation and leisure	-	-	-	-	-	45,612
Education	-	-	-	-	-	-
Capital and nonrecurring	-	-	-	-	-	-
Unassigned	(9,490)	-	-	-	-	-
Total fund balances (deficits)	<u>23,391</u>	<u>-</u>	<u>44,239</u>	<u>27,021</u>	<u>5,167</u>	<u>45,612</u>
Total liabilities and fund balances	<u>\$ 598,497</u>	<u>\$ 855,313</u>	<u>\$ 104,082</u>	<u>\$ 27,021</u>	<u>\$ 5,167</u>	<u>\$ 45,612</u>

See accompanying Independent Auditor's Report.

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

	Nonmajor Special Revenue Funds					
	Public Investment Community Grant in Aid Fund	Miscellaneous Special Revenue Fund	Law Enforcement Fund	Historic Preservation Fund	Solid Waste Fund	Armory Fund
ASSETS						
Cash and cash equivalents	\$ -	\$ 591,600	\$ -	\$ -	\$ 18,948	\$ -
Investments	-	-	-	-	-	-
Receivables:						
Grants and contracts	-	55,967	5,894	-	-	-
Other	-	-	-	-	2,039	-
Due from other funds	5,324	-	-	35,858	92,658	26,325
Inventories	-	-	-	-	-	-
Total assets	<u>\$ 5,324</u>	<u>\$ 647,567</u>	<u>\$ 5,894</u>	<u>\$ 35,858</u>	<u>\$ 113,645</u>	<u>\$ 26,325</u>
LIABILITIES						
Accounts payable	\$ -	\$ 40,737	\$ -	\$ -	\$ 12,894	\$ -
Due to other funds	-	27,849	5,894	-	-	-
Unearned revenue	-	6,531	-	-	17,830	-
Other	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>75,117</u>	<u>5,894</u>	<u>-</u>	<u>30,724</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable:						
Inventories	-	-	-	-	-	-
Permanent funds principal	-	-	-	-	-	-
Restricted for:						
Grant proceeds	5,324	-	-	35,858	-	-
Special reserves - external	-	-	-	-	-	-
Committed to:						
General government	-	-	-	-	82,921	-
Public safety	-	-	-	-	-	26,325
Community development and human services	-	-	-	-	-	-
Recreation and leisure	-	-	-	-	-	-
Education	-	572,450	-	-	-	-
Capital and nonrecurring	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances (deficits)	<u>5,324</u>	<u>572,450</u>	<u>-</u>	<u>35,858</u>	<u>82,921</u>	<u>26,325</u>
Total liabilities and fund balances	<u>\$ 5,324</u>	<u>\$ 647,567</u>	<u>\$ 5,894</u>	<u>\$ 35,858</u>	<u>\$ 113,645</u>	<u>\$ 26,325</u>

See accompanying Independent Auditor's Report.

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

	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
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,874,040	\$ 436,827	\$ -
Investments	-	51,626	-	51,626	-	-
Receivables:						
Grants and contracts	-	-	-	316,480	-	-
Other	-	-	-	35,960	-	3,927
Due from other funds	26,561	14,944	5,068	257,517	7,954	872,678
Inventories	-	-	-	32,881	-	-
Total assets	<u>\$ 26,561</u>	<u>\$ 66,570</u>	<u>\$ 5,068</u>	<u>\$ 2,568,504</u>	<u>\$ 444,781</u>	<u>\$ 876,605</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 677,990	\$ -	\$ -
Due to other funds	-	-	-	839,118	-	-
Unearned revenue	-	-	-	65,917	-	-
Other	-	-	-	18,972	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,601,997</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)						
Nonspendable:						
Inventories	-	-	-	32,881	-	-
Permanent funds principal	-	-	-	-	-	-
Restricted for:						
Grant proceeds	-	-	-	90,588	-	-
Special reserves - external	-	-	-	-	-	-
Committed to:						
General government	-	-	-	82,921	-	-
Public safety	-	-	-	26,325	-	-
Community development and human services	-	66,570	-	93,591	-	-
Recreation and leisure	26,561	-	5,068	77,241	-	-
Education	-	-	-	572,450	-	-
Capital and nonrecurring	-	-	-	-	444,781	876,605
Unassigned	-	-	-	(9,490)	-	-
Total fund balances (deficits)	<u>26,561</u>	<u>66,570</u>	<u>5,068</u>	<u>966,507</u>	<u>444,781</u>	<u>876,605</u>
Total liabilities and fund balances	<u>\$ 26,561</u>	<u>\$ 66,570</u>	<u>\$ 5,068</u>	<u>\$ 2,568,504</u>	<u>\$ 444,781</u>	<u>\$ 876,605</u>

See accompanying Independent Auditor's Report.

