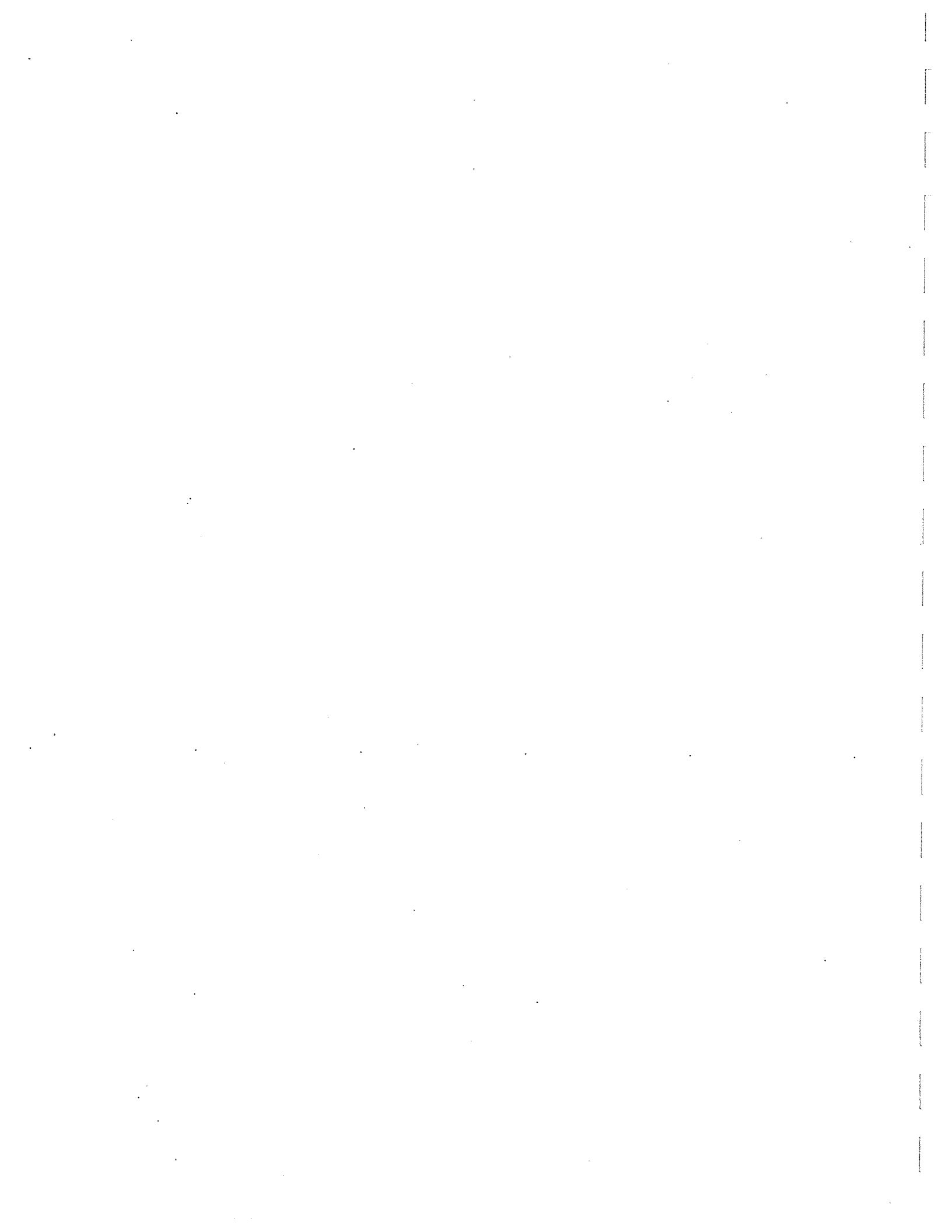


Town Clerk
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TOWN OF MORRIS, CONNECTICUT
ANNUAL FINANCIAL REPORT
June 30, 2018



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-3f
 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:

		<u>Page Number</u>
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

TOWN OF MORRIS, CONNECTICUT

TABLE OF CONTENTS

**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**

58-59

CLERMONT

ACCOUNTANTS • ADVISORS

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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, 2018, 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, 2018, 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 3f and the required supplemental 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 12, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Morris, Connecticut's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Morris, Connecticut's internal control over financial reporting and compliance.

CLERMONT & ASSOCIATES, LLC
Prospect, Connecticut



December 12, 2018

TOWN OF MORRIS, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

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, 2018. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

- Net position of our governmental activities increased by \$175 thousand.
- Net position of our business-type activities decreased by \$38 thousand.
- The General Fund reported a fund balance this year of \$1.75 million; \$110 thousand more than the general fund balance reported in the prior year;
- The Town maintained a capital reserve fund balance of \$1.085 million, this decrease by \$34 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 increased \$175 thousand from \$7.3 million in 2017 to \$7.5 million in 2018.

TABLE 1 NET POSITION: (in Thousands)

		Governmental Activities	
		2018	2017
Current and other assets	\$	3,726,157	3,353,759
Capital assets		4,875,940	4,807,261
Deferred inflows		385,518	305,400
Total assets & deferred inflows	\$	8,987,615	8,466,420
Current and other liabilities	\$	307,267	117,592
Deferred outflows		22,592	11,817
Long-term liabilities		1,188,008	1,042,183
Total liabilities & deferred outflows	\$	1,517,867	1,171,592
Net position:			
Investment in capital assets	\$	4,875,940	4,807,261
Unrestricted		2,593,808	2,487,567
Total net position	\$	7,469,748	7,294,828

TABLE 2 CHANGE IN NET ASSETS (In Thousands)

		Governmental Activities	
		2018	2017
Revenues:			
Program revenues:			
Charges for services	\$	182,032	162,545
Operating grants and contributions		262,629	283,862
Capital grants and contributions		62,484	64,175
General revenues:			
Property taxes		8,929,057	8,603,343
Grants and contributions not restricted to specific purposes		22,278	28,624
Unrestricted investment earnings and other revenues		41,481	20,410
Other general revenues (and transfers)		4,369	664
Total revenues	\$	9,504,330	9,163,623
Program expenses:			
General government	\$	899,294	913,627
Public safety		330,263	336,230
Public works		1,139,950	1,334,994
Health and welfare		46,533	26,544
Culture and recreation		316,060	321,431
Education		6,597,310	6,382,425
Total program expenses	\$	9,329,410	9,315,251
Increase (decrease) in net position	\$	174,920	(151,628)

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 \$3.2 million which was a \$142 thousand increase from the previous year. Included in this year's total change in fund balance is a decrease of \$34 thousand in the Capital Projects Fund and an increase of \$110 thousand in the general fund. The decrease in the capital projects fund is mainly due to spend down of the capital reserve funds.

