

TOWN OF MORRIS, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2017

TOWN OF MORRIS, CONNECTICUT

TABLE OF CONTENTS

	<u>Page Number</u>
 <u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3a-3g
 BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
	<u>Exhibit</u>
Statement of Net Position	A 4
Statement of Activities	B 5-6
 Fund Financial Statements:	
Balance Sheet - Governmental Funds	C 7
Statement of Revenues, Expenditures, and Changes In Fund Balances (Deficits) – Governmental Funds	D 8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities	E 9
Statement of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis – Budget to Actual – General Fund	F 10
Statement of Net Fund Position (Deficit) – Proprietary Funds	G 11
Statement of Revenues, Expenses and Changes in Net Fund Position (Deficit) – Proprietary Funds	H 12
Statement of Cash Flows – Proprietary Funds	I 13
Statement of Fiduciary Net Position – Fiduciary Funds	J 14
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	K 15
 Notes to Financial Statements	 16-38

TOWN OF MORRIS, CONNECTICUT

TABLE OF CONTENTS

Required Supplementary Information:

Schedule of Changes in Net Pension Liability and Related Ratios – Town Plan	RSI-1	39
Schedule of Changes in Net Pension Liability and Related Ratios – Fire Department Plan	RSI-2	40
Schedule of Employer Contributions –Town Plan	RSI-3	41
Schedule of Employer Contributions – Fire Department Plan	RSI-4	42
Schedule of Investment Returns – Town Plan	RSI-5	43
Schedule of Investment Returns – Fire Department Plan	RSI-6	44

Supplemental and Combining Nonmajor Fund Statements and Schedules:

	<u>Schedule</u>	
General Fund		
General Fund Revenues and Other Financing Sources - Budgetary Basis – Budget and Actual	1	45
General Fund Expenditures, Encumbrances and Other Financing Uses - Budgetary Basis – Budget and Actual	2	46-47
Non-Major Governmental Funds		
Combining Balance Sheet	3	48
Combining Statement of Revenues, Expenditures And Changes in Fund Balances (Deficits)	4	49
Fiduciary Funds		
Combining Statement of Net Position Private Purpose Trust Funds	5	50
Combining Statement of Changes in Net Position Private Purpose Trust Funds	6	51
Other Schedules		
Statement of Changes in Fund Balance – By Project	7	52-53
Schedule of Property Taxes Levied, Collected And Outstanding	8	54-55
Schedule of Debt Limitation	9	56-57

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INDEPENDENT AUDITOR'S REPORT

Board of Selectman
Town of Morris, Connecticut
Morris, CT 06763

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Morris Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Morris, Connecticut's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 the financial audits contained in *Governments 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 governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Morris, Connecticut as of June 30, 2017, and the respective changes in the financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with 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 3a through 3g and the required supplementary information relating to pension on pages 39-44, 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 of Morris, Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the statement of changes in fund balance – by project, the schedule of property taxes levied, collected and outstanding, and the schedule of debt limitation are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the statement of changes in fund balance – by project, the schedule of property taxes levied, collected and outstanding, and the schedule of debt limitation 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 nonmajor fund financial statements and schedules described in the above paragraph are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2017, on our consideration of the Town of Morris, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Morris, Connecticut's internal control over financial reporting and compliance.

CLERMONT & ASSOCIATES, LLC
Prospect, Connecticut

December 9, 2017

TOWN OF MORRIS, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

This discussion and analysis of the Town of Morris, Connecticut's (the "Town") financial performance is provided by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2017. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

- Net position of our governmental activities decreased by \$152 thousand.
- Net position of our business-type activities decreased by \$59 thousand..
- The General Fund reported a fund balance this year of \$1.6 million; \$65 thousand more than the general fund balance reported in the prior year;
- The Town maintained a capital reserve fund balance of \$1.1 million, this increase by \$23 thousand from the prior year.

Overview of the Financial Statements

This annual report consists of a series of financial statements. The statement of net position and the statement of activities (Exhibits A and B, respectively) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements are presented in Exhibits C and D. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. In addition, the Town maintains the Morris Sewer Authority as a proprietary fund (Exhibit G, H and I). The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Government Wide Financial Statements

The analysis of the Town as a whole begins on Exhibits A and B. The statement of net position and the statement of activities reports information about the Town as a whole and about its activities for the current period. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and related changes. The Town's net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. The reader needs to consider other nonfinancial factors, such as changes in the Town's property tax base and the condition of the Town's capital assets, to assess the overall health of the Town.

In the statement of net position and the statement of activities, the Town reports its activities as follows:

- *Governmental activities* - The Town's basic services are reported here, including general government, public safety, community services, public works, education, public library and municipal facilities. Property taxes, charges for services and state and federal grants finance most of these activities.
- *Business-type activities* – Morris Sewer Authority's activity is reported here.

Fund Financial Statements

The fund financial statements begin with Exhibit C and provide detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State Statute. However, the Board of Selectman establishes many other funds to help control and manage financial activities for particular purposes or to show that it is meeting legal responsibilities for using grants and other money (like grants received for education from the State and Federal governments). The Town's funds are divided into three categories: governmental, proprietary and fiduciary.

- *Governmental funds (Exhibits C and D)* - Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation at the bottom of the fund financial statements.
- *Proprietary funds (Exhibits G, H and I)* - When the Town charges customers for the services it provides, whether to outside customers or to other units of the Town, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities.
- *Fiduciary funds (Exhibits J and K)* - The Town is the trustee, or fiduciary, for its employees' pension plans. All of the Town's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net position. These activities are excluded from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Government-Wide Financial Analysis

The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Town's governmental activities. The Town's net position for governmental activities decreased \$151 thousand from \$7.4 million in 2016 to \$7.3 million in 2017.

TABLE 1 NET POSITION: (in Thousands)

	Governmental Activities	
	2017	2016
Current and other assets	\$ 3,353,759	3,321,824
Capital assets	4,807,261	4,968,281
Deferred inflows	305,400	363,351
Total assets & deferred inflows	\$ 8,466,420	8,653,456
Current and other liabilities	\$ 117,592	1,028,026
Deferred outflows	11,817	147,460
Long-term liabilities	1,042,183	31,514
Total liabilities & deferred outflows	\$ 1,171,592	1,207,000
Net position:		
Investment in capital assets	\$ 4,807,261	4,968,281
Unrestricted	2,487,567	2,478,175
Total net position	\$ 7,294,828	7,446,456

TABLE 2 CHANGE IN NET ASSETS (In Thousands)

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 162,545	148,658
Operating grants and contributions	283,862	723,494
Capital grants and contributions	64,175	208,035
General revenues:		
Property taxes	8,603,343	7,953,782
Grants and contributions not restricted to specific purposes	28,624	11,979
Unrestricted investment earnings and other revenues	20,410	11,625
Other general revenues (and transfers)	664	875
Total revenues	\$ 9,163,623	9,058,448
Program expenses:		
General government	\$ 913,627	1,100,426
Public safety	336,230	407,959
Public works	1,334,994	1,046,910
Health and welfare	26,544	15,532
Culture and recreation	321,431	292,648
Education	6,382,425	6,478,187
Total program expenses	\$ 9,315,251	9,341,662
Increase (decrease) in net position	\$ (151,628)	(283,214)

Town Funds Financial Analysis

Governmental Funds

As the Town completed the year, its governmental funds (as presented in the balance sheet - Exhibit C) reported a combined fund balance of \$3.1 million which is a \$28 thousand increase from the previous year. Included in this year's total change in fund balance is a increase of \$23 thousand in the Capital Projects Fund and \$65 thousand in the general fund. The decrease in the fund balance of the nonmajor funds is mainly due to spending down the Town Aid Road Fund, which is a state funded program.

Proprietary Funds

The Town reports the Sewer Authority as a proprietary fund (Exhibit G, H, and I). Under this presentation, the operating income was \$(59) thousand, which included depreciation expense of \$65 thousand. Net fund position at year end included \$1.4 million of net capital investment and \$424 thousand unrestricted.

General Fund Budgetary Highlights

Exhibit F shows the summary information of budget to actual revenues, expenditures and changes in undesignated, unreserved fund balance (funds available to be appropriated).

- Property tax collections were slightly more than expected as well as total revenues
- All departments expended less than the budgeted amounts with the largest savings in the public works department.

The fund balance was \$1.4 million of which the majority was without restrictions or assignments and available to appropriate.

Capital Assets

At June 30, 2017, the Town had approximately \$5 million invested in a broad range of capital assets, including land, buildings, park facilities, vehicles and equipment, roads, bridges, and sewer lines. The total Town's amount represents a net decrease (including additions and deductions) of \$226,850, net of depreciation expenses.

TABLE 3

CAPITAL ASSETS (Net of Depreciation)

		Governmental Activities	
		2017	2016
Land	\$	448,223	448,223
Buildings and improvements		704,927	726,655
Land Improvements		770,962	788,912
Machinery and equipment		364,182	409,984
Infrastructure		<u>2,518,967</u>	<u>2,594,507</u>
Totals	\$	<u>4,807,261</u>	<u>4,968,281</u>

		Business-type Activities	
		2017	2016
Sewer collection system	\$	1,596,142	1,661,972

TABLE 4
OUTSTANDING DEBT (In Thousands)

Long-Term Liabilities

At June 30, 2017 the Town had \$1,168,501 in long term liabilities versus \$1,173,680 last year, a small decrease.

The Town's only outstanding debt is to the Town of Litchfield for the amount of \$126,318, paid annually through the collections of sewer assessment fees.