TOWN OF KILLINGLY, CONNECTICUT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS *(Concluded)*
JUNE 30, 2017

	Nonmajor Capital Projects Funds						
	Open Space Acquisition Fund	State Line Road Improvement Fund	Pettingill Hill Road Improvement Fund	Benefit Assessment Fund	Total Nonmajor Capital Projects Funds	Permanent Trust Funds	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 436,827	\$ 144,115	\$ 2,454,982
Investments	-	6,796	261	13,417	20,474	490,574	562,674
Receivables:							
Grants and contracts	-	-	-	-	-	-	316,480
Other	-	-	-	-	3,927	-	39,887
Due from other funds	213,639	1,967	75	3,884	1,100,197	-	1,357,714
Inventories	-	-	-	-	-	-	32,881
Total assets	<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>\$ 4,764,618</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 677,990
Due to other funds	-	-	-	-	-	-	839,118
Unearned revenue	-	-	-	-	-	-	65,917
Other	-	-	-	-	-	-	18,972
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,601,997</u>
FUND BALANCES (DEFICITS)							
Nonspendable:							
Inventories	-	-	-	-	-	-	32,881
Permanent funds principal	-	-	-	-	-	119,642	119,642
Restricted for:							
Grant proceeds	-	-	-	-	-	-	90,588
Special reserves - external	-	-	-	-	-	515,047	515,047
Committed to:							
General government	-	-	-	-	-	-	82,921
Public safety	-	-	-	-	-	-	26,325
Community development and human services	-	-	-	-	-	-	93,591
Recreation and leisure	-	-	-	-	-	-	77,241
Education	-	-	-	-	-	-	572,450
Capital and nonrecurring	213,639	8,763	336	17,301	1,561,425	-	1,561,425
Unassigned	-	-	-	-	-	-	(9,490)
Total fund balances (deficits)	<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>
Total liabilities and fund balances	<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>\$ 4,764,618</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, 2017

	Nonmajor Special Revenue Funds					
	School Cafeteria Fund	Educational Grants Fund	Community Development Block Grant Fund	Cemetery Fund	Workplace Substance Abuse Grant Fund	Recreation Revolving Fund
REVENUES						
Intergovernmental	\$ 705,631	\$ 3,959,793	\$ 325,298	\$ -	\$ -	\$ -
Charges for services	458,115	-	-	-	-	25,855
Investment earnings	12	-	115	-	-	-
Miscellaneous	-	-	14,344	2,446	-	-
Total revenues	<u>1,163,758</u>	<u>3,959,793</u>	<u>339,757</u>	<u>2,446</u>	<u>-</u>	<u>25,855</u>
EXPENDITURES						
Current:						
General government	-	-	-	2,125	-	-
Recreation and leisure	-	-	-	-	-	19,390
Public safety	-	-	-	-	-	-
Community development and human services	-	-	354,698	-	-	-
Education	1,121,012	3,959,793	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	<u>1,121,012</u>	<u>3,959,793</u>	<u>354,698</u>	<u>2,125</u>	<u>-</u>	<u>19,390</u>
Excess (deficiency) of revenues over expenditures	42,746	-	(14,941)	321	-	6,465
OTHER FINANCING SOURCES (USES)						
Transfers in	125,000	-	-	544	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>544</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	167,746	-	(14,941)	865	-	6,465
Fund balances (deficits) - beginning	<u>(144,355)</u>	<u>-</u>	<u>59,180</u>	<u>26,156</u>	<u>5,167</u>	<u>39,147</u>
Fund balances (deficits) - ending	<u>\$ 23,391</u>	<u>\$ -</u>	<u>\$ 44,239</u>	<u>\$ 27,021</u>	<u>\$ 5,167</u>	<u>\$ 45,612</u>