Proprietary Funds

The Town reports the Sewer Authority as a proprietary fund (Exhibit G, H, and I). Under this presentation, the operating loss was \$38 thousand, which included depreciation expense of \$66 thousand. Net fund position at year end included \$1.4 million of net capital investment and \$431 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, 2018, 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 increase (including additions and deductions) of \$68,679, net of depreciation expenses.

TABLE 3

CAPITAL ASSETS (Net of Depreciation)

		Governmental	
		Activities	
		2018	2017
Land	\$	448,223	448,223
Buildings and improvements		702,737	704,927
Land Improvements		745,423	770,962
Machinery and equipment		349,574	364,182
Infrastructure		2,629,983	2,518,967
Totals	\$	4,875,940	4,807,261

		Business-type	
		Activities	
		2018	2017
Sewer collection system	\$	1,530,577	1,596,142

TABLE 4
OUTSTANDING DEBT (In Thousands)

Long-Term Liabilities

At June 30, 2018 the Town had \$1,294,599 in long term liabilities versus \$1,168,501 last year, a small increase.

The Town's only outstanding debt is to the Town of Litchfield for the amount of \$106,591, 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 2019 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 2018-19.

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, 2018

	Governmental Activities	Business-type Activities	Total*
Assets:			
Cash and cash equivalents	\$ 2,757,917	346,750	3,104,667
Investments	580,115		580,115
Receivables, net	386,525	84,908	471,433
Prepaid expenses	1,600		1,600
Internal balances			-
Capital assets:			
Capital assets, not being depreciated	448,223		448,223
Capital assets, being depreciated, net	4,427,717	1,530,577	5,958,294
Total assets	\$ 8,602,097	1,962,235	10,564,332
Deferred outflows on resources			
Deferred pension expenses	\$ 385,518		385,518
	385,518	-	385,518
Liabilities:			
Accounts payable and other current liabilities	\$ 301,384		301,384
Unearned revenues	5,883		5,883
Noncurrent liabilities:			
Due within one year	10,705	20,125	30,830
Due in more than one year	1,177,303	86,466	1,263,769
Total liabilities	\$ 1,495,275	106,591	1,601,866
Deferred Inflows on Resources			
Deferred pension credit	\$ 22,592		22,592
Total deferred inflow on resources	\$ 22,592	-	22,592
Net Position:			
Invested in capital assets, net of related debt	\$ 4,875,940	1,423,986	6,299,926
Unrestricted	2,593,808	431,658	3,025,466
Total net position	\$ 7,469,748	1,855,644	9,325,392

* 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, 2018

Functions/programs	Expenses	Program Revenues
		Charges for Services
Primary Government:		
Governmental activities:		
General government	\$ 899,294	91,079
Public safety	330,263	
Public works	1,139,950	48,783
Public health	46,533	
Cultural and recreation	316,060	42,170
Education	6,597,310	
Total governmental activities	\$ 9,329,410	182,032
 Business-type activities:		
Sewer Authority	\$ 134,863	94,228
Interest on long-term debt	2,347	
Total business-type activities	\$ 137,210	94,228
 Total primary government	\$ 9,466,620	276,260

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
		(808,215)		(808,215)
		(330,263)		(330,263)
177,796	62,484	(850,887)		(850,887)
		(46,533)		(46,533)
197		(273,693)		(273,693)
84,636		(6,512,674)		(6,512,674)
262,629	62,484	(8,822,265)	-	(8,822,265)
			(40,635)	(40,635)
			(2,347)	(2,347)
-	-	-	(42,982)	(42,982)
262,629	62,484	(8,822,265)	(42,982)	(8,865,247)
General revenues:				
Property taxes		\$ 8,929,057		8,929,057
Grants and contributions not restricted for specific programs		22,278		22,278
Unrestricted investment earnings		41,481	4,723	46,204
Other unrestricted income		4,369		4,369
Total general revenues		\$ 8,997,185	4,723	9,001,908
Change in net position		\$ 174,920	(38,259)	136,661
Net position, beginning		7,294,828	1,893,903	9,188,731
Net position, ending		\$ 7,469,748	1,855,644	9,325,392

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Capital & Nonrecurring	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,779,909	955,779	22,229	2,757,917
Investments	11,029	542,948	26,138	580,115
Receivables, net	349,532	36,993		386,525
Due from other funds	96,554		301,096	397,650
Prepaid expenses	1,600			1,600
Total assets	\$ 2,238,624	1,535,720	349,463	4,123,807
Liabilities and Fund Balances				
Liabilities:				
Accounts and other payables	\$ 254,473	46,911		301,384
Due to other funds		397,650		397,650
Unearned revenues		5,883		5,883
Total liabilities	\$ 254,473	450,444	-	704,917
Deferred inflows of resources:				
Unavailable receipts	228,185			228,185
Payment in advance	5,405			5,405
Total deferred inflows of resources	233,590	-	-	233,590
Fund balances:				
Nonspendable	\$ 1,600			1,600
Committed for:				
Specified use	94,423	144,750	301,096	540,269
Assigned	250,000	443,811	48,367	742,178
Unassigned	1,404,538	496,715		1,901,253
Total fund balances	\$ 1,750,561	1,085,276	349,463	3,185,300
Total liabilities, deferred inflows of resources and fund balances	\$ 2,238,624	1,535,720	349,463	

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.	4,875,940
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the funds.	233,590
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,188,008)
Pension costs, including differences between expected and actual pension experiences, change in pension assumptions and net difference between projected and actual pension earnings	362,926
Net position of governmental activities (Exhibit A)	<u>\$ 7,469,748</u>

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, 2018

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and assessments	\$ 8,888,742			8,888,742
Intergovernmental	106,914	62,484	177,993	347,391
Charges for services	152,914			152,914
Investment income	26,751	13,799	931	41,481
Miscellaneous	4,369		29,118	33,487
Total revenues	\$ 9,179,690	76,283	208,042	9,464,015
Expenditures:				
Current:				
General government	\$ 860,623			860,623
Public safety	338,242			338,242
Public works	784,259		115,300	899,559
Public health	15,849			15,849
Culture and recreation	267,070		26,655	293,725
Education	6,597,310			6,597,310
Other	116,100			116,100
Capital outlay		200,199		200,199
Total expenditures	\$ 8,979,453	200,199	141,955	9,321,607
Excess (deficiency) of revenues over (under) expenditures	\$ 200,237	(123,916)	66,087	142,408
Other financing sources (uses)				
Transfer from other funds	\$ 90,000			90,000
Transfer to other funds	(90,000)			(90,000)
Total other financing sources (uses)	\$ (90,000)	90,000	-	-
Net changes in fund balances	\$ 110,237	(33,916)	66,087	142,408
Fund balances (deficits) - beginning	1,640,324	1,119,192	283,376	3,042,892
Fund balances (deficits) - ended	\$ 1,750,561	1,085,276	349,463	3,185,300