Other obligations include accrued vacation pay and sick leave, and net pension and the monitoring of the Town's landfill closure. More detailed information about the Town's long-term liabilities is presented in Note 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget tax rates.

- The economy in Connecticut and particularly Litchfield County impact development in the town.
- Reductions in State of Connecticut grant revenues for the past 2 years
- Imposition of unfunded State mandates
- Board of Selectmen continue to be diligent in ensuring that services and education are provided to Morris residents while managing costs

These indicators along with a projected modest inflationary increase were taken into account when proposing the General Fund budget for 2017-18.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's Treasurer at 3 East Morris Street, Morris, Connecticut, 06763.

STATEMENT OF NET POSITION

June 30, 2017

	Governmental Activities	Business-type Activities	Total*
Assets:			
Cash and cash equivalents	\$ 2,536,438	322,195	2,858,633
Investments	571,731		571,731
Receivables, net	243,144	101,884	345,028
Prepaid expenses	3,929		3,929
Internal balances	(1,483)	1,483	-
Capital assets:			
Capital assets, not being depreciated	448,223		448,223
Capital assets, being depreciated, net	4,359,038	1,596,142	5,955,180
Total assets	\$ 8,161,020	2,021,704	10,182,724
Deferred outflows on resources			
Deferred pension expenses	\$ 305,400		305,400
	305,400	-	305,400
Liabilities:			
Accounts payable and other current liabilities	\$ 112,348	1,483	113,831
Unearned revenues	5,244		5,244
Noncurrent liabilities:			
Due within one year	76,264	19,727	95,991
Due in more than one year	965,919	106,591	1,072,510
Total liabilities	\$ 1,159,775	127,801	1,287,576
Deferred Inflows on Resources			
Deferred pension credit	\$ 11,817		11,817
Total deferred inflow on resources	\$ 11,817	-	11,817
Net Position:			
Invested in capital assets, net of related debt	\$ 4,807,261	1,469,824	6,277,085
Unrestricted	2,487,567	424,079	2,911,646
Total net position	\$ 7,294,828	1,893,903	9,188,731

* After internal balances have been eliminated

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

TOWN OF MORRIS, CONNECTICUT

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

		Program Revenues
Functions/programs	Expenses	Charges for Services
Primary Government:		
Governmental activities:		
General government	\$ 913,627	97,133
Public safety	336,230	90
Public works	1,334,994	23,968
Public health	26,544	
Cultural and recreation	321,431	41,354
Education	6,382,425	
Total governmental activities	\$ 9,315,251	162,545
Business-type activities:		
Sewer Authority	\$ 133,851	74,885
Interest on long-term debt	2,287	
Total business-type activities	\$ 136,138	74,885
Total primary government	\$ 9,451,389	237,430

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

EXHIBIT B

Program Revenues		Net (Expenses) Revenue and Changes in Net Position Primary Government		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
		(816,494)		(816,494)
2,865		(333,275)		(333,275)
177,587	64,175	(1,069,264)		(1,069,264)
		(26,544)		(26,544)
1,232		(278,845)		(278,845)
102,178		(6,280,247)		(6,280,247)
283,862	64,175	(8,804,669)	-	(8,804,669)
			(58,966)	(58,966)
			(2,287)	(2,287)
-	-	-	(61,253)	(61,253)
283,862	64,175	(8,804,669)	(61,253)	(8,865,922)
General revenues:				
Property taxes		\$ 8,603,343		8,603,343
Grants and contributions not restricted for specific programs		28,624		28,624
Unrestricted investment earnings		20,410	2,105	22,515
Other unrestricted income		664		664
Total general revenues		\$ 8,653,041	2,105	8,655,146
Change in net position		\$ (151,628)	(59,148)	(210,776)
Net position, beginning		7,446,456	1,953,051	9,399,507
Net position, ending		\$ 7,294,828	1,893,903	9,188,731

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Capital & Nonrecurring	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,578,994	938,002	19,442	2,536,438
Investments	10,879	535,518	25,334	571,731
Receivables, net	236,851	6,293		243,144
Due from other funds	94,585		238,600	333,185
Prepaid expenses	3,929			3,929
Total assets	\$ 1,925,238	1,479,813	283,376	3,688,427
Liabilities and Fund Balances				
Liabilities:				
Accounts and other payables	\$ 91,176	21,172		112,348
Due to other funds	1,483	333,185		334,668
Unearned revenues	5,244			5,244
Total liabilities	\$ 97,903	354,357	-	452,260
Deferred inflows of resources:				
Unavailable receipts	181,767	6,264		188,031
Payment in advance	5,244			5,244
Total deferred inflows of resources	187,011	6,264	-	193,275
Fund balances:				
Nonspendable	\$ 3,929			3,929
Committed for:				
Specified use	9,001	253,322		262,323
Assigned		865,870	283,376	1,149,246
Unassigned	1,627,394			1,627,394
Total fund balances	\$ 1,640,324	1,119,192	283,376	3,042,892
Total liabilities, deferred inflows of resources and fund balances	\$ 1,925,238	1,479,813	283,376	

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

Capital assets used in the governmental activities are not financial resources and therefore, are not reported in the funds.	4,807,261
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds.	(1,042,183)
Long-term liabilities , including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	193,275
Pension costs , including differences between expected and actual pension experiences, change in pension assumptions and net difference between projected and actual pension earnings	293,583
Net position of governmental activities (Exhibit A)	\$ 7,294,828

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and assessments	\$ 8,570,391			8,570,391
Intergovernmental	191,518	3,459	177,814	372,791
Charges for services	134,174			134,174
Investment income	13,512	6,834	64	20,410
Miscellaneous	3,122	1,970	27,813	32,905
Total revenues	<u>\$ 8,912,717</u>	<u>12,263</u>	<u>205,691</u>	<u>9,130,671</u>
Expenditures:				
Current:				
General government	\$ 837,492			837,492
Public safety	301,851			301,851
Public works	810,379		235,034	1,045,413
Public health	24,968			24,968
Culture and recreation	249,771		30,144	279,915
Education	6,382,425			6,382,425
Other	119,667			119,667
Capital outlay		110,089		110,089
Total expenditures	<u>\$ 8,726,553</u>	<u>110,089</u>	<u>265,178</u>	<u>9,101,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 186,164</u>	<u>(97,826)</u>	<u>(59,487)</u>	<u>28,851</u>
Other financing sources (uses)				
Transfer from other funds	\$	121,000		121,000
Transfer to other funds	(121,000)			(121,000)
Total other financing sources (uses)	<u>\$ (121,000)</u>	<u>121,000</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>\$ 65,164</u>	<u>23,174</u>	<u>(59,487)</u>	<u>28,851</u>
Fund balances (deficits) - beginning	<u>1,575,160</u>	<u>1,096,018</u>	<u>342,863</u>	<u>3,014,041</u>
Fund balances (deficits) - ended	<u>\$ 1,640,324</u>	<u>1,119,192</u>	<u>283,376</u>	<u>3,042,892</u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

Differences in amounts reported for government wide activities in the Statement of Activities are due to:

Net change in fund balances - total governmental funds (Exhibit D)	\$	28,851
Governmental funds report capital outlays as expenditures; however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(161,020)
Revenues previously recognized in the statement of activities that provided current financial resources in the current year.		32,952
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(14,157)
Pension expenses and credits as a result of changes in assumptions and expectation are recognition the in government wide financial statements but are not included in the fund financial statements		(38,254)
Change in net position of governmental activities (Exhibit B)	\$	<u>(151,628)</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 8,508,112	8,508,112	8,570,390	62,278
Intergovernmental	139,051	139,051	191,518	52,467
Charges for services	178,974	178,974	134,174	(44,800)
Investment income	3,375	3,375	13,512	10,137
Other revenues	-	-	3,122	3,122
Total revenues	\$ 8,829,512	8,829,512	8,912,716	83,204
Expenditures:				
Current:				
General government	\$ 939,801	923,618	837,492	86,126
Public safety	277,500	328,389	302,851	25,538
Public works	843,442	859,850	820,480	39,370
Health and welfare	16,314	16,314	14,867	1,447
Cultural and recreation	254,863	257,175	249,771	7,404
Education	6,382,425	6,382,425	6,382,425	-
Capital Improvement	100,000	121,000	121,000	-
Other	265,167	211,741	127,667	84,074
Total expenditures	\$ 9,079,512	9,100,512	8,856,553	243,959
Revenues over (under) expenditures	\$ (250,000)	(271,000)	56,163	327,163
Other financing sources (uses):				
Proceeds from surplus	\$ 250,000	271,000	250,000	250,000
Total other financing sources (uses)	\$ 250,000	271,000	250,000	250,000
Revenues Over Expenditures and Other Financing Sources (Uses)	\$ -	-	306,163	577,163
Less:				
Change in nonspendable			(3,929)	
Net Change in unassigned fund balance			\$ 302,234	
Unassigned fund balance, July 1, 2016			1,325,160	
Unassigned fund balance, June 30, 2017			<u>\$ 1,627,394</u>	

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

STATEMENT OF NET FUND POSITION
 PROPRIETARY FUNDS
 June 30, 2017

	Business-type Activities
	Sewer Authority
Assets	
Current assets:	
Cash and cash equivalents	\$ 322,195
Receivables, net of allowance	101,884
Due from other fund	1,483
Total current assets	\$ 425,562
Noncurrent assets:	
Capital assets, net of accumulated depreciation	1,596,142
Total noncurrent assets	\$ 1,596,142
Total assets	\$ 2,021,704
Liabilities	
Current liabilities:	
Accounts payable & accrued liabilities	\$ 1,483
Notes payable - current	19,727
Total current liabilities	\$ 21,210
Noncurrent liabilities:	
Notes payable, less current portion	\$ 106,591
Total noncurrent liabilities	\$ 106,591
Total liabilities	\$ 127,801
Net Fund Position	
Invested in capital assets, net of related debt	\$ 1,469,824
Unrestricted	424,079
Total net fund position	\$ 1,893,903