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, 2017

	Nonmajor Special Revenue Funds					
	Public Investment Community Grant in Aid Fund	Miscellaneous Special Revenue Fund	Law Enforcement Fund	Historic Preservation Fund	Solid Waste Fund	Armory Fund
REVENUES						
Intergovernmental	\$ -	\$ 60,263	\$ 33,434	\$ 4,000	\$ -	\$ -
Charges for services	-	681,171	-	-	171,680	12,992
Investment earnings	-	-	-	-	-	-
Miscellaneous	-	-	-	4,757	-	-
Total revenues	-	741,434	33,434	8,757	171,680	12,992
EXPENDITURES						
Current:						
General government	-	-	-	-	377,269	-
Recreation and leisure	-	-	-	8,610	-	-
Public safety	-	-	33,434	-	-	-
Community development and human services	-	-	-	-	-	-
Education	-	662,140	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total expenditures	-	662,140	33,434	8,610	377,269	-
Excess (deficiency) of revenues over expenditures	-	79,294	-	147	(205,589)	12,992
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	261,823	-
Transfers out	-	-	-	-	(5,641)	-
Total other financing sources (uses)	-	-	-	-	256,182	-
Net changes in fund balances	-	79,294	-	147	50,593	12,992
Fund balances (deficits) - beginning	5,324	493,156	-	35,711	32,328	13,333
Fund balances (deficits) - ending	\$ 5,324	\$ 572,450	\$ -	\$ 35,858	\$ 82,921	\$ 26,325

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, 2017

	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
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ 5,088,419	\$ -	\$ -
Charges for services	-	4,403	-	1,354,216	-	20,956
Investment earnings	-	663	-	790	1,955	-
Miscellaneous	15,833	-	8,892	46,272	-	-
Total revenues	15,833	5,066	8,892	6,489,697	1,955	20,956
EXPENDITURES						
Current:						
General government	-	-	-	379,394	-	-
Recreation and leisure	16,329	-	-	44,329	-	-
Public safety	-	-	-	33,434	-	-
Community development and human services	-	-	3,824	358,522	-	-
Education	-	-	-	5,742,945	-	-
Capital outlays	-	-	-	-	-	41,165
Total expenditures	16,329	-	3,824	6,558,624	-	41,165
Excess (deficiency) of revenues over expenditures	(496)	5,066	5,068	(68,927)	1,955	(20,209)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	387,367	-	75,000
Transfers out	-	-	-	(5,641)	-	-
Total other financing sources (uses)	-	-	-	381,726	-	75,000
Net changes in fund balances	(496)	5,066	5,068	312,799	1,955	54,791
Fund balances (deficits) - beginning	27,057	61,504	-	653,708	442,826	821,814
Fund balances (deficits) - ending	\$ 26,561	\$ 66,570	\$ 5,068	\$ 966,507	\$ 444,781	\$ 876,605

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, 2017

	Nonmajor Capital Projects Funds						Total Nonmajor Governmental Funds
	Open Space Acquisition Fund	State Line Road Improvement Fund	Pettingill Hill Road Improvement Fund	Benefit Assessment Fund	Total Nonmajor Capital Projects Funds	Permanent Trust Funds	
REVENUES							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,088,419
Charges for services	-	-	-	-	20,956	-	1,375,172
Investment earnings	-	95	4	188	2,242	8,260	11,292
Miscellaneous	-	(241)	-	(523)	(764)	15,447	60,955
Total revenues	-	(146)	4	(335)	22,434	23,707	6,535,838
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	379,394
Recreation and leisure	-	-	-	-	-	-	44,329
Public safety	-	-	-	-	-	-	33,434
Community development and human services	-	-	-	-	-	62,923	421,445
Education	-	-	-	-	-	-	5,742,945
Capital outlays	-	-	-	-	41,165	-	41,165
Total expenditures	-	-	-	-	41,165	62,923	6,662,712
Excess (deficiency) of revenues over expenditures	-	(146)	4	(335)	(18,731)	(39,216)	(126,874)
OTHER FINANCING SOURCES (USES)							
Transfers in	2,170	-	-	-	77,170	525	465,062
Transfers out	-	-	-	-	-	(1,197)	(6,838)
Total other financing sources (uses)	2,170	-	-	-	77,170	(672)	458,224
Net changes in fund balances	2,170	(146)	4	(335)	58,439	(39,888)	331,350
Fund balances (deficits) - beginning	211,469	8,909	332	17,636	1,502,986	674,577	2,831,271
Fund balances (deficits) - ending	\$ 213,639	\$ 8,763	\$ 336	\$ 17,301	\$ 1,561,425	\$ 634,689	\$ 3,162,621