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, 2018**

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)	\$	142,408
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.		68,679
Revenues previously recognized in the statement of activities that provided current financial resources in the current year.		40,315
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.		(145,825)
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		69,343
Change in net position of governmental activities (Exhibit B)	\$	<u>174,920</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, 2018**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 8,873,961	8,873,961	8,888,742	14,781
Intergovernmental	155,740	155,740	106,914	(48,826)
Charges for services	117,251	117,251	152,914	35,663
Investment income	12,850	12,850	26,751	13,901
Other revenues	-	-	4,369	4,369
Total revenues	\$ 9,159,802	9,159,802	9,179,690	19,888
Expenditures:				
Current:				
General government	\$ 942,251	955,711	871,483	84,228
Public safety	367,745	363,660	359,737	3,923
Public works	894,098	892,811	839,723	53,088
Health and welfare	16,200	16,200	15,849	351
Cultural and recreation	271,758	280,570	272,546	8,024
Education	6,635,650	6,635,650	6,597,310	38,340
Other	192,100	175,200	116,100	59,100
Capital Improvement	90,000	90,000	90,000	-
Total expenditures	\$ 9,409,802	9,409,802	9,162,748	247,054
Revenues over (under) expenditures	\$ (250,000)	(250,000)	16,942	266,942
Other financing sources (uses):				
Proceeds from surplus	\$ 250,000	250,000	-	-
Total other financing sources (uses)	\$ 250,000	250,000	-	-
Revenues Over Expenditures and Other Financing Sources (Uses)	\$ -	-	16,942	266,942
Less:				
Reserved for subsequent years budget			(250,000)	
Cancelled Encumbrances			10,202	
Net Change in unassigned fund balance			\$ (222,856)	
Unassigned fund balance, July 1, 2017			1,627,394	
Unassigned fund balance, June 30, 2018			\$ 1,404,538	

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

STATEMENT OF NET FUND POSITION
 PROPRIETARY FUNDS
 June 30, 2018

	Business-type Activities	Sewer Authority
Assets		
Current assets:		
Cash and cash equivalents	\$ 346,750	
Receivables, net of allowance	84,908	
Total current assets	\$ 431,658	
Noncurrent assets:		
Capital assets, net of accumulated depreciation	1,530,577	
Total noncurrent assets	\$ 1,530,577	
Total assets	\$ 1,962,235	
Liabilities		
Current liabilities:		
Notes payable - current	\$ 20,125	
Total current liabilities	\$ 20,125	
Noncurrent liabilities:		
Notes payable, less current portion	\$ 86,466	
Total noncurrent liabilities	\$ 86,466	
Total liabilities	\$ 106,591	
Net Fund Position		
Invested in capital assets, net of related debt	\$ 1,423,986	
Unrestricted	431,658	
Total net fund position	\$ 1,855,644	

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, 2018

	Business-type Activities
	Sewer Authority
Operating revenues:	
Charges for services and other revenues	\$ 94,228
Total operating revenues	<u>\$ 94,228</u>
Operating expenses:	
Administration and operation	\$ 69,298
Depreciation	65,565
Total operating expenses	<u>\$ 134,863</u>
Operating income (loss)	<u>\$ (40,635)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 4,723
Interest expense	(2,347)
Total nonoperating revenues (expenses)	<u>\$ 2,376</u>
Change in net fund position	\$ (38,259)
Net fund position, beginning	<u>\$ 1,893,903</u>
Net fund position, ending	<u><u>\$ 1,855,644</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, 2018

	Business-type Activities
	Sewer Authority
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 111,204
Payments to suppliers	<u>(70,781)</u>
Net cash flows from operating activities	\$ 40,423
Cash Flows From Noncapital and Related Financing Activities	
Transfer in and payments made through governmental activities	\$ 1,482
Net cash provided by (used in) noncapital and related financing activities	\$ 1,482
Cash Flows From Capital and Related Financing Activities	
Interest payments on capital debt	(2,347)
Principal payments on capital debt	\$ <u>(19,726)</u>
Net cash provided by (used in) capital and related financing activities	\$ (22,073)
Cash Flows From Investing Activities	
Transfer from investments	\$
Interest received on investments	4,723
Net cash provided by investing activities	\$ 4,723
Net increase (decrease) in cash and cash equivalents	\$ 24,555
Cash and Cash Equivalents, beginning	<u>322,195</u>
Cash and Cash Equivalents, ending	\$ <u>346,750</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:	
Operating Income (Loss)	\$ (40,635)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	65,565
Changes in assets and liabilities:	
Decrease (increase) in receivable accounts	16,976
Increase (decrease) in accounts payable	<u>(1,483)</u>
Net cash flows from operating activities	\$ <u>40,423</u>

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2018

	Private Purpose Trust Funds
Assets	
Cash and cash equivalents	\$ 78,189
Investments, at fair value	<u>1,092,679</u>
Total assets	\$ <u>1,170,868</u>
Net Position:	
Held in trust for benefits and other purposes	\$ <u>1,170,868</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, 2018

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Contributions and donations	\$ 82,800
Total contributions	<u>\$ 82,800</u>
Investment earnings:	
Net increase in fair value of investments	\$ (45,663)
Interest and dividends	73,129
Less: Investment expenses	(156)
Total investment earnings	<u>\$ 27,310</u>
Total additions	<u>\$ 110,110</u>
DEDUCTIONS	
Administrative	\$ 7,936
Benefits	<u>89,048</u>
Total deductions	<u>\$ 96,984</u>
Change in net position	<u>\$ 13,126</u>
NET POSITION, beginning	<u>\$ 1,157,742</u>
NET POSITION, ending	<u><u>\$ 1,170,868</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, 2018

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, 2018

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, 2018

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, 2018

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, 2018**

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, and the net difference between projected and actual pension investment earnings.

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, 2018

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 ***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, 2018

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.

Fair Value of Financial Instruments

In accordance with GASB 72, the Town is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the assets or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Investments are carried at fair value based on quoted market prices and are presented in Note 4.