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET FUND POSITION (DEFICIT)
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities	Sewer Authority
Operating revenues:		
Charges for services and other revenues	\$ 74,885	
Total operating revenues	<u>\$ 74,885</u>	
Operating expenses:		
Administration and operation	\$ 68,021	
Depreciation	65,830	
Total operating expenses	<u>\$ 133,851</u>	
Operating income (loss)	<u>\$ (58,966)</u>	
Nonoperating revenues (expenses):		
Interest income	\$ 2,105	
Interest expense	(2,287)	
Total nonoperating revenues (expenses)	<u>\$ (182)</u>	
Change in net fund position	<u>\$ (59,148)</u>	
Net fund position, beginning	<u>\$ 1,953,051</u>	
Net fund position, ending	<u><u>\$ 1,893,903</u></u>	

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities
	Sewer Authority
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 93,840
Payments to suppliers	<u>(67,265)</u>
Net cash flows from operating activities	<u>\$ 26,575</u>
Cash Flows From Noncapital and Related Financing Activities	
Transfer in and payments made through governmental activities	\$ <u>(865)</u>
Net cash provided by (used in) noncapital and related financing activities	<u>\$ (865)</u>
Cash Flows From Capital and Related Financing Activities	
Interest payments on capital debt	(2,287)
Principal payments on capital debt	\$ <u>(19,336)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (21,623)</u>
Cash Flows From Investing Activities	
Transfer from investments	\$ 105,729
Interest received on investments	<u>2,105</u>
Net cash provided by investing activities	<u>\$ 107,834</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 111,921</u>
Cash and Cash Equivalents, beginning	<u>210,274</u>
Cash and Cash Equivalents, ending	<u><u>\$ 322,195</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:	
Operating Income (Loss)	\$ (58,966)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	65,830
Changes in assets and liabilities:	
Decrease (increase) in receivable accounts	18,955
Increase (decrease) in accounts payable	<u>756</u>
Net cash flows from operating activities	<u><u>\$ 26,575</u></u>

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Private Purpose Trust Funds
Assets	
Cash and cash equivalents	\$ 39,706
Investments, at fair value	<u>1,118,036</u>
Total assets	\$ <u>1,157,742</u>
Net Position:	
Held in trust for benefits and other purposes	\$ <u><u>1,157,742</u></u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2017

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Contributions and donations	\$ 77,500
Total contributions	<u>\$ 77,500</u>
Investment earnings:	
Net increase in fair value of investments	\$ 74,319
Interest and dividends	39,312
Less: Investment expenses	(132)
Total investment earnings	<u>\$ 113,499</u>
Total additions	<u>\$ 190,999</u>
DEDUCTIONS	
Administrative	\$ 12,628
Benefits	<u>77,430</u>
Total deductions	<u>\$ 90,058</u>
Change in net position	<u>\$ 100,941</u>
NET POSITION, beginning	<u>\$ 1,056,801</u>
NET POSITION, ending	<u><u>\$ 1,157,742</u></u>

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

TOWN OF MORRIS, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Town of Morris, Connecticut (the Town) was incorporated in 1859. It operates under a Selectmen/Town Meeting form of government with a Board of Finance and provides general government, public safety, public works, recreation, health and welfare, and sanitation services.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting board for governmental accounting financial reporting principles. These principles require that the Town report government-wide and fund financial statements.

The following is a summary of the Town's more significant accounting principles.

Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. *Government activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately than *business-type activities*, which rely to a significant extent on fees and charges for support.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary fund and fiduciary fund financial statements. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity, or internal balances, has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the business-type funds and the various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

Fund financial statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the later are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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. Expenditures are generally recorded when a liability has occurred, as under accrual accounting. However expenditures related to long-term liabilities, such as debt service payments and compensated absences, are recorded only when payment is due.

Property taxes are levied on all taxable assessed property on the grand list of October 1 prior to the beginning of the fiscal year. Real estate taxes are payable in two installments (July 1 and January 1). Personal property taxes are payable annually (July 1) and motor vehicle taxes are due in one single payment on July 1. Liens are filed on delinquent real estate taxes within one year. Revenues from property taxes are recognized when they become available. Available means due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Town considers property tax revenue to be available if they are collected within 60 days of the end of the fiscal year.

Those revenues susceptible to accrual are property taxes, special assessments and interest revenue. Fines, permits and charges for services are not susceptible to accrual because generally they are not measurable until received in cash.

Intergovernmental revenue grants and similar items are recognized as soon as all eligible requirements imposed by the provider have been met and are collected soon enough to pay liabilities of the current period. For this purpose, grants may be recognized and received after 60 days of the fiscal year end.

The Town reports the following major governmental funds:

The ***general fund*** is the general operating fund of the Town's government. All unrestricted resources, except those required to be accounted for in another fund, are accounted for in this fund. From this fund are paid general operating expenditures, fixed charges, principal and interest on long-term debt and capital improvement costs of the Town, which were not paid through a special fund.

The ***capital and nonrecurring fund*** is used to account for resources used for capital expenditures or for the acquisition or construction of capital facilities, improvements and equipment. Sources of revenue include current tax revenues and government grants.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

The Town reports the following major proprietary funds:

The ***Morris Sewer Authority (S.A.)*** accounts for the operations of the Town's wastewater treatment system. The Town contracts with the Town of Litchfield, Connecticut's Water Pollution Control Authority to treat sewage collected in Morris, and to maintain sewage pumping stations and collection system. Its collection operations are managed by the S.A. and financed from direct charges to the users of the service.

Additionally, the Town reports the following fund type:

The ***private-purpose trust fund*** is used to account for assets held by the Town in a trustee capacity or as an agent on behalf of others. An example includes the Morris Public Library, which maintains the assets received through contributions, fees and charges of the library.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and the enterprise funds reported in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their government-wide and propriety fund financial statements subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise and internal service funds include the cost of operations and maintenance, provisions for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Cash and cash equivalents

The Town considers cash on hand, deposits and short-term investments, with an original maturity of three months or less from the date of acquisition.

Investments

Investments are stated at the fair value using quoted market prices.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

Receivables and payables

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

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

All trade and property tax receivables, including those for Sewer Authority funds, are shown net of an allowance for uncollectible accounts. Trade account receivables allowance for uncollectible accounts is estimated based on the inherent risk associated with the accounts.

Capital assets

Capital assets, which include property, plant and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the net assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives with a capitalization threshold of \$5,000:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	5-40
Land Improvements	50
Infrastructure (including sewer system)	30-50
Machinery and equipment	5-20

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

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2017**

Deferred outflows/inflows of resources

The Statement of net position (Exhibit A) reports a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until a future period. The Town reports borrowing costs as well as a deferred charge on refunding as a result from the differences in the carrying value of refunded debt and its reacquisition price. These amounts are deferred and amortized over the shorter of the life of the related debt. A deferred outflow of resources related to pension results from differences between expected and actual experience, changes in assumptions or other inputs.

The statement of net position (Exhibit A) and the Balance Sheet for the government funds (Exhibit C) report a separate section for deferred inflows of resources. This separate financial element represents the addition of net position or fund balance that applies to future period and will not be recognized as revenue until that time. The Town reports advance tax collections in the statement of net position and the balance sheet for the government funds. The Town reports a deferred inflow of resources related to pensions in the statement of net position.

A deferred inflow of resources related to pension results from differences between expected and actual experience. These amounts are deferred and included in pension expense in a systematic and rational manner. The government funds report unavailable revenue, which arises only under the modified accrual basis of accounting because it does not meet the measurable and available criteria for the recognition in the current period.

Compensated absences

Under the terms of its various union contracts, Town employees are granted vacation and sick time in varying amounts based on length of service. Certain employees may also carry over a limited number of unused vacation days to subsequent years based on the terms of an employment or union contract. In the event of termination, these employees are reimbursed for accumulated vacation. The Town recognizes a liability in the government-wide financial statements for the vested portion, as well as the unvested portion to the extent expected to be paid, as compensated absences.

Net pension liability

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

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

Long-term obligations

In the government-wide financial statements and proprietary fund types in fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the terms of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financial 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.

Fund equity and net position

In the government-wide financial statements, net position is classified in the following categories:

Investment in capital assets, net of related debt - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

The ***restricted net position*** represent amounts of external restrictions imposed by creditors, grantors, contributors and laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

The ***unrestricted net position*** represents the net position of the Town which are not restricted for any project or other purpose.

In the fund financial statements, fund balances of governmental funds are classified into five separate categories. The five categories and their general meanings are as follows:

Nonspendable are those net assets that are not in expendable form or are legally or contractually required to be maintained.

Restricted fund balances are defined in the same manner as for the restricted government-wide net assets.

Committed fund balances are those balances that can only be used for a specific purpose as a result of constraints imposed by formal action of the government's highest level of decision-making authority. For the *Town of Morris*, that was considered to be the Board of Selectmen.

Assigned fund balances are amounts that are contained by the government's intent to be used as a specific purpose.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

Fund equity and net position – (continued)

Unassigned fund balance is defined as the residual classification for the general fund and includes those remaining balances that cannot be categorized in the four categories.