(Concluded)

See accompanying Independent Auditor's Report.

TOWN OF KILLINGLY, CONNECTICUT
COMBINING BALANCE SHEET - KILLINGLY PUBLIC LIBRARY TRUST FUNDS
JUNE 30, 2017

	Cash and Cash Equivalents	Investments	Due from Other Funds	Restricted Special Reserves External
Killingly Public Library Funds				
Mildred Sterns	\$ 295	\$ 1,020	\$ -	\$ 1,315
Emily Danielson	985	3,401	-	4,386
Almond M. Paine	940	-	-	940
Mary Dexter	236	817	-	1,053
Frederick A. Jacobs	352	1,217	-	1,569
Basset Hammond	755	2,606	-	3,361
Nathan Prince	90,098	311,249	-	401,347
Almond M. Paine	5,869	20,277	-	26,146
Ella Dorrance	2,892	8,880	-	11,772
Lena Tripp	4,284	14,799	-	19,083
Adolp Goldwater	999	3,449	-	4,448
Library Special	3,415	11,796	-	15,211
Total Killingly Public Library Funds	<u>\$ 111,120</u>	<u>\$ 379,511</u>	<u>\$ -</u>	<u>\$ 490,631</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, 2017

	Fund Balance July 1, 2016	Investment Income	Contributions	Community Development and Human Services	Transfers In (Out), net	Fund Balance June 30, 2017
Killingly Public Library Funds						
Mildred Sterns	\$ 898	\$ 9	\$ -	\$ -	\$ 408	\$ 1,315
Emily Danielson	4,448	47	-	(120)	11	4,386
Almond M. Paine	-	-	940	-	-	940
Mary Dexter	1,037	11	-	-	5	1,053
Frederick A. Jacobs	2,104	17	-	(557)	5	1,569
Basset Hammond	3,398	-	-	(84)	47	3,361
Nathan Prince	435,420	4,755	14,507	(53,335)	-	401,347
Almond M. Paine	24,935	1,211	-	-	-	26,146
Ella Dorrance	11,633	123	-	-	16	11,772
Lena Tripp	26,259	277	-	(7,453)	-	19,083
Adolp Goldwater	4,488	47	-	(120)	33	4,448
Library Special	15,490	164	-	(443)	-	15,211
Total Killingly Public Library Funds	<u>\$ 530,110</u>	<u>\$ 6,661</u>	<u>\$ 15,447</u>	<u>\$ (62,112)</u>	<u>\$ 525</u>	<u>\$ 490,631</u>

See accompanying Independent Auditor's Report.

TOWN OF KILLINGLY, CONNECTICUT
COMBINING BALANCE SHEET - PERMANENT TRUST FUNDS
JUNE 30, 2017

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Nonspendable Permanent Fund Principal</u>	<u>Restricted Special Reserves External</u>
Permanent Trust Funds				
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	845	-	845	-
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	18,934	-	24,416
Total Permanent Trust Funds	<u>\$ 32,995</u>	<u>\$ 111,063</u>	<u>\$ 119,642</u>	<u>\$ 24,416</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, 2017