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.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

Note 2 - Budgets and Budgetary Accounting – (continued)

- 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	\$ 9,179,690	9,162,748
Encumbrances as of June 30, 2018		(93,422)
Encumbrances as of June 30, 2017		127
Reclassified as other sources / uses		<u>(90,000)</u>
Balance, GAAP basis	\$ <u>9,179,690</u>	<u>8,979,453</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.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

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>4,427,717</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>4,875,940</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	\$	(41,543)
Net pension obligation		(768,331)
Landfill closure		<u>(378,134)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$	<u>(1,188,008)</u>

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>203,590</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>203,590</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	\$	176,941
Changes in assumptions		131,170
Net difference between projected and actual earnings		77,407
Difference between expected and actual experiences		<u>(22,592)</u>
Net adjustment to increase fund balance to arrive at net position of the government activities	\$	<u>362,926</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

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

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	\$ 451,875
Disposals	(800)
Depreciation	<u>(382,396)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>68,679</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	\$ 23,693
Net change in landfill closure	11,162
Net change in pension obligation	<u>(180,680)</u>
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>(145,825)</u>

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	\$ 2,757,917		2,757,917
Business-type activities	346,750		346,750
Fiduciary funds	78,189		78,189
Investments:			
Governmental activities		580,115	580,115
Fiduciary funds		1,092,679	1,092,679
Total Deposits and Investments	<u>\$ 3,182,856</u>	<u>1,672,794</u>	<u>4,855,650</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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, 2018 consist of the following:

Bank Deposit Accounts	\$	2,992,120
Certified Deposits		190,586
Cash on Hand		150
Total Deposits	\$	<u>3,182,856</u>

Custodial Credit Risk

As of June 30, 2018, 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, 2018 approximately \$289,819 of uninsured deposits were collateralized under the provision.

Investments

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

As of June 30, 2018, the Town held the following investments:

Investment Type	Fund	Fair Value	Maturities Less than 1 Year	Risk
State Investment Fund	General Fund	\$ 11,029	11,029	N/A
State Investment Fund	Capital Reserve	542,948	542,948	N/A
Money Market	Library Fund	2,769	2,769	N/A
Mutual Funds	Library Fund	23,369	23,369	N/A
Money Market	Trust Funds	14,211	14,211	N/A
Mutual Funds	Trust Funds	<u>1,078,468</u>	<u>1,078,468</u>	BB
Total Investments		\$ <u>1,672,794</u>	<u>1,672,794</u>	

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.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

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.

Note 5 - Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2018 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	\$ 239,476			239,476
Interest	76,834			76,834
Intergovernmental	38,340	36,993		75,333
Accounts			7,534	7,534
Assessments			77,374	77,374
Less: allowance	(5,118)			(5,118)
Net Total				
Receivables	<u>\$ 349,532</u>	<u>36,993</u>	<u>84,908</u>	<u>471,433</u>

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, 2018 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	\$ 222,274	32,199	254,473
Capital Projects Fund	46,911		46,911
Total Payables	<u>\$ 269,185</u>	<u>32,199</u>	<u>301,384</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

Note 6 - Inter-fund Receivables, Payables and Transfers

Inter-funds Receivables and Payables

Inter-fund receivables and payables at June 30, 2018 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 96,554
Town Road Aid	Capital Projects	301,096
	Total	<u>\$ 397,650</u>

Inter-fund Transfers

The Town transferred \$90,000 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, 2018 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.	<u>\$ 448,223</u>	<u>-</u>	<u>-</u>	<u>448,223</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,935,246	46,865		1,982,111
Land improvements	1,001,863			1,001,863
Machinery and equipment	2,444,667	62,588	7,800	2,499,455
Infrastructure	6,148,004	342,422		6,490,426
Total capital assets being depreciated	<u>\$ 11,529,780</u>	<u>451,875</u>	<u>7,800</u>	<u>11,973,855</u>
Less: Accumulated depreciation:				
Buildings and improvements	\$ 1,230,319	49,055		1,279,374
Land improvements	230,901	25,539		256,440
Machinery and equipment	2,080,485	76,396	7,000	2,149,881
Infrastructure	3,629,037	231,406		3,860,443
Total accumulated depreciation	<u>\$ 7,170,742</u>	<u>382,396</u>	<u>7,000</u>	<u>7,546,138</u>
Net capital assets, being depreciated	<u>\$ 4,359,038</u>	<u>69,479</u>	<u>800</u>	<u>4,427,717</u>
Total capital assets, governmental	<u>\$ 4,807,261</u>	<u>69,479</u>	<u>800</u>	<u>4,875,940</u>

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

Governmental Activities:	
General government	\$ 53,666
Public safety	14,520
Public works	290,533
Recreation	23,677
Total depreciation expense	<u>\$ 382,396</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

Note 7 - Capital Assets – (continued)

	<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:	1,685,456	65,565		1,751,021
Total capital assets, business-type	<u>\$ 1,596,142</u>	<u>(65,565)</u>	<u>-</u>	<u>1,530,577</u>

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2018 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 absences	\$ 65,236		23,693	41,543	
Net pension liability	587,651	180,680		768,331	
Landfill closure	389,296		11,162	378,134	10,705
Total governmental activities					
long-term liabilities	<u>\$ 1,042,183</u>	<u>180,680</u>	<u>34,855</u>	<u>1,188,008</u>	<u>10,705</u>
Business-type Activities:					
Inter-municipal debt	\$ 126,318		19,727	106,591	20,125
Total business-type activities long-term liabilities	<u>\$ 126,318</u>	<u></u>	<u>19,727</u>	<u>106,591</u>	<u>20,125</u>
Total long-term liabilities	<u>\$ 1,168,501</u>	<u>180,680</u>	<u>54,582</u>	<u>1,294,599</u>	<u>30,830</u>

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:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 20,125	1,949
2020	20,531	1,543
2021	20,945	1,128
2022	21,368	706
2023	21,799	274
2024	1,823	3
Total	<u>\$ 106,591</u>	<u>5,603</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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 \$10,705 at June 30, 2018. 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.

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, 2018, the outstanding bonded indebtedness of the District was \$2,704,000. 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.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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.

Morris Volunteer Fire Department Plan

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

The Morris Volunteer Fire Department formally disbanded on June 30, 2018. The Plan consists of only inactive members as of that date and benefits no longer accrue.

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.