Note 2 - Budgets and Budgetary Accounting

General Fund

The Statement of Revenues and Expenditures, and Change in Fund Balance – Budgetary Basis - Budget to Actual presented in the financial statements for the General Fund is on the budgetary basis of accounting which is a basis of accounting other than the accrual basis and the modified basis of accounting. The budgetary basis of accounting and the Town's general budget policies are as follows:

- A. Prior to July 1 of each year, the budget is legally enacted through passage of a resolution.
- B. The Board of Finance is authorized to transfer budgeted amounts between appropriations as deemed appropriate.
- C. The formal budgetary integration is employed as a management control device during the year.
- D. Legal level of control (the level at which expenditures may not legally exceed appropriations) is at the department level.
- E. All Town transfers \$20,000 or greater require approval from the Board of Finance and the approval of the Town Meeting.

A reconciliation of General Fund operations and fund balance presented on a budgetary basis to the amounts presented in accordance with accounting principles generally accepted in the United States of America (GAAP) is as follows:

	<u>Revenues</u>	<u>Expenditures and Encumbrances</u>
Balance, budgetary basis	\$ 8,912,717	8,856,553
Encumbrances as of June 30, 2017		(9,001)
Encumbrances as of June 30, 2016		-
Reclassified as other sources / uses		(121,000)
Balance, GAAP basis	\$ <u>8,912,717</u>	<u>8,726,553</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

The other financial sources (uses) were adjusted as follows:

Balance, budgetary basis	\$	-
Reclassify capital appropriation		<u>(121,000)</u>
Balance, GAAP basis	\$	<u>(121,000)</u>

Special Revenue Funds

The Town does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for the various special revenue funds which are utilized to account for specific grant programs are established in accordance with the requirements of the grantor agencies. Such budgets carry over until completion of the grants and, therefore, may comprise more than one fiscal year.

Capital Projects Funds

Legal authorization for expenditures of the Capital Projects Funds is provided by the related bond ordinances and/or intergovernmental grant agreements or Connecticut State Statutes. Capital appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned.

Note 3 - Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Government Fund Balance Sheet and the Government-wide Statement of Net Position

The details of the components included in Exhibit C are as follows:

Capitalized assets are expensed in the fund financial statements in the period the expense is incurred while the expense is incurred over the useful life of the related asset in the government-wide financial statements:

Land	\$	448,223
Net capital assets being depreciated		<u>4,359,038</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>4,807,261</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The detail of this difference is as follows:

Compensated absences	\$	(65,236)
Net pension obligation		(587,651)
Landfill Closure		<u>(389,296)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$	<u>(1,042,183)</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds. This amount includes the following:

Delinquent property tax and interest	\$	<u>193,275</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>193,275</u>

Certain pension costs are recognized in the government-wide financial statements as deferred inflows and outflows but are not due or available for the current period and, therefore, are not recognized in the funds. These amounts include the following:

Difference between expected and actual experiences	\$	84,973
Changes in assumptions		148,790
Net difference between projected and actual earnings		71,637
Difference between expected and actual experiences		<u>(11,817)</u>
Net adjustment to increase fund balance to arrive at net position of the government activities	\$	<u>293,583</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Acquisitions	\$	154,868
Depreciation		<u>(315,888)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>(161,020)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Net change in compensated absences	\$	(6,862)
Net change in landfill closure		(17,999)
Net change in pension obligation		<u>10,704</u>
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$	<u>(14,157)</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

Note 4 - Deposits and Investments

The Town's deposits and investments are presented in the accompanying balance sheets as follows:

	<u>Deposit</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Governmental activities	\$ 2,536,438		2,536,438
Business-type activities	322,195		322,195
Fiduciary funds	39,706		39,706
Investments:			
Governmental activities		571,731	571,731
Fiduciary funds		1,118,036	1,118,036
Total Deposits and Investments	<u>\$ 2,898,339</u>	<u>1,689,767</u>	<u>4,588,106</u>

Deposits

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a "qualified public depository" as defined by Statute or, in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit, in an "out of state bank" as defined by the Statutes, which is not a "qualified public depository."

The carrying amounts of the Town's deposits at June 30, 2017 consist of the following:

Bank Deposit Accounts	\$ 2,707,603
CD's	190,586
Cash on Hand	<u>150</u>
Total Deposits	<u>\$ 2,898,339</u>

Custodial Credit Risk

As of June 30, 2017, the carrying amount of the Town's deposits had bank balances of approximately \$2,898,341. The amount of the bank balance covered under federal depository insurance was approximately \$ 559,149. The remaining deposits were uninsured, however, provisions of the Connecticut General Statutes provide for protection against loss in excess of deposit insurance by requiring all qualified public depositories to maintain segregated collateral for public deposits. As of June 30, 2017 approximately \$289,819 of uninsured deposits were collateralized under the provision.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

Investments

Investments are reported at fair value using quoted market prices (Level 1 in the fair value hierarchy).

As of June 30, 2017, the Town held the following investments:

<u>Investment Type</u>	<u>Fund</u>	<u>Fair Value</u>	<u>Maturities Less than 1 Year</u>	<u>Risk</u>
State Investment Fund	General Fund	\$ 10,879	10,879	N/A
State Investment Fund	Capital Reserve	535,518	535,518	N/A
Money Market	Trust Funds	647	647	N/A
Mutual Funds	Trust Funds	756,335	756,335	N/A
Equities	Trust Funds	133,789	133,789	BB
Other investments	Trust Funds	252,598	252,598	N/A
Total Investments		\$ 1,689,766	1,689,766	

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates which will adversely affect the fair value of an investment. The Town has, for the Pension Trust Funds, an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the Town's policy to invest only in securities that meet the ratings requirements set by General State Statute Chapter 112, Section 7-400.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

Note 5 - Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2017 for the Town's individual major funds and non-major, internal service and fiduciary funds in the aggregate, including the applicable allowance for uncollectible accounts are as follows:

	<u>Governmental Funds</u>		<u>Sewer Authority</u>	<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>		
Property taxes	\$ 182,183			182,183
Interest	59,781			59,781
Intergovernmental		6,293		6,293
Accounts			6,908	6,908
Assessments			94,976	94,976
Less: allowance	(5,113)			(5,113)
Net Total Receivables	\$ 236,851	6,293	101,884	345,028

Deferred payments and unavailable receipts

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the fiscal year the components of deferred revenue and unearned revenues reported in the governmental fund were as follows:

Payables

Payables as of June 30, 2017 for the Town's individual major funds and non-major funds were as follows:

	<u>Vendors</u>	<u>Payroll</u>	<u>Total</u>
General Fund	\$ 57,768	33,408	91,176
Capital Projects Fund	21,172		21,172
Total governmental funds	\$ 78,940	33,408	112,348
Sewer Authority	\$	1,483	1,483
Total Payables	\$ 78,940	34,891	113,831

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2017

Note 6 - Inter-fund Receivables, Payables and Transfers

Inter-funds Receivables and Payables

Inter-fund receivables and payables at June 30, 2017 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 94,585
Town Road Aid	General Fund	238,600
Sewer Authority	General Fund	<u>1,482</u>
	Total	\$ <u>334,667</u>

Inter-fund Transfers

The Town transferred \$121,000 from the general fund to the capital projects fund to be assigned for future capital projects.

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 448,223			448,223
Total capital assets, not being deprec.	\$ 448,223	-	-	448,223
Capital assets being depreciated:				
Buildings and improvements	\$ 1,907,896	27,350		1,935,246
Land improvements	994,363	7,500		1,001,863
Machinery and equipment	2,426,859	17,808		2,444,667
Infrastructure	6,045,794	102,210		6,148,004
Total capital assets being depreciated	\$ 11,374,912	154,868	-	11,529,780
Less: Accumulated depreciation:				
Buildings and improvements	\$ 1,181,241	49,078		1,230,319
Land improvements	205,451	25,450		230,901
Machinery and equipment	2,016,875	63,610		2,080,485
Infrastructure	3,451,287	177,750		3,629,037
Total accumulated depreciation	\$ 6,854,854	315,888	-	7,170,742
Net capital assets, being depreciated	\$ 4,520,058	(161,020)		4,359,038
Total capital assets, governmental	\$ 4,968,281	(161,020)	-	4,807,261

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General government	\$	42,419
Public safety		15,326
Public works		234,296
Recreation		23,847

Total depreciation expense \$ 315,888

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets being depreciated:				
Sewers	3,281,598			3,281,598
Total capital assets being depreciated	\$ <u>3,281,598</u>	<u>-</u>	<u>-</u>	<u>3,281,598</u>
Less: Accumulated depreciation:	<u>1,619,626</u>	<u>65,830</u>		<u>1,685,456</u>
Total capital assets, business-type	\$ <u>1,661,972</u>	<u>(65,830)</u>	<u>-</u>	<u>1,596,142</u>

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due In One Year</u>
Governmental Activities:					
Compensated absence	\$ 58,374	6,862		65,236	
Net pension liability	569,652	95,429	77,430	587,651	65,559
Landfill closure	400,000		10,704	389,296	10,705
Total governmental activities					
long-term liabilities	\$ <u>1,028,026</u>	<u>102,291</u>	<u>88,134</u>	<u>1,042,183</u>	<u>65,559</u>
Business-type Activities:					
Inter-municipal debt	\$ 145,654		19,336	126,318	19,727
Total business-type activities					
long-term liabilities	\$ <u>145,654</u>		<u>19,336</u>	<u>126,318</u>	<u>19,727</u>
Total long-term liabilities	\$ <u>1,173,680</u>	<u>102,291</u>	<u>107,470</u>	<u>1,168,501</u>	<u>85,286</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

Sewage Treatment – Town of Litchfield

Pursuant to a 1984 agreement between the Towns of Morris and Litchfield, the Town of Litchfield receives and treats sanitary sewage from the Town of Morris at the Litchfield Sewage Treatment Plant. The agreement also requires the Town of Morris to proportionately finance the Sewage treatment plant's upgrade costs originally funded through the State of Connecticut Clean Water Fund loan program. The original debt to the Town of Litchfield was \$214,583. The terms of the loan include annual principal and interest (2%) payments as follows:

Fiscal Year	Principal	Interest
2018	19,727	2,347
2019	20,125	1,949
2020	20,531	1,543
2021	20,945	1,128
2022	21,368	706
2023-2024	23,622	277
Total	126,318	7,950

Landfill Closure and Postclosure Care Costs

The Town has a closed landfill with no further capacity or estimated useful life. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for thirty years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Total estimated costs based on the current actual costs are included in the long-term debt. The Town's estimated costs to monitor the landfill for the next three years are \$8,250 at June 30, 2017. This amount is based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

Note 9 - Commitments and Contingencies

Lawsuits

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

Risk Management

The Town is exposed to various risks of loss including torts, theft of, damage to, and destruction of assets; error and omissions; injuries to employees; employee health; and natural disasters. The Town generally obtains commercial insurance for these risks. For all types of commercial coverage, settled claims have not exceeded coverage in any of the past three years.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2017

The Town is a member of the Connecticut Interlock Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention.