	Fund Balance July 1, 2016	Investment Income	Community Development and Human Services	Transfers In (Out), net	Fund Balance June 30, 2017
Permanent Trust Funds					
Thomas J. Evans	\$ 3,000	\$ 33	\$ -	\$ (33)	\$ 3,000
Ezra Mathewson	400	4	(4)	-	400
Shubael Hutchins Nonspendable	5,000	54	-	(54)	5,000
Louisa E. Day	8,545	93	-	(93)	8,545
Civil War Monument	202	2	-	(2)	202
Arthur Wilkes	500	5	(5)	-	500
Hutchins Burial Lot	200	4	-	-	204
Mildred Stearns	37,500	408	-	(408)	37,500
Paine Mitchell Matthews	1,600	17	(17)	-	1,600
Paine Cemetery - Town	50,000	544	-	(544)	50,000
Emily Danielson	1,000	11	-	(11)	1,000
Eunice Randell	1,000	-	-	-	1,000
Earl Chandler	849	4	(8)	-	845
Mary Dexter	500	5	-	(5)	500
Frederick A. Jacobs	500	5	-	(5)	500
Basset Hammond	4,346	47	-	(47)	4,346
Ella Dorrance	1,500	16	-	(16)	1,500
Adolp Goldwater	3,000	33	-	(33)	3,000
Shubael Hutchins Spendable	24,825	314	(777)	54	24,416
Total Permanent Trust Funds	<u>\$ 144,467</u>	<u>\$ 1,599</u>	<u>\$ (811)</u>	<u>\$ (1,197)</u>	<u>\$ 144,058</u>

See accompanying Independent Auditor's Report.

PRIVATE PURPOSE TRUST FUNDS

TOWN OF KILLINGLY, CONNECTICUT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUNDS
JUNE 30, 2017

	Cash and Cash Equivalents	Investments	Due from Other Funds	Held in Trust for Endowment Purposes
Olivia Boulais	\$ 2,908	\$ -	\$ -	\$ 2,908
Robert D. Payne	2,000	-	-	2,000
Blanche Phoenix	1,000	-	-	1,000
Frances Upham Spaulding	1,000	-	-	1,000
Ruth E. Osgood	7,500	-	-	7,500
Goldwater Weisberg	853	-	-	853
Laura Pike Rowe	10,665	616,376	-	627,041
Adrian Herklots	504	-	-	504
Normington Memorial Savings	2,588	-	-	2,588
Normington Memorial CD	2,193	-	-	2,193
Jeffrey Lehman	22,725	-	-	22,725
Chris Wood	17,747	-	-	17,747
Ryan Doyle	2,860	-	-	2,860
John E. Bitgood Trust	-	-	33,543	33,543
John Lagarde Savings	200	-	-	200
John Lagarde CD	374	-	-	374
Helen Lupien Savings	319	-	-	319
Olive Boulais	2,189	-	-	2,189
Robert D. Payne	650	-	-	650
Blanche Phoenix	99	-	-	99
Frances Upham Spaulding	156	-	-	156
Ruth E. Osgood	79	-	-	79
William Hoss	1,633	-	-	1,633
KHS Public Speaking	100	-	-	100
KHS Public Speaking Investment	2,488	-	-	2,488
Earle Chandler CD	951	-	-	951
Total Private Purpose Trust Funds	<u>\$ 83,781</u>	<u>\$ 616,376</u>	<u>\$ 33,543</u>	<u>\$ 733,700</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, 2017

	Fund Balance July 1, 2016	Additions Contributions	Investment Income	Deletions Awards	Transfers In (Out)	Fund Balance June 30, 2017
Olive Boulais	\$ 2,908	\$ -	\$ 8	\$ -	\$ (8)	\$ 2,908
Robert D. Payne	2,000	-	4	-	(4)	2,000
Blanche Phoenix	1,000	-	1	-	(1)	1,000
Frances Upham Spaulding	1,000	-	2	-	(2)	1,000
Ruth E. Osgood	7,500	-	6	-	(6)	7,500
Goldwater Weisberg	852	-	1	-	-	853
Laura Pike Rowe	606,368	7,254	24,861	(11,442)	-	627,041
Adrian Herklots	504	1,800	-	(1,800)	-	504
Normington Memorial Savings	2,586	1,002	-	(1,000)	-	2,588
Normington Memorial CD	2,188	-	5	-	-	2,193
Jeffrey Lehman	20,213	10,023	-	(7,510)	(1)	22,725
Chris Wood	17,756	10,020	-	(10,030)	1	17,747
Ryan Doyle	1,834	2,026	-	(1,000)	-	2,860
John E. Bitgood Trust	33,543	-	-	-	-	33,543
John Lagarde Savings	303	594	-	(700)	3	200
John Lagarde CD	975	-	2	(600)	(3)	374
Helen Lupien Savings	319	-	-	-	-	319
Olive Boulais	2,183	-	-	(2)	8	2,189
Robert D. Payne	648	-	-	(2)	4	650
Blanche Phoenix	98	-	-	-	1	99
Frances Upham Spaulding	155	-	-	(1)	2	156
Ruth E. Osgood	66	7	-	-	6	79
William Hoss	-	2,633	-	(1,000)	-	1,633
KHS Public Speaking	-	100	-	-	-	100
KHS Public Speaking CD	679	1,813	-	-	(4)	2,488
KHS Public Speaking Investment	1,914	-	-	(1,918)	4	-
Earle Chandler	-	949	2	-	-	951
Total Private Purpose Trust Funds	<u>\$ 707,592</u>	<u>\$ 38,221</u>	<u>\$ 24,892</u>	<u>\$ (37,005)</u>	<u>\$ -</u>	<u>\$ 733,700</u>