The death benefit under the plan is equal to the participant's accrued benefits at the date of June 30, 2018, the date the Morris Volunteer Fire Department disbanded. 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.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Membership in the plans consisted of the following at July 1, 2016 the date of the actuarial valuation applicable to the June 30, 2018 employer actuarially determined contribution:

	Town Plan	Morris Volunteer Fire Department Plan
Retirees and beneficiaries currently receiving benefits	7	6
Terminated plan members entitled to, but not yet receiving benefits	2	16
Active plan members	4	16
Total	<u>13</u>	<u>38</u>

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 the Town's budgeted expenses.

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 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.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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, 2018, the money-weighted rate of return on the pension plan investments, net of pension plan investment expense, was 3.04% for the Town Plan and -3.42% for the Volunteer 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 MVF Plan net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018.

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

	<u>Town Plan</u>	<u>MVFD Plan</u>	<u>Total</u>
Total pension liability	\$ 1,765,411	173,789	1,939,200
Plan fiduciary net position	<u>1,060,188</u>	<u>110,681</u>	<u>1,170,869</u>
Net pension liability	\$ <u>705,223</u>	<u>63,108</u>	<u>768,331</u>
Plan fiduciary net position as a percentage of the total pension liability	60.05%	63.69%	60.38%

Actuarial Assumptions

The total pension liability was determined by actuarial data as of July 1, 2018, using the following actuarial assumption, applied to all periods included in the measurement:

	<u>Town Plan</u>	<u>MVFD Plan</u>
Inflation	2.25%	2.25%
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-2014 with MP-2017 mortality improvements.

The actuarial assumptions used in the July 1, 2018 data were based on the results of an actuarial experience study for the period July 1, 2017 - June 30, 2018.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

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 MVFD 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, 2017	\$ 1,570,959	1,042,191	528,768
Changes for the year:			
Service cost	38,395	-	38,395
Interest cost on total pension liability	103,218	-	103,218
Difference between expected and actual experience	114,002	-	114,002
Change in assumptions	22,442		22,442
Employer contributions	-	74,800	(74,800)
Employee contributions	-	-	-
Net investment income	-	30,893	(30,893)
Administrative expenses	-	(4,091)	4,091
Benefit payments, including refund of employee contributions	(83,605)	(83,605)	-
Net changes	\$ 194,452	17,997	176,455
Balances as of June 30, 2018	\$ 1,765,411	1,060,188	705,223

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

Morris Volunteer Fire Department Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of June 30, 2017	\$ 174,434	115,551	58,883
Changes for the year:			
Service cost	2,345	-	2,345
Interest cost on total pension liability	11,604	-	11,604
Difference between expected and actual Experience	(12,456)	-	(12,456)
Employer contributions	-	8,000	(8,000)
Net investment income	-	(3,832)	3,832
Change in assumption	2,899	-	2,899
Administrative expenses	-	(4,001)	4,001
Benefit payments, including refund of employee contributions	\$ (5,037)	(5,037)	-
Net changes	(645)	(4,870)	4,225
Balances as of June 30, 2018	\$ 173,789	110,681	63,108

Changes in Assumptions or Other Inputs

Mortality for Pre- and Post-Retirement is calculated using RP-2014 (adjusted) with MP-2017 mortality rates, which is a change from the previously used RP-2000 projected to valuation date using Scale AA.

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	\$ 903,736	705,223	537,130
MVFD Plan net pension liability	\$ 84,408	63,108	44,798

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2018

Pension Trust Funds

The Town maintains two pension trust funds (Town Employees' Plan and Morris 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, 2018 and the changes in net position for the year then ended.

Schedule of Net Position

	Town Retirement Plan	Morris Volunteer Fire Department Plan	Total
Assets:			
Cash and cash equivalents	\$ 68,312	9,877	78,189
Investments	991,876	100,803	1,092,679
Net Assets Held in Trust for Pension Benefits	\$ 1,060,188	110,680	1,170,868

Schedule of Changes in Net Position

	Town Retirement Plan	Morris Volunteer Fire Department Plan	Total
Additions:			
Contributions:			
Employer	\$ 74,800	8,000	82,800
Employee	-	-	-
Total	\$ 74,800	8,000	82,800
Investment Income:			
Net appreciation (depreciation) in fair value of Investments	\$ (38,525)	(7,138)	(45,663)
Interest and dividends	69,418	3,711	73,129
Total	\$ 30,893	(3,427)	27,466
Less investment expense:			
Investment management fees	(99)	(57)	(156)
Net investment income	\$ 30,794	(3,484)	27,310
Total additions	\$ 105,594	4,516	110,110
Deductions:			
Administrative costs	3,992	3,944	7,936
Benefits	83,605	5,443	89,048
Net increase	\$ 17,997	(4,781)	13,126
Net position and beginning of year	\$ 1,042,191	115,551	1,157,742
Net position at end of year	\$ 1,060,188	110,680	1,170,868

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2018

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

For the year ended June 30, 2018, the Town recognized pension expense of \$124,188 and \$9,181 for the Town Plan and Fire Department Plan, respectively.

	Town Plan Deferred Outflows of Resources	MVFD Plan Deferred Outflows of Resources	Total
Differences between expected and actual experience	\$ 176,941	-	176,941
Changes of assumptions	101,144	30,026	131,170
Net difference between projected and actual earnings on pension plan investments	59,144	18,263	77,407
Total	<u>\$ 337,229</u>	<u>48,289</u>	<u>385,518</u>

	Town Plan Deferred Inflows of Resources	MVFD Plan Deferred Inflows of Resources	Total
Differences between expected and actual experience	\$ -	22,592	22,592
Net difference between projected and actual earnings on pension plan investments	-	-	-
Total	<u>\$ -</u>	<u>22,592</u>	<u>22,592</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	MVFD Retirement Plan	Total
2019	\$ 95,863	9,775	105,638
2020	78,149	6,748	84,897
2021	33,482	4,399	37,881
2022	34,501	3,945	38,446
2023	20,387	1,651	22,038
Thereafter	<u>74,847</u>	<u>(821)</u>	<u>74,026</u>
Total	<u>\$ 337,229</u>	<u>25,697</u>	<u>362,926</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2018**

Note 11 – Subsequent Events

Morris Fire Company

The Morris Volunteer Fire Department formally ceased to provide fire services to the Town as of June 30, 2018. On July 1, 2018 a Fire Protection Agreement was made between the Town and the new Morris Fire Company, a non-stock, not-for profit corporation, established on June 18, 2018, and waiting to receive tax-exempt status under Section 501(c) 3 of the U.S. Internal Revenue Code as of the date of this report. The agreement provides for the Morris Fire Company to provide fire protection and rescue services within the Town. The Town will provide funds, equipment, and services to the Morris Fire Company subject to annual appropriations. The term of the agreement is from July 1, 2018 through June 30, 2023, and shall automatically renew for consecutive five year periods, unless either party elects to terminate the agreement by written notice to the other party at least six months prior to the end of the term or renewal term, as applicable. The agreement can only expire at the end of the term or renewal term.