Regional School District

The Town is a member of Regional School District #6, which provides education for grades kindergarten through twelfth for the Towns of Morris, Goshen and Warren. As of June 30, 2017, the outstanding bonded indebtedness of the District was \$1,376,187. The Town of Morris's share of this debt is 38.45%. These are general obligations of the Regional School District and its Town members.

Note 10 - Employee Retirement Plans

Plan Description and Benefits Provided

The Town is the administrator of two single-employer public employee retirement system (PERS) established and administered to provide pension benefits for its employees and volunteer firemen. The two PERS are considered to be a part of the Town's financial reporting entity and is included in these financial statements as pension trust funds. The Town's pension plans do not use issue stand-alone financial statements.

Town Retirement Plan

The plan covers substantially all full time union employees of the Town and the Town Clerk. These employees are eligible to participate in the Town Plan when they complete one year of eligible service, are a part of the Town's bargaining unit (excluding the Town Clerk), and have attained the age of eighteen. Additionally, the employees cannot be covered by any other retirement program that the Town contributes to, with the exception of the Town of Morris Fire Department. Participants are 100% vested after five years of credited service.

Benefits are 1.6% of final average pay times years of credited service. Normal retirement age is sixty-five. Early retirement is permitted with a reduced benefit.

Management of the plan rests with the PERS Committee, which consists of three voting members. Members of the Committee are appointed by the Board of Selectmen. The appointment requires a unanimous Board approval.

Volunteer Fire Department Plan

This defined benefit retirement plan covers substantially all volunteer firemen who belong to the volunteer fire department. Volunteer firemen are eligible to participate in the Department Plan as of July 1 following the date they complete one year of eligible service and have attained the age of eighteen.

Normal retirement age is sixty-five and benefits are paid monthly. Annual benefits are calculated based on years of service. There is no provision for early retirement.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

The death benefit under the plan is equal to the participant's accrued benefits at the date of death. Participants are fully vested after five years of service.

Benefits are \$5 per month for each year of credited services. No participant shall accrue more than \$150 per month.

Membership in the plans consisted of the following at July 1, 2015 the date of the actuarial valuation applicable to the June 30, 2017 employer actuarially determined contribution:

	Town Plan	Fire Department Plan
Retirees and beneficiaries currently receiving benefits	6	6
Terminated plan members entitled to, but not yet receiving benefits	1	7
Active plan members	6	36
Total	13	49

Summary of Significant Accounting Policies

Basis of Accounting

Financial statements are prepared using the accrual basis of accounting for the two defined benefit pension plans. There are no member contributions. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Administrative costs are financed through investment earnings.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income is recognized as earned.

Funding Policy

The Town is required to contribute amounts necessary to fund the Plans. State of Connecticut Statutes assign the authority to establish and amend the contribution provisions of the plans to the Board of Selectmen of the Town of Morris. Members do not contribute to the plans. The Town's contributions to the plans are actuarially determined on an annual basis. The Town has a policy to pay at least the greater of 40% of the actuarial determined employer contribution or 80% of the prior year's actual contribution up to 100% of the actuarially determined employer contribution.

Investments

Investment Policy

The pension plan's policy in regard to allocation of invested assets is established and may be amended by the PERS Board by a majority vote of its members. It is the policy of the PERS Board to pursue an investment strategy that increases the return on each plan's portfolio with

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

minimal risk exposure to the Pension Funds. The policy states that no more than 10% of each plan's portfolio may be invested in a single security of one corporation.

Any security held in the account must be listed on a national and recognized exchange such as NYSE, NASDAQ, AMEX, or OTC.

Rate of Return

For the year ended June 30, 2017, the money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 9.92% for the Town Plan and 5.52% for the Fire Department Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Plans

The Town and Fire Department Plan net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017.

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

	<u>Town Plan</u>	<u>Fire Department Plan</u>	<u>Total</u>
Total pension liability	\$ 1,570,959	174,434	1,745,393
Plan fiduciary net position	<u>1,042,191</u>	<u>115,551</u>	<u>1,157,742</u>
Net pension liability	\$ <u>528,768</u>	<u>58,883</u>	<u>587,651</u>
Plan fiduciary net position as a percentage of the total pension liability	66.34%	66.24%	66.33%

Actuarial Assumptions

The total pension liability was determined by actuarial data as of July 1, 2017, using the following actuarial assumption, applied to all periods included in the measurement:

	<u>Town Plan</u>	<u>Fire Department Plan</u>
Inflation	2.50%	n/a
Salary increase	3.50%	n/a
Investment rate of return	6.75%, per year	6.75%, per year

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table combined version for small plans – separate male and female rates.

The actuarial assumptions used in the July 1, 2017 data were based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2017.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

Long Term Rate of Return

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.

Discount Rate

The discount rate used to measure the total pension liability was 6.75% for the Town Plan and Fire Department Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Town contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

Town Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2016	\$ 1,465,181	950,198	514,983
Changes for the year:			
Service cost	12,708	-	12,708
Interest cost on total pension liability	96,471	-	96,471
Difference between expected and actual experience	68,571	-	68,571
Employer contributions	-	69,000	(69,000)
Employee contributions	-	-	-
Net investment income	-	94,965	(94,965)
Benefit payments, including refund to employee contributions	(71,972)	(71,972)	-
Net changes	\$ 105,778	91,993	13,785
Balances as of June 30, 2017	\$ 1,570,959	1,042,191	528,768

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued

June 30, 2017

Fire Department Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2016	\$ 161,165	106,496	54,669
Changes for the year:			
Service cost	2,347	-	2,347
Interest cost on total pension liability	10,694	-	10,694
Difference between expected and actual experience	5,686	-	5,686
Employer contributions	-	8,500	(8,500)
Net investment income	-	6,013	(6,013)
Benefit payments, including refund to employee contributions	\$ (5,458)	(5,458)	-
Net changes	13,269	9,055	4,214
Balances as of June 30, 2017	\$ 174,434	115,551	58,883

Changes in Assumptions or Other Inputs

Mortality for Pre- and Post-Retirement is calculated using RP-2000 projected to valuation date using Scale AA, which is a change from the previously used 1951 Group Annuity Mortality Table projected to 1970; male rates for males, and male rates set back five years for females.

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

The following presents the net pension liabilities of the Plans, calculated using the discount rate of 6.75%, as well as what the net pension liabilities would be if it were calculated using a discount rate that is 1 percent point lower (5.75%) or 1 percent higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Town Plan net pension liability	\$ 696,250	528,768	385,479
Fire Department Plan net pension liability	\$ 81,399	58,883	39,898

Pension Trust Funds

The Town maintains two pension trust funds (Town Employees' Plan and Volunteer Fire Department Plan) to account for its fiduciary responsibility. The following schedules present the net position held in trust for pension benefits at June 30, 2017 and the changes in net position for the year then ended.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2017

Schedule of Net Position

	Town Retirement Plan	Volunteer Fire Department Plan	Total
Assets:			
Cash and cash equivalents	\$ 34,121	5,585	39,706
Investments	1,008,070	109,966	1,118,036
Net Assets Held in Trust for Pension Benefits	\$ 1,042,191	115,551	1,157,742

Schedule of Changes in Net Position

	Town Retirement Plan	Volunteer Fire Department Plan	Total
Additions:			
Contributions:			
Employer	\$ 69,000	8,500	77,500
Employee	-	-	-
Total	\$ 69,000	8,500	77,500
Investment Income:			
Net appreciation(depreciation) in fair value of Investments	\$ 66,516	7,803	74,319
Interest and dividends	35,690	3,622	39,312
Total	\$ 102,206	11,425	113,631
Less investment expense			
Investment management fees	(88)	(44)	(132)
Net investment income	\$ 102,118	11,381	113,499
Total additions	\$ 171,118	19,881	190,999
Deductions:			
Administrative costs	7,258	5,370	12,628
Benefits	71,972	5,458	77,430
Net increase	\$ 91,888	9,053	100,941
Net position and beginning of year	\$ 950,303	106,498	1,056,801
Net position at end of year	\$ 1,042,191	115,551	1,157,742

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2017

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the Town recognized pension expense of \$124,150 and \$9,533 for the Town Plan and Fire Department Plan, respectively.