See accompanying Independent Auditor's Report.

AGENCY FUNDS

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

	Student Activities	Performance Bonds	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 227,843	\$ 283,742	\$ 511,585
Investments	20,418	-	20,418
Total assets	<u>\$ 248,261</u>	<u>\$ 283,742</u>	<u>\$ 532,003</u>
LIABILITIES			
Due to student groups	\$ 248,261	\$ -	\$ 248,261
Due to others	-	283,742	283,742
Total liabilities	<u>\$ 248,261</u>	<u>\$ 283,742</u>	<u>\$ 532,003</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, 2017

	Balance, July 1, 2016	Additions	Deletions	Balance, June 30, 2017
Student Activities				
Assets				
Cash and cash equivalents				
Killingly High School	\$ 98,795	\$ 366,469	\$ 346,442	\$ 118,822
Killingly Intermediate School	41,173	84,301	67,994	57,480
Killingly Central School	5,739	19,213	16,830	8,122
Killingly Memorial School	16,857	13,440	10,163	20,134
Goodyear Early Childhood Center	7,244	4,914	2,835	9,323
BASP student activity account	5,195	7,697	2,895	9,997
Killingly Kares	4,274	819	1,128	3,965
Investments - Killingly High School	19,995	423	-	20,418
Total assets	<u>\$ 199,272</u>	<u>\$ 497,276</u>	<u>\$ 448,287</u>	<u>\$ 248,261</u>
Liabilities				
Due to student groups	\$ 199,272	\$ 497,276	\$ 448,287	\$ 248,261
Total liabilities	<u>\$ 199,272</u>	<u>\$ 497,276</u>	<u>\$ 448,287</u>	<u>\$ 248,261</u>
Performance Bonds				
Assets				
Cash and cash equivalents	\$ 258,074	\$ 46,268	\$ 20,600	\$ 283,742
Total assets	<u>\$ 258,074</u>	<u>\$ 46,268</u>	<u>\$ 20,600</u>	<u>\$ 283,742</u>
Liabilities				
Due to others	\$ 258,074	\$ 46,268	\$ 20,600	\$ 283,742
Total liabilities	<u>\$ 258,074</u>	<u>\$ 46,268</u>	<u>\$ 20,600</u>	<u>\$ 283,742</u>
Total Agency Funds				
Assets				
Cash and cash equivalents	\$ 437,351	\$ 543,121	\$ 468,887	\$ 511,585
Investments	19,995	423	-	20,418
Total assets	<u>\$ 457,346</u>	<u>\$ 543,544</u>	<u>\$ 468,887</u>	<u>\$ 532,003</u>
Liabilities				
Due to student groups	\$ 199,272	\$ 497,276	\$ 448,287	\$ 248,261
Due to others	258,074	46,268	20,600	283,742
Total liabilities	<u>\$ 457,346</u>	<u>\$ 543,544</u>	<u>\$ 468,887</u>	<u>\$ 532,003</u>

See accompanying Independent Auditor's Report.