Morris Volunteer Fire Department

The Morris Volunteer Fire Department ("MVFD")

In the months following June 30, 2018, the date the Morris Volunteer Fire Department ceased providing services to the Town, the Town and MVFD were involved in a legal dispute regarding the ownership, possession, and right of use of cash, equipment and other items purchased during the time the MVFD provided services to the Town. A settlement was reached on October 24, 2018 which provided that funds and equipment and other items would be returned to the Town.

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

For the Year Ended June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	\$ 38,395	12,708	19,484	19,484	21,082
Interest on total pension liability	103,218	96,471	85,093	79,074	75,595
Differences between expected and actual experience	114,002	68,571	(15,867)	54,326	(1,078)
Effect of assumption changes or inputs	22,442	-	193,463	-	-
Benefit payments	(83,605)	(71,972)	(65,211)	(68,596)	(23,193)
Net change in total pension liability	\$ 194,452	105,778	216,962	84,288	72,406
Total pension liability - beginning	1,570,959	1,465,181	1,248,219	1,163,931	1,091,525
Total pension liability - ending	\$ 1,765,411	1,570,959	1,465,181	1,248,219	1,163,931
Plan fiduciary net position:					
Contributions - employer	\$ 74,800	69,000	48,755	49,584	42,072
Net investment income	30,893	94,965	(10,637)	(19,837)	121,356
Benefit payments	(83,605)	(71,972)	(65,211)	(68,596)	(23,193)
Administrative expenses	(4,091)	-	-	-	-
Net change in plan fiduciary net position	\$ 17,997	91,993	(27,093)	(38,849)	140,235
Plan fiduciary net position - beginning	1,042,191	950,198	977,291	1,016,140	875,905
Plan fiduciary net position - ending	\$ 1,060,188	1,042,191	950,198	977,291	1,016,140
Net pension liability - ending	\$ 705,223	528,768	514,983	270,928	147,791
Plan fiduciary net position as a percentage of total pension liability	60.05%	66.34%	64.85%	78.29%	87.30%
Covered-employee payroll	466,832	388,213	167,017	270,616	315,112
Net pension liability as a percentage of its covered-employee payroll	151.07%	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, 2018

	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	\$ 2,345	2,347	2,538	2,538	2,444
Interest on total pension liability	11,604	10,694	10,622	10,469	10,181
Differences between expected and actual experience	(12,456)	5,686	(19,162)	(1,377)	694
Effect of assumption changes or inputs	2,899	-	36,911	-	-
Benefit payments	(5,037)	(5,458)	(5,038)	(14,399)	(5,038)
Net change in total pension liability	\$ (645)	13,269	25,871	(2,769)	8,281
Total pension liability - beginning	174,434	161,165	135,294	138,063	129,782
Total pension liability - ending	\$ 173,789	174,434	161,165	135,294	138,063
Plan fiduciary net position:					
Contributions - employer	\$ 8,000	8,500	5,981	6,060	5,640
Net investment income	(3,832)	6,013	(3,241)	(5,869)	10,926
Benefit payments	(5,037)	(5,458)	(5,038)	(14,398)	(5,038)
Administrative expenses	(4,001)	-	-	-	-
Net change in plan fiduciary net position	\$ (4,870)	9,055	(2,298)	(14,207)	11,528
Plan fiduciary net position - beginning	115,551	106,496	108,794	123,001	111,473
Plan fiduciary net position - ending	\$ 110,681	115,551	106,496	108,794	123,001
Net pension liability - ending	\$ 63,108	58,883	54,669	26,500	15,062
Plan fiduciary net position as a percentage of total pension liability	63.69%	66.24%	66.08%	80.41%	89.09%
Covered-employee payroll	N/A	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	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
2018	\$	58,775	\$ 74,800	\$ (16,025)	\$ 466,832	16.02%
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, 2016
 Measurement Date: June 30, 2018

Methods and assumptions used
 to determine contribution rates:

Actuarial cost method	Projected unit credit
Amortization method	Level percent of payroll, closed
Remaining amortization period	30 years from 7/1/16
Asset valuation method	Fair market value
Discount rate	6.75%
Inflation	2.25%
Salary increases	3.50%
Investment rate of return	6.75%
Retirement age	65
Mortality table	RP 2000
Mortality projection scale (to valuation date)	Scale AA

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
2018 \$	6,784 \$	8,000 \$	(1,216) \$	N/A	N/A
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, 2016
 Measurement Date: June 30, 2018

Methods and assumptions used
 to determine contribution rates:

Actuarial cost method	Unit credit
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years from 7/1/16
Asset valuation method	Fair market value
Discount rate	6.75%
Inflation	2.25%
Salary increases	N/A
Investment rate of return	6.75%
Retirement age	65
Mortality table	RP 2000
Mortality projection scale (to valuation date)	Scale AA

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>
2018	3.04%
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>
2018	-3.42%
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, 2018

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
PROPERTY TAXES				
Current year's levy	\$ 8,734,978	8,734,978	8,729,702	(5,276)
Prior years' levies	45,000	45,000	104,046	59,046
Interest and penalties	93,983	93,983	54,994	(38,989)
Total property taxes	\$ 8,873,961	8,873,961	8,888,742	14,781
INTERGOVERNMENTAL				
State grants for education	\$ 97,069	97,069	84,636	(12,433)
Other state grants	58,671	58,671	22,278	(36,393)
Total intergovernmental	\$ 155,740	155,740	106,914	(48,826)
CHARGES FOR SERVICES				
Licenses and permits	\$ 43,099	43,099	68,274	25,175
Charges for services	50,920	50,920	59,089	8,169
Transfer Station receipts	23,232	23,232	25,551	2,319
Total charges for services	\$ 117,251	117,251	152,914	35,663
INVESTMENT INCOME	\$ 12,850	12,850	26,751	13,901
MISCELLANEOUS REVENUES	\$ -	-	4,369	4,369
OTHER FINANCING SOURCES				
Proceeds from surplus	\$ 250,000	250,000	-	(250,000)
Total other financing sources	\$ 250,000	250,000	-	(250,000)
Total revenue & other financing sources	\$ 9,409,802	9,409,802	9,179,690	(230,112)