	Town Plan Deferred Outflows of Resources	Fire Department Plan Deferred Outflows of Resources	Total
Differences between expected and actual experience	\$ 84,973	-	84,973
Changes of assumptions	118,331	30,459	148,790
Net difference between projected and actual earnings on pension plan investments	56,710	14,927	71,637
Total	<u>\$ 260,014</u>	<u>45,386</u>	<u>305,400</u>

	Town Plan Deferred Inflows of Resources	Fire Department Plan Deferred Inflows of Resources	Total
Differences between expected and actual experience	\$ -	11,817	11,817
Changes of assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-
Total	<u>\$ -</u>	<u>11,817</u>	<u>11,817</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended June 30,	Town Retirement Plan	Fire Department Retirement Plan	Total
2018	\$ 75,994	7,835	83,829
2019	75,995	7,833	83,828
2020	58,281	4,806	63,087
2021	13,614	2,457	16,071
2022	14,635	2,001	16,636
Thereafter	<u>21,495</u>	<u>8,637</u>	<u>30,132</u>
Total	<u>\$ 260,014</u>	<u>33,569</u>	<u>293,583</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2017

Note 11 - Subsequent Events

As of October 25, 2017, the Town has not approved a general fund operating budget for the June 30, 2018 fiscal year. Without an approved budget, the Town does not have the ability to levy taxes over the June 30, 2017 rate.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - TOWN PLAN

For the Year Ended June 30, 2017

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 12,708	19,484	19,484	21,082
Interest on total pension liability	96,471	85,093	79,074	75,595
Differences between expected and actual experience	68,571	(15,867)	54,326	(1,078)
Effect of assumption changes or inputs	-	193,463	-	-
Benefit payments	(71,972)	(65,211)	(68,596)	(23,193)
Net change in total pension liability	\$ 105,778	216,962	84,288	72,406
Total pension liability - beginning	1,465,181	1,248,219	1,163,931	1,091,525
Total pension liability - ending	\$ 1,570,959	1,465,181	1,248,219	1,163,931
Plan fiduciary net position:				
Contributions - employer	\$ 69,000	48,755	49,584	42,072
Net investment income	94,965	(10,637)	(19,837)	121,356
Benefit payments	(71,972)	(65,211)	(68,596)	(23,193)
Net change in plan fiduciary net position	\$ 91,993	(27,093)	(38,849)	140,235
Plan fiduciary net position - beginning	950,198	977,291	1,016,140	875,905
Plan fiduciary net position - ending	\$ 1,042,191	950,198	977,291	1,016,140
Net pension liability - ending	\$ 528,768	514,983	270,928	147,791
Plan fiduciary net position as a percentage of total pension liability	66.34%	64.85%	78.29%	87.30%
Covered-employee payroll	388,213	167,017	270,616	315,112
Net pension liability as a percentage of its covered-employee payroll	136.21%	308.34%	100.12%	46.90%

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - FIRE DEPARTMENT PLAN

For the Year Ended June 30, 2017

	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 2,347	2,538	2,538	2,444
Interest on total pension liability	10,694	10,622	10,469	10,181
Differences between expected and actual experience	5,686	(19,162)	(1,377)	694
Effect of assumption changes or inputs	-	36,911	-	-
Benefit payments	(5,458)	(5,038)	(14,399)	(5,038)
Net change in total pension liability	\$ 13,269	25,871	(2,769)	8,281
Total pension liability - beginning	161,165	135,294	138,063	129,782
Total pension liability - ending	\$ 174,434	161,165	135,294	138,063
Plan fiduciary net position:				
Contributions - employer	\$ 8,500	5,981	6,060	5,640
Net investment income	6,013	(3,241)	(5,869)	10,926
Benefit payments	(5,458)	(5,038)	(14,398)	(5,038)
Net change in plan fiduciary net position	\$ 9,055	(2,298)	(14,207)	11,528
Plan fiduciary net position - beginning	106,496	108,794	123,001	111,473
Plan fiduciary net position - ending	\$ 115,551	106,496	108,794	123,001
Net pension liability - ending	\$ 58,883	54,669	26,500	15,062
Plan fiduciary net position as a percentage of total pension liability	66.24%	66.08%	80.41%	89.09%
Covered-employee payroll	N/A	N/A	N/A	N/A
Net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS - TOWN PLAN

Since Inception of GASB 67/68

		Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered- employee Payroll	Contribution as a Percentage of Covered- employee Payroll
2017	\$	52,626	\$ 69,000	\$ (16,374)	\$ 388,213	17.77%
2016		37,317	48,755	(11,438)	167,017	29.19%
2015		47,938	49,584	(1,646)	270,616	18.32%
2014		40,427	42,072	(1,645)	315,112	13.35%

Notes to Schedule

Valuation Date: July 1, 2015
 Measurement Date: June 30, 2017

Methods and assumptions used
 to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll. Closed
Remaining amortization period	10 years
Asset valuation method	Fair market value of assets
Inflation	2.50%
Salary increases	3.50%
Investment rate of return	7.00%

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - FIRE DEPARTMENT PLAN

Since Inception of GASB 67/68

	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered- employee Payroll	Contribution as a Percentage of Covered- employee Payroll
2017	\$ 4,354	\$ 8,500	\$ (4,146)	N/A	N/A
2016	4,081	5,981	(1,900)	N/A	N/A
2015	4,196	6,061	(1,865)	N/A	N/A
2014	3,780	5,640	(1,860)	N/A	N/A

Notes to Schedule

-

Valuation Date: July 1, 2015
 Measurement Date: June 30, 2017

Methods and assumptions used
 to determine contribution rates:

Actuarial cost method	Unit credit
Amortization method	Level, closed
Remaining amortization period	10
Asset valuation method	Fair market value
Inflation	N/A
Salary increases	N/A
Investment rate of return	8.00%

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

SCHEDULE OF INVESTMENT RETURNS - TOWN PLAN

Since Inception of GASB 67/68

	<u>Net money- weighted rate of return</u>
2017	9.92%
2016	-1.10%
2015	-1.97%
2014	13.71%

SCHEDULE OF INVESTMENT RETURNS - FIRE DEPARTMENT PLAN

Since Inception of GASB 67/68

	<u>Net Money- weighted rate of return</u>
2017	5.52%
2016	-2.97%
2015	4.94%
2014	9.78%

GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
PROPERTY TAXES				
Current years' levy	\$ 8,313,064	8,313,064	8,405,928	92,864
Prior years' levies	150,000	150,000	116,175	(33,825)
Interest and penalties	45,048	45,048	48,288	3,240
Total property taxes	\$ 8,508,112	8,508,112	8,570,391	62,279
INTERGOVERNMENTAL				
State grants for education	\$ 120,267	120,267	102,178	(18,089)
Other state grants	18,784	18,784	89,340	70,556
Total intergovernmental	\$ 139,051	139,051	191,518	52,467
CHARGES FOR SERVICES				
Licenses and permits	\$ 51,105	51,105	54,507	3,402
Charges for services	104,905	104,905	57,453	(47,452)
Transfer Station receipts	22,964	22,964	22,214	(750)
Total charges for services	\$ 178,974	178,974	134,174	(44,800)
INVESTMENT INCOME	\$ 3,375	3,375	13,512	10,137
MISCELLANEOUS REVENUES	\$ -	-	3,122	3,122
OTHER FINANCING SOURCES				
Proceeds from surplus	\$ 250,000	271,000	250,000	(21,000)
Total other financing sources	\$ 250,000	271,000	250,000	(21,000)
Total revenue & other financing sources	\$ 9,079,512	9,100,512	9,162,717	62,205

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
GENERAL GOVERNMENT				
Board of Finance	\$ 21,800	23,820	23,806	14
Board of Appeals - Legal	6,300			-
Planning and zoning	42,630	42,630	9,623	33,007
Tax collector	32,642	32,969	31,692	1,277
Treasurer	61,455	68,603	68,714	(111)
Inland Wetland	7,674	7,674	6,112	1,562
Zoning appeals board	11,200	10,406	170	10,236
Town clerk	94,197	97,911	98,401	(490)
Assessor	67,391	67,391	59,113	8,278
Insurance	103,000	103,000	86,316	16,684
Selectman - Miscellaneous	53,493	53,493	50,461	3,032
Civil Division	63,233	64,362	61,556	2,806
Building inspector	24,003	24,003	20,989	3,014
Other General Government	350,783	327,356	320,539	6,817
Total general government	\$ 939,801	923,618	837,492	86,126
PUBLIC SAFETY				
Fire Department	\$ 249,274	258,786	241,735	17,051
EMT Outside Service		35,000	31,688	3,312
Fire Marshal	13,045	13,533	10,937	2,596
Dog Warden	15,181	21,070	18,491	2,579
Total public safety	\$ 277,500	328,389	302,851	25,538
PUBLIC WORKS				
Highway department	\$ 583,712	583,712	555,904	27,808
LoCIP	21,350	21,350	3,903	17,447
Transfer station	238,380	254,788	260,673	(5,885)
Total public works	\$ 843,442	859,850	820,480	39,370
HEALTH AND WELFARE				
Board of Health	\$ 15,564	15,564	14,436	1,128
Morris Board of Health	750	750	431	319
Total health and welfare	\$ 16,314	16,314	14,867	1,447
CULTURE AND RECREATION				
Beach and Recreation	\$ 31,100	31,100	28,911	2,189
Library	90,953	90,953	86,734	4,219
Community Hall	52,139	52,139	53,198	(1,059)
Senior center	80,671	82,983	80,928	2,055
Total cultural and recreation	\$ 254,863	257,175	249,771	7,404
EDUCATION				
Board of education	\$ 6,382,425	6,382,425	6,382,425	-
Total education	\$ 6,382,425	6,382,425	6,382,425	-