OTHER INFORMATION (UNAUDITED)

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 36,882,006	\$ 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
Restricted for:										
Endowments - expendable	1	1	1	484,838	506,970	530,161	552,215	547,792	554,935	515,047
Endowments - nonexpendable	119,634	119,634	119,634	119,634	119,630	119,630	119,630	119,632	119,642	119,642
Other purposes	4,150,204	-	-	-	-	-	-	-	-	-
Unrestricted	25,814,958	27,301,434	21,309,425	20,510,460	17,963,381	13,674,955	13,713,426	11,174,166	19,965,750	20,209,695
Total governmental activities net position	<u>\$ 66,966,803</u>	<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>\$ 123,351,561</u>

Table 2

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 5,562,314	\$ 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
Public works	5,156,595	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
Recreation and leisure	2,291,172	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
Public safety	917,219	916,807	924,916	875,611	1,055,882	998,195	1,015,900	1,050,732	1,224,197	1,309,793
Community development and human services	1,191,829	1,030,228	829,070	1,088,021	1,342,336	943,972	1,382,091	906,536	922,786	3,649,138
Education	50,179,308	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
Interest and fiscal charges	643,918	800,416	767,585	976,042	1,550,711	1,051,283	873,546	1,155,761	1,048,505	1,076,691
Total governmental activities expenses	<u>65,942,355</u>	<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>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	1,201,587	971,507	869,058	1,065,652	1,092,072	616,933	961,098	507,533	608,290	668,403
Public works	3,674,040	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
Recreation and leisure	206,726	220,479	236,225	202,152	195,559	218,743	140,129	175,233	170,582	208,119
Public safety	9,488	15,401	25,081	49,074	22,671	24,550	1,710	4,879	7,949	448
Community development and human services	24,250	31,965	23,087	25,079	32,899	24,397	17,282	162,650	191,588	181,272
Education	3,447,855	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
Operating grants and contributions	31,772,832	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
Capital grants and contributions	4,341,981	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
Total governmental activities program revenues	<u>44,678,759</u>	<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>
Net (Expense)/Revenue										
Governmental activities	(21,263,596)	(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)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	25,577,275	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
Unrestricted grants and contributions	1,089,233	1,081,066	1,012,177	1,053,240	1,258,030	1,254,281	506,500	541,271	528,834	1,176,400
Investment income	654,843	250,898	188,545	75,781	175,314	184,722	133,176	207,756	329,448	251,984
Total governmental activities	<u>27,321,351</u>	<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>
Change in Net Position										
Governmental activities	<u>\$ 6,057,755</u>	<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>

Table 3

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

Fiscal Year Ended June 30,	Residential Real Property (%)	Commercial & Industrial Property (%)	All Other Land (%)	Personal Property (%)	Motor Vehicles (%)	Gross Taxable Grand List	Disability Farm, Veterans, and Elderly Relief	Manufacturing Exemption Sec. 12-81 (59) and (60)	Net Taxable Grand List at 70%
2008	40.44	19.23	2.76	29.33	8.24	1,216,477,185	6,027,396	358,988,356	851,461,433
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

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 July 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 lienied each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle 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.

Table 4

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
2017	27.3	2015	\$ 1,137,268,979	\$ 33,761,002	\$ 33,012,123	97.78%	2.22%
2016	27.3	2014	1,106,789,534	33,021,360	32,284,966	97.77%	2.23%
2015	26.5	2013	1,137,268,979	31,596,382	30,824,027	97.56%	2.44%
2014	20.7	2012	1,336,287,490	30,395,902	29,663,595	97.59%	2.41%
2013	19.7	2011	1,365,179,309	28,764,633	27,961,980	97.21%	2.79%
2012	19.2	2010	1,311,450,736	28,023,792	27,240,681	97.21%	2.79%
2011	19.1	2009	1,302,646,359	27,730,505	26,935,751	97.13%	2.87%
2010	18.2	2008	1,293,615,130	26,462,489	25,818,119	97.56%	2.44%
2009	17.8	2007	1,257,004,017	25,550,095	24,916,013	97.52%	2.48%
2008	25.8	2006	851,461,433	25,298,692	24,641,179	97.40%	2.60%

(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 July 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 lienied each year prior to June 30 with legal demands and alias tax warrants used in the collection of personal property and motor vehicle tax bills. Delinquent motor vehicle 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, 2017
(Unaudited)