TOWN OF MORRIS, CONNECTICUT

SCHEDULE 2

Page 1 of 2

GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
GENERAL GOVERNMENT				
Board of Finance	\$ 22,400	22,593	22,099	494
Board of Appeals - Legal	3,000	3,000	1,078	1,922
Planning and zoning	25,726	30,261	12,627	17,634
Tax collector	37,994	43,886	37,170	6,716
Treasurer	65,017	66,829	54,072	12,757
Inland Wetland	12,271	12,377	7,390	4,987
Zoning appeals board	2,170	9,071	8,921	150
Town clerk	95,788	97,337	95,318	2,019
Assessor	68,112	68,113	45,759	22,354
Insurance	90,000	90,000	88,360	1,640
Selectman - Miscellaneous	53,901	62,047	60,407	1,640
Civil Division	71,897	61,515	61,514	1
Building inspector	29,904	22,193	22,015	178
Other General Government	364,071	366,489	354,753	11,736
Total general government	\$ 942,251	955,711	871,483	84,228
PUBLIC SAFETY				
Fire Department	\$ 112,580	116,177	112,656	3,521
EMT Outside Service	224,000	216,117	216,116	1
Fire Marshal	13,650	13,662	12,109	1,553
Dog Warden	17,515	17,704	18,856	(1,152)
Total public safety	\$ 367,745	363,660	359,737	3,923
PUBLIC WORKS				
Highway department	\$ 610,894	604,637	592,236	12,401
LoCIP	39,757	39,757	12,588	27,169
Transfer station	243,446	248,417	234,899	13,518
Total public works	\$ 894,097	892,811	839,723	53,088
HEALTH AND WELFARE				
Board of Health	\$ 15,450	15,450	15,418	32
Morris Board of Health	750	750	431	319
Total health and welfare	\$ 16,200	16,200	15,849	351
CULTURE AND RECREATION				
Beach and Recreation	\$ 34,310	36,806	34,239	2,567
Library	98,050	99,371	99,018	353
Community Hall	54,250	58,052	55,097	2,955
Senior center	85,148	86,341	84,192	2,149
Total cultural and recreation	\$ 271,758	280,570	272,546	8,024
EDUCATION				
Board of education	\$ 6,635,650	6,635,650	6,597,310	38,340
Total education	\$ 6,635,650	6,635,650	6,597,310	38,340

(Continued)

TOWN OF MORRIS, CONNECTICUT

SCHEDULE 2

Page 2 of 2

GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive (Negative)
	Original	Final		
OTHER				
Contingency	\$ 75,000	58,100	-	58,100
Bantam Lake Authority	500	500	-	500
Sandy Beach Commission	8,300	8,300	8,300	-
Pension Commission	82,800	82,800	82,800	-
Pension Commission Attorney	-	-	-	-
Economic Development	500	500	-	500
Bantam Lake Weed Control	25,000	25,000	25,000	-
Total other	\$ 192,100	175,200	116,100	59,100
OTHER FINANCING USES				
Capital Improvements	\$ 90,000	90,000	90,000	-
Total debt service	\$ 90,000	90,000	90,000	-
Total Encumbrances and Financial Uses	\$ 9,409,801	9,409,802	9,162,748	247,054

TOWN OF MORRIS, CONNECTICUT

SCHEDULE 3

COMBINING BALANCE SHEETS
 NONMAJOR FUNDS
 June 30, 2018

	Town Aid Road Fund	Library Fund	Social Services Fund	Recreation Activities Fund	Total
ASSETS					
Cash and cash equivalents	\$	4,137	8,582	9,510	22,229
Investments		26,138			26,138
Receivables, net					-
Due from other funds	301,096				301,096
Total assets	\$ 301,096	30,275	8,582	9,510	349,463
Fund Balance (Deficit)					
Committed	301,096.00				301,096
Assigned		30,275.00	8,582.00	9,510.00	48,367
Total fund balance (deficit)	\$ 301,096	30,275	8,582	9,510	349,463

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR FUNDS
For the Year Ended June 30, 2018**

	Town Aid Road Fund	Library Fund	Social Services Fund	Recreation Activities Fund	Total
Revenues					
Intergovernmental	\$ 177,796	197			177,993
Charges for services					-
Investment income		805	67	59	931
Other		24,033	1,403	3,682	29,118
Total revenues	\$ 177,796	25,035	1,470	3,741	208,042
Expenditures					
Public safety	\$				
Public works	115,300				115,300
Culture and recreation		24,823	749	1,083	26,655
Education					
Other					
Total expenditures	\$ 115,300	24,823	749	1,083	141,955
Revenue Over (Under) Expenditures	\$ 62,496	212	721	2,658	66,087
Other Financing Sources					
Transfers in	\$				-
Transfers (out)					-
Total other financing sources	\$ -	-	-	-	-
Changes in Fund Balances (Deficits)	\$ 62,496	212	721	2,658	66,087
Fund Balances (Deficits) - beginning	238,600	30,063	7,861	6,852	283,376
Fund Balances (Deficits) - ending	\$ 301,096	30,275	8,582	9,510	349,463

TOWN OF MORRIS, CONNECTICUT

SCHEDULE 5

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET POSITION
 June 30, 2018

	Town Employee's Plan Trust Fund	Fire Department Plan Trust Fund	Total Trust Funds
ASSETS			
Cash and cash equivalents	\$ 68,312	9,877	78,189
Investments at fair value	991,876	100,803	1,092,679
Total Assets	\$ 1,060,188	110,680	1,170,868
NET POSITION			
Held in trust for specific purposes	\$ 1,060,188	110,680	1,170,868

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF CHANGES IN NET POSITION
 For the Year Ended June 30, 2018

	Town Employees' Plan Trust Fund	Volunteer Fire Department Trust Fund	Total Trust Funds
ADDITIONS			
Contributions	\$ 74,800	8,000	82,800
Total contributions	<u>\$ 74,800</u>	<u>8,000</u>	<u>82,800</u>
Investment earnings			
Net increase (decrease) in fair value	\$ (38,525)	(7,138)	(45,663)
Interest and dividends	69,418	3,711	73,129
Less: Investment expense	(99)	(57)	(156)
Total investment earnings	<u>\$ 30,794</u>	<u>(3,484)</u>	<u>27,310</u>
DEDUCTIONS			
Administrative	\$ 3,992	3,944	7,936
Benefits	83,605	5,443	89,048
Total deductions	<u>\$ 87,597</u>	<u>9,387</u>	<u>96,984</u>
Change in net position	\$ 17,997	(4,871)	13,126
Net Position - beginning	<u>1,042,191</u>	<u>115,551</u>	<u>1,157,742</u>
Net Position - ending	<u>\$ 1,060,188</u>	<u>110,680</u>	<u>1,170,868</u>