(Continued)

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
OTHER				
Contingency	\$ 135,000	81,574	-	81,574
Bantham Lake Authority	8,867	8,867	8,867	-
Sandy Beach Commission	8,300	8,300	8,300	-
Pension Commission	77,500	77,500	77,500	-
Pension Commission Attorney	10,000	10,000	8,000	2,000
Economic Development	500	500	-	500
Bantam Lake Weed Control	25,000	25,000	25,000	-
Total other	\$ 265,167	211,741	127,667	84,074
OTHER FINANCING USES				
Capital Improvements	\$ 100,000	121,000	121,000	-
Total debt service	\$ 100,000	121,000	121,000	-
Total Encumbrances and Financial Uses	\$ 9,079,512	9,100,512	8,856,553	243,959

COMBINING BALANCE SHEETS
 NONMAJOR FUNDS
 June 30, 2017

	Town Aid Road Fund	Library Fund	Social Services Fund	Recreation Activities Fund	Total
ASSETS					
Cash and cash equivalents	\$	4,729	7,861	6,852	19,442
Investments		25,334			25,334
Receivables, net					-
Due from other funds	238,600				238,600
Total assets	\$ 238,600	30,063	7,861	6,852	283,376
Fund Balance (Deficit)					
Committed	238,600				238,600
Assigned		30,063	7,861	6,852	44,776
Total fund balance (deficit)	\$ 238,600	30,063	7,861	6,852	283,376

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR FUNDS
For the Year Ended June 30, 2017

	Town Aid Road Fund	Library Fund	Social Services Fund	Recreation Activities Fund	Total
Revenues					
Intergovernmental	\$ 177,587	227			177,814
Charges for services					-
Investment income			35	29	64
Other		23,943	2,865	1,005	27,813
Total revenues	\$ 177,587	24,170	2,900	1,034	205,691
Expenditures					
Public safety	\$				
Public works	235,034				235,034
Culture and recreation		28,371	1,448	325	30,144
Education					
Other					
Total expenditures	\$ 235,034	28,371	1,448	325	265,178
Revenue Over (Under) Expenditures	\$ (57,447)	(4,201)	1,452	709	(59,487)
Other Financing Sources					
Transfers in	\$				-
Transfers (out)					-
Total other financing sources	\$ -	-	-	-	-
Changes in Fund Balances (Deficits)	\$ (57,447)	(4,201)	1,452	709	(59,487)
Fund Balances (Deficits) - beginning	296,047	34,264	6,409	6,143	342,863
Fund Balances (Deficits) - ending	\$ 238,600	30,063	7,861	6,852	283,376

TOWN OF MORRIS, CONNECTICUT

SCHEDULE 5

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET POSITION
 June 30, 2017

	Town Employee Trust Fund	Fire Employee Trust Fund	Total Trust Funds
ASSETS			
Cash and cash equivalents	\$ 34,121	5,585	39,706
Investments at fair value	1,008,070	109,966	1,118,036
Total Assets	<u>\$ 1,042,191</u>	<u>115,551</u>	<u>1,157,742</u>
NET POSITION			
Held in trust for specific purposes	<u>\$ 1,042,191</u>	<u>115,551</u>	<u>1,157,742</u>

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 For the Year Ended June 30, 2017

	Town Employees' Plan Trust Fund	Volunteer Fire Department Trust Fund	Total Trust Funds
ADDITIONS			
Contributions	\$ 69,000	8,500	77,500
Total contributions	<u>\$ 69,000</u>	<u>8,500</u>	<u>77,500</u>
Investment earnings			
Net increase (decrease) in fair value	\$ 66,516	7,803	74,319
Interest and dividends	35,690	3,622	39,312
Less: Investment expense	(88)	(44)	(132)
Total investment earnings	<u>\$ 102,118</u>	<u>11,381</u>	<u>113,499</u>
DEDUCTIONS			
Administrative	\$ 7,258	5,370	12,628
Benefits	71,972	5,458	77,430
Total deductions	<u>\$ 79,230</u>	<u>10,828</u>	<u>90,058</u>
Change in net position	<u>\$ 91,888</u>	<u>9,053</u>	<u>100,941</u>
Net Position - beginning	<u>950,303</u>	<u>106,498</u>	<u>1,056,801</u>
Net Position - ending	<u><u>\$ 1,042,191</u></u>	<u><u>115,551</u></u>	<u><u>1,157,742</u></u>

TOWN OF MORRIS, CONNECTICUT

STATEMENT OF CHANGES IN FUND BALANCE - BY PROJECT
CAPITAL NONRECURRING FUND

For the Fiscal Year Ended June 30, 2017

	Beginning Fund Balance	Current Year Appropriations	Transfer In (Out)
RESTRICTED FUND BALANCE			
Bantam Lake - DEEP	14,146		
Smokey Hollow - Highway Planning	(17,520)	100,000	
	(3,374)	100,000	-
COMMITTED FUND BALANCE			
Sandy Beach bathrooms	27,770	21,000	
Highway dump truck	11,010		(11,010)
Revaluation	14,773	80,000	
Highway generators	12,000		(12,000)
Beach & Rec - Fence for rear of building	2,226		(2,226)
Senior center	1,269		(1,269)
Fire Department - radios and pagers	1,304		
Conservations commission fundraising	1,019		
Paving and chip sealing	937		(937)
Senior Center - Roof replacement	900		(900)
Selectman - Fire pond	576		
Beach and Rec - sand equipment:diggers	250		(250)
Senior Center - stackable chairs	128		(128)
First Selectman - oil tank	29,500		
Selectman - fire pond redredging	10,000		
Frames	2,980		(2,980)
Beach & Rec - paint cabin exterior	1,680		(1,680)
Fire Department - oil tank	1,265		
Fire Department - Replacement doors	9,000		
Craft room and office	400		(400)
Planning and zoning - laser printer and scanner	700		(700)
Treasurer - Fire proof safe	1,379		(1,379)
Tax collector - Fire proof safe	2,479		
Fire Department - Gear	2,785		
Selectman - Memorial Park monument	(250)		
Fire Department - Engineering Study	(1,127)		
Todd Hill Road replace pipes		20,000	
Seal coat pavement		15,150	
Bonding		10,000	
Server		12,000	
Beach and Rec - Cabin Maintenance			4,660
	134,953	158,150	(31,199)
Assigned	964,439	(137,150)	31,199
	1,096,018	121,000	-

SCHEDULE 7

Other Revenues	Total Available	Current Year Expenditures	Ended Fund Balance	Eliminating Deficit Balances GASB 54	Reported Fund Balance
	14,146	(14,146)	-		-
3,459	85,939	(11,294)	74,645		74,645
3,459	100,085	(25,440)	74,645	-	74,645
	48,770	(48,770)	-		-
	-		-		-
	94,773	(2,278)	92,495		92,495
	-		-		-
	-		-		-
	-		-		-
	1,304		1,304		1,304
	1,019		1,019		1,019
	-		-		-
	-		-		-
	576		576		576
	-		-		-
	-		-		-
	29,500		29,500		29,500
	10,000		10,000		10,000
	-		-		-
	-		-		-
	1,265	(1,216)	49		49
	9,000		9,000		9,000
	-		-		-
	-		-		-
	-		-		-
	2,479	(2,090)	389		389
	2,785		2,785		2,785
	(250)		(250)	250	-
	(1,127)		(1,127)	1,127	-
	20,000		20,000		20,000
	15,150	(15,150)	-		-
	10,000		10,000		10,000
	12,000	(12,000)	-		-
	4,660	(3,100)	1,560		1,560
-	261,904	(84,604)	177,300	1,377	178,677
8,805	867,293	(45)	867,248	(1,377)	865,871
12,264	1,229,282	(110,089)	1,119,193	-	1,119,193

TOWN OF MORRIS, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
For the Year Ended June 30, 2017

Grand List Year	Uncollected Balance & New Levy July 1, 2016	Lawful Corrections		Transfers to (Recoveries From) Suspense	Balance to be Collected
		Increases	Decreases		
2001	429				429
2002	965				965
2003	674				674
2004	1,213				1,213
2005	1,902				1,902
2006	1,382				1,382
2007	917				917
2008	2,571				2,571
2009	3,621		(142)		3,479
2010	3,337	452	(705)		3,084
2011	4,411	366	(1,096)		3,681
2012	44,621	7,813	(4,332)		48,102
2013	55,744	11,452	(4,567)		62,629
2014	150,876	33,409	(16,300)		167,985
Total	\$ 272,663	53,492	(27,142)	-	299,013
2015	8,523,293	43,312	(47,421)	-	8,519,184
Total	\$ 8,795,956	96,804	(74,563)	-	8,818,197

SCHEDULE 8

Collections				Uncollected Balance June 30, 2017
Taxes	Interest	Lien Fees	Total	
			-	429
			-	965
			-	674
			-	1,213
			-	1,902
87	143	37	267	1,295
79	123	31	233	838
122	157	47	326	2,449
202	225	53	480	3,277
769	310	88	1,167	2,315
510	160	48	718	3,171
47,081	1,609	30	48,720	1,021
57,875	3,903	72	61,850	4,754
133,299	11,693	312	145,304	34,686
240,024	18,323	718	259,065	58,989
8,395,990	29,883	344	8,426,217	123,194
8,636,014	48,206	1,062	8,685,282	182,183

TOWN OF MORRIS, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
For the Year Ended June 30, 2017