TAXPAYER	NATURE OF BUSINESS	ASSESSMENT (1)	PERCENT OF NET TAXABLE GRAND LIST
EVERSOURCE Aka CL&P	UTILITY DISTRIBUTION CO.	\$ 50,960,840	4.48%
DAYVILLE PROPERTY DEVELOPMENT	COMMERCIAL DEVELOPMENT	36,228,150	3.19%
FRITO LAY	MANUFACTURER - SNACK FOODS	22,700,876	2.00%
UNITED NATURAL FOODS	FOOD PRODUCTS	18,611,650	1.64%
STAPLES	RETAIL/WAREHOUSING	14,990,100	1.32%
CT WATER	UTILITY DISTRIBUTION CO.	12,969,720	1.14%
TARGET CORPORATION	RETAIL DISCOUNT STORE	10,167,410	0.89%
PJC - REALTY	REALTY HOLDING COMPANY	9,502,360	0.84%
ALEXANDERS LAND TRUST	REALTY HOLDING COMPANY	9,241,590	0.81%
YANKEE GAS	UTILITY DISTRIBUTION CO.	8,471,500	0.74%
TOTAL		<u>\$ 142,883,356</u>	<u>12.56%</u>

(1) The net taxable grand list as of October 1, 2015 totaled \$1,137,269,979

Source: Assessor's Office, Town of Killingly

Table 6

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
2017	17,268	\$ 1,137,268,979	\$ 30,875,310	2.7%	\$ 1,788
2016	17,131	1,106,789,534	32,967,321	3.0%	1,924
2015	17,172	1,106,789,534	30,488,360	2.8%	1,775
2014	17,223	1,137,268,979	30,099,935	2.6%	1,748
2013	17,358	1,336,287,490	32,008,100	2.4%	1,844
2012	17,330	1,311,450,736	27,092,675	2.1%	1,563
2011	17,370	1,302,646,359	25,424,700	2.0%	1,464
2010	17,291	1,293,615,130	23,541,825	1.8%	1,362
2009	17,826	1,257,004,017	19,046,400	1.5%	1,068
2008	17,635	851,461,433	18,415,975	2.2%	1,044
2007	17,769	822,372,318	15,600,550	1.9%	878
2006	17386	786,936,812	12,213,895	1.6%	703

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

Table 7

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
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	1,137,268,979	30,488,360	-	30,488,360	2.7%	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
2008	17,635	851,461,433	18,415,975	1,399,983	17,015,992	2.0%	965

(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)**

Fiscal Year	(1) Population	Personal Income	Per Capita Personal Income	(1) Median Age	(2) School Enrollment	(3) Unemployment Rate
2017	17,268	\$ 469,863,586	\$ 27,210	42.0	2,550	5.50%
2016	17,131	\$ 471,941,919	\$ 27,549	41.4	2,519	6.70%
2015	17,172	473,071,428	27,549	40.0	2,515	7.30%
2014	17,223	474,476,427	27,549	39.8	1,764	8.70%
2013	17,358	468,266,766	26,977	39.8	2,687	10.20%
2012	17,330	460,718,050	26,585	39.8	2,689	10.30%
2011	17,370	452,019,510	26,023	39.8	2,685	11.10%
2010	17,291	435,992,565	25,215	39.8	2,681	10.90%
2009	17,826	352,580,454	19,779	36.5	2,726	9.10%
2008	17,635	348,802,665	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

Table 9

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 177,818,809	\$ 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
Total net debt applicable to limit	32,157,174	37,770,618	39,373,722	34,951,553	45,652,341	46,231,900	44,323,735	44,643,570	40,408,455	49,799,110
Legal Debt Margin	\$ 145,661,635	\$ 141,708,010	\$ 146,869,118	\$ 163,819,544	\$ 151,660,138	\$ 154,568,854	\$ 170,315,620	\$ 178,423,211	\$ 193,412,230	\$ 189,270,172
Total net debt applicable to the limit as a percentage of debt limit	18.08%	21.04%	21.14%	17.58%	23.14%	23.02%	20.65%	20.01%	17.28%	20.83%

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 for the elderly freeze grant. The calculation of the 2016 debt limit can be found on page 78 of this report.