TOWN OF MORRIS, CONNECTICUT

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

For the Fiscal Year Ended June 30, 2018

	Beginning Fund Balance	Current Year Appropriations	Transfer In (Out)
RESTRICTED FUND BALANCE			
Smokey Hollow - Highway Planning	74,645		100,000
Fire Department Restroom STEAP Grant	-		
Total Restricted Fund Balance	74,645	-	100,000
COMMITTED FUND BALANCE			
Beach and Rec - Cabin maintenance	1,560		
Bonding	10,000		
Conservations commission fundraising	1,019		
Energy grant	-		
Fire Department - Gear	2,785		
Fire Department - Oil tank	49		
Fire Department - Radios and pagers	1,304		
Fire Department - Replacement doors	9,000		
Fire Engine #5 Upgrade	-		55,000
First Selectman - Boiler replacement	-		10,000
First Selectman - Oil tank	29,500		
Highway - E. Shore Road Culverts	-		200,000
Highway tractor	-		35,000
Revaluation	92,495		
Selectman - Fire pond	576		
Selectman - fire pond dredging	10,000		
Selectman - Maintenance shed	-		6,000
Selectman - Town Hall repairs	-		
Tax collector - Fire proof safe	388		
Todd Hill Road replace pipes	20,000		
Transfer Station concrete wall replacement	-		5,000
Total Committed Fund Balance	178,676	-	311,000
ASSIGNED FUND BALANCE			
Senior Center Funds	2,139		
Unspecified Projects	863,732	90,000	(471,000)
Total Assigned Fund Balance	865,871	90,000	(471,000)
	1,119,192	90,000	(60,000)

SCHEDULE 7

Other Revenues	Total Available	Current Year Expenditures	Ended Fund Balance	Eliminating Deficit Balances GASB 54	Reported Fund Balance
52,485	227,130	(77,497)	149,633		149,633
-	-	(4,883)	(4,883)		(4,883)
52,485	227,130	(82,380)	144,750	-	144,750
	1,560		1,560		1,560
	10,000		10,000		10,000
	1,019		1,019		1,019
9,000	9,000	(9,000)	-		-
	2,785	(385)	2,400		2,400
	49		49		49
	1,304		1,304		1,304
	9,000		9,000		9,000
	55,000		55,000		55,000
	10,000		10,000		10,000
	29,500	(29,909)	(409)		(409)
	200,000		200,000		200,000
	35,000	(29,295)	5,705		5,705
	92,495	(32,175)	60,320		60,320
	576		576		576
	10,000		10,000		10,000
	6,000		6,000		6,000
	-	(9,545)	(9,545)		(9,545)
	388		388		388
	20,000	(18)	19,982		19,982
	5,000	(4,538)	462		462
9,000	498,676	(114,865)	383,811	-	383,811
999	3,138	(2,955)	183		183
13,800	496,532		496,532	-	496,532
14,799	499,670	(2,955)	496,715	-	496,715
76,284	1,225,476	(200,200)	1,025,276	-	1,025,276

TOWN OF MORRIS, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
For the Year Ended June 30, 2018

Grand List Year	Uncollected Balance & New Levy July 1, 2017	Lawful Corrections		Transfers to (Recoveries From) Suspense	Balance to be Collected
		Increases	Decreases		
2002	965				965
2003	674				674
2004	1,213				1,213
2005	1,902				1,902
2006	1,295				1,295
2007	838				838
2008	2,449				2,449
2009	3,277				3,277
2010	2,315	559			2,874
2011	3,171	1,679			4,850
2012	1,021	1,127			2,148
2013	4,754	4,356	(2,086)	(4,224)	2,800
2014	34,686	1,242	(2,936)		32,992
2015	123,194	472	(4,417)		119,249
Total	\$ 181,754	9,435	(9,439)	(4,224)	177,526
2016	8,887,648	553	(23,461)	-	8,864,740
Total	\$ 9,069,402	9,988	(32,900)	(4,224)	9,042,266

SCHEDULE 8

Collections				Uncollected
Taxes	Interest	Lien Fees	Total	Balance June 30, 2018
			-	965
			-	674
			-	1,213
96	192	44	376	1,806
208	378	91	677	1,087
193	325	79	597	645
167	251	64	482	2,282
			-	3,277
			-	2,874
158			158	4,692
133	82		215	2,015
627	1,231	26	1,884	2,173
11,502	5,616	120	17,238	21,490
82,867	16,580	408	99,855	36,382
95,951	24,655	832	121,482	81,575
8,706,839	35,080	125	8,742,044	157,901
8,802,790	59,735	957	8,863,526	239,476

TOWN OF MORRIS, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
For the Year Ended June 30, 2018

	<u>General Purpose</u>
Debt Limitation:	
2 1/4 Times Base	\$ 19,942,934
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	\$ <u>19,942,934</u>
Indebtedness:	
Bonds payable	\$
Bonds authorized and unissued	<hr/>
Total Indebtedness	\$ -
Less: School Construction Grants Receivable	<hr/> -
Total Indebtedness of the Town	\$ <hr/> -
Debt Limitation In Excess of Outstanding and Authorized Debt	\$ <u><u>19,942,934</u></u>

SCHEDULE 9

Total Tax Collections (Including Interest and Lien Fees)
For The Year Ended June 30, 2018

\$ 8,863,526

Reimbursement For Revenue Loss On:
Elderly Tax Relief - Freeze

Base

\$ 8,863,526

<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Bonding</u>	<u>Total Debt</u>
39,885,867	33,238,223	28,806,460	26,590,578	62,044,682
<u>39,885,867</u>	<u>33,238,223</u>	<u>28,806,460</u>	<u>26,590,578</u>	<u>62,044,682</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>39,885,867</u>	<u>33,238,223</u>	<u>28,806,460</u>	<u>26,590,578</u>	<u>62,044,682</u>

**Independent Auditor's 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***

Board of Selectmen
Town of Morris
Morris CT, 06763

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, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Morris basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Morris 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 internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Morris 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Morris 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 result of that testing, and not to provide an opinion on the effectiveness of the Town of Morris 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 internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CLERMONT & ASSOCIATES, LLC
Certified Public Accountants
Prospect, Connecticut



December 12, 2018