	<u>General Purpose</u>
Debt Limitation:	
2 1/4 Times Base	\$ 19,541,885
4 1/2 Times Base	
3 3/4 Times Base	
3 1/4 Times Base	
3 Times Base	
7 Times Base	
	<hr/>
Total Debt Limitation	\$ 19,541,885
Indebtedness:	
Bonds payable	\$ 8,247,000
Bonds authorized and unissued	<u>8,379,000</u>
Total Indebtedness	\$ 16,626,000
Less: School Construction Grants Receivable	<u>-</u>
Total Indebtedness of the City	\$ 16,626,000
Debt Limitation In Excess of Outstanding and Authorized Debt	\$ <u>2,915,885</u>

SCHEDULE 9

Total Tax Collections (Including Interest and Lien Fees)
For The Year Ended June 30, 2017 \$ 8,685,282

Reimbursement For Revenue Loss On:
Elderly Tax Relief - Freeze -

Base \$ 8,685,282

<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Bonding</u>	<u>Total Debt</u>
39,083,769	32,569,808	28,227,167	26,055,846	60,796,974
<u>39,083,769</u>	<u>32,569,808</u>	<u>28,227,167</u>	<u>26,055,846</u>	<u>60,796,974</u>
12,463,000	645,000			21,355,000
<u>645,211</u>	<u>1,897,938</u>			<u>10,922,149</u>
13,108,211	2,542,938	-	-	32,277,149
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>13,108,211</u>	<u>2,542,938</u>	<u>-</u>	<u>-</u>	<u>32,277,149</u>
<u>25,975,558</u>	<u>30,026,870</u>	<u>28,227,167</u>	<u>26,055,846</u>	<u>28,519,825</u>

TOWN OF MORRIS, CONNECTICUT

**STATE SINGLE
AUDIT REPORTS**

June 30, 2017

TOWN OF MORRIS, CONNECTICUT

STATE SINGLE AUDIT REPORTS

TABLE OF CONTENTS

	<u>Page Number</u>
<u>Financial Statements</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
 <u>State of Connecticut Single Audit</u>	
Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act	3-5
 Schedule of Expenditures of State Financial Assistance	6
 Notes To Schedule of Expenditures of State Financial Assistance Programs	7
 Schedule of Findings and Questioned Costs	8-10

CLERMONT

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To The Board of Selectmen
Town of Morris, Connecticut
Morris, Connecticut 06761

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Morris, Connecticut, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Morris, Connecticut's basic financial statements, and have issued our report thereon dated December 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Morris, Connecticut's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Morris, Connecticut's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Morris, Connecticut's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore material weaknesses and significant deficiencies may exist and have not been identified. . Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2017-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Morris, Connecticut's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Morris, Connecticut's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CLERMONT & ASSOCIATES, LLC

Prospect, Connecticut
December 9, 2017

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE STATE
SINGLE AUDIT ACT**

Independent Auditor's Report

Board of Selectmen
Town of Morris, Connecticut
Morris, Connecticut 06763

Report on Compliance for Each Major State Program

We have audited the Town of Morris, Connecticut's compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town of Morris, Connecticut's major state programs for the year ended June 30, 2017. The Town of Morris, Connecticut's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Morris, Connecticut's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Morris, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Town of Morris, Connecticut's compliance.

Opinion on Each Major State Program

In our opinion, the Town of Morris, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Town of Morris, Connecticut is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Morris, Connecticut's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Morris, Connecticut's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act

We have audited the financial statements of the government activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Morris, Connecticut as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Morris, Connecticut's basic financial statements. We have issued our report thereon dated December 9, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Morris, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CLERMONT & ASSOCIATES, LLC
Prospect, Connecticut

December 9, 2017

TOWN OF MORRIS, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

State Grantor/Pass-Through Grantor/Program Title	State Grant Program Core-CT Number	Expenditures	Passed Through
Office of Policy and Management:			
Payment in Lieu of Taxes (PILOT) on State Owned Property	11000-OPM20600-17004	\$ 820	
Reimbursement of Property Taxes Disability Exemption	11000-OPM20600-17011	87	
Property Tax Relief for Elderly and Totally Dis. Homeowners	11000-OPM20600-17018	9,336	
Property Tax Relief for Veterans	11000-OPM20600-17024	819	
Municipal Revenue Sharing	12002-OPM20600-17102	28,110	
Municipal Purpose and projects grant	12052-OPM20600-43587	3,528	
Local Capital Improvements	11000-OPM-20870-40530	22,531	
Total Office of Policy and Management		<u>\$ 65,231</u>	<u>-</u>
 Connecticut State Library:			
Connecticard Payment		227	
Historical Document Preservation	12060-CSL66094-35150	4,000	
Total Connecticut State Library		<u>4,227</u>	<u>-</u>
 Department of Transportation			
Town Road Aid Grant STO	12052-DOT57131-43455	\$ 177,587	-
Total Expenditures of State Financial Assistance Before Exempt Programs		<u>\$ 247,045</u>	<u>-</u>
 <u>Exempt Programs</u>			
Office of Policy and Management:			
Mashantucket Pequot/Mohegan Fund	12009-OPM20600-17005	\$ 11,054	
 Department of Education:			
Educational Cost Sharing	11000-SDE64370-17041	102,178	-
Total Exempt Programs		<u>\$ 113,232</u>	<u>-</u>
Total Expenditures of State Financial Assistance		<u><u>\$ 360,277</u></u>	<u><u>-</u></u>

See Notes to Schedule of Expenditures of State Financial Assistance

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE FOR THE YEAR ENDED JUNE 30, 2017

The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Morris, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2017. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including, public safety and general government services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Morris, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

Basis of Accounting

The financial statements contained in the Town's annual audit report are prepared on the modified accrual basis. The following is a summary of such basis:

Revenues are recognized when earned and available. Certain grants are recognized based on grant award since they are considered entitlement grants; other grants, such as grants that are dependent upon expenditure factor for determining eligibility, recognize grant revenue to the extent of expenditures.

Expenditures are recorded when the related liability is incurred. Encumbrances are reflected as a reserve against fund balance and accordingly are not reflected as expenditures.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

TOWN OF MORRIS, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

I. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

•Material weakness(es) identified? _____ yes x no

•Significant deficiency(ies) identified? x yes _____ none reported

Noncompliance material to financial statements
noted?

_____ yes x no

State Financial Assistance

Internal control over major programs:

•Material weakness(es) identified? _____ yes x no

•Significant deficiency(ies) identified? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be
reported in accordance with Section 4-236-24 of the
Regulations to the State Single Audit Act?

_____ yes x no

TOWN OF MORRIS, CONNECTICUT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

<u>State Grantor and Program</u>	<u>State Core – CT Number</u>	<u>Expenditures</u>
Department of Transportation Town Road Aid	12001-DOT57131-43455	\$ 177,587

Dollar threshold used to distinguish type A and type B Programs \$ 100,000

II. FINANCIAL STATEMENTS FINDINGS

- We issued reports, dated December 9, 2017 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated one significant deficiencies, which was not considered to be a material weakness.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to State Financial Assistance Programs.

TOWN OF MORRIS, CONNECTICUT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Finding 2017-001

Incorrect Information reported to Actuary

Condition – The compensation of several pension participants were reported incorrectly to the actuary. In addition, we found one participant was receiving insufficient benefit payments.

Criteria – Pension benefits are calculated by an independent actuary based on the last three years of a participant's compensation paid by the Town. The inaccurate information provided to the actuary will result in improper benefit payments to participants.

Context – Of the payments tested, we found 40% of the reported compensation was incorrect. The differences in the reported to actual compensation were not material differences.

Cause – The Town does not have a procedure to verify the information provided to the actuary is accurate.

Effect – Benefit payments to retirees and any related future pension liabilities estimates are incorrect.

Auditor's Recommendation -The Town should review the information provided to the actuaries so that the proper benefits may be determined and review past payments to retirees verify if additional payments are necessary.

12/31/17

Town of Morris, Connecticut
State Single Audit Corrective Action Plan
For the Fiscal Year Ended June 30, 2017

Office of Policy and Management
450 Capitol Avenue MS-54MFS
Hartford, Connecticut 06106-1379

Municipal Finance Services Unit Attn: William Plummer

AUDIT FINDING

Finding 2017-001

Incorrect Information reported to Actuary

The compensation of several pension participants were reported incorrectly to the actuary. In addition, we found one participant was receiving insufficient benefit payments.

The Town of Morris, Connecticut is in agreement with the finding.

Corrective Action

The Town has taken the recommendation provided by the auditors in financial statement finding 2017-001. The Town has reviewed compensation reported to the actuaries for pension participants and provided corrected information to the actuaries where applicable. The actuaries have recalculated pension benefit payments using corrected compensation amounts. The Town has taken action to pay to, or receive back from, any retiree who has received less or more benefits than required as a result of the recalculated benefit. The Town has also communicated any benefit payment discrepancies with retirees as applicable.

The Town has implemented a second review process for information compiled in the census data to be submitted to the actuaries annually for pension.

Nancy Skilton, Town Treasurer, is responsible for completing this corrective action plan.

Contact Information: Nancy Skilton, Treasurer
860-567-6094
treasurer@townofmorris.com

The projected completion date of the corrective action plan is March 31, 2018. This plan will be monitored each month to ensure full implementation of corrective action by the projected date.

If the Office of Policy and Management has questions regarding this Plan, please call Nancy Skilton, Treasurer, at 860-567-6094.

Sincerely,

Nancy Skilton, Treasurer
Town of Morris, Connecticut