

TOWN OF MORRIS, CONNECTICUT

ANNUAL FINANCIAL REPORT

June 30, 2020

TOWN OF MORRIS, CONNECTICUT

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INDEPENDENT AUDITOR'S REPORT

Board of Finance
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, 2020, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of 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, 2020, 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 combining and individual 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 October 27, 2020, 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



October 27, 2020

TOWN OF MORRIS, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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, 2020. Please read this MD&A in conjunction with the Town's financial statements.

Financial Highlights

- Net position of our governmental activities increased by \$1.77 million.
- Net position of our business-type activities decreased by \$75 thousand.
- The General Fund reported a fund balance this year of \$1.92 million; \$227 thousand more than the general fund balance reported in the prior year.
- The Town maintained a capital reserve fund balance of \$536 thousand, this decrease by \$312 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 long-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.

Government-Wide Financial Statements (continued)

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 \$1.77 million from \$7.8 million in 2019 to \$9.6 million in 2020.

Table 1: Net Position (In Thousands)

		Governmental Activities	
		2020	2019
Current and other assets	\$	3,549,408	3,819,240
Capital assets		7,386,099	5,345,593
Deferred inflows		233,535	204,993
Total assets & deferred inflows	\$	11,169,042	9,369,826
Current and other liabilities	\$	611,218	613,574
Deferred outflows		35,525	26,432
Long-term liabilities		929,147	1,041,690
Total liabilities & deferred outflows	\$	1,575,890	1,681,696
Net position:			
Investment in capital assets	\$	7,386,099	5,345,593
Unrestricted		2,207,053	2,342,537
Total net position	\$	9,593,152	7,688,130

Table 2: Change In Net Assets (In Thousands)

		Governmental Activities	
		2020	2019
Revenues:			
Program revenues:			
Charges for services	\$	199,416	186,754
Operating grants and contributions		227,242	421,938
Capital grants and contributions		1,831,802	68,077
General revenues:			
Property taxes		9,057,711	9,009,603
Grants and contributions not restricted to specific purposes		52,089	26,966
Unrestricted investment earnings and other revenues		48,946	113,683
Other general revenues (and transfers)		12,894	128,588
Total revenues	\$	11,430,100	9,955,609
Program expenses:			
General government	\$	1,353,534	1,096,158
Public safety		412,001	479,533
Public works		1,571,447	1,608,991
Health and welfare		15,119	15,340
Culture and recreation		335,824	406,443
Education		5,975,180	6,130,762
Total program expenses	\$	9,663,105	9,737,227
Increase (decrease) in net position	\$	1,766,995	218,382

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 \$2.7 million which was a \$360 thousand decrease from the previous year. Included in this year's total change in fund balance was a \$312 thousand decrease in the capital projects fund and an increase of \$227 thousand in the general fund. The decrease in the capital projects fund is mainly due to spend down of the capital reserve fund.

Proprietary Funds

The Town reports the Sewer Authority as a proprietary fund (Exhibit G, H, and I). Under this presentation, the operating loss was \$74 thousand, which included depreciation expense of \$66 thousand. Net fund position at year end included \$1.3 million of net capital investment and \$397 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 and building inspection fees were slightly more than expected as well as total revenues.
- All departments expended less than the budgeted amounts with the largest savings in the general government.

The fund balance was \$1.92 million of which the majority was without restrictions or assignments and available to appropriate.

Capital Assets

At June 30, 2020, the Town had approximately \$7.4 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 \$2 million net of depreciation expenses. The large increase includes the reconstruction of a bridge, which was mostly funded through state and federal grants.

Table 3: Capital Assets (Net of Depreciation)

		Governmental Activities	
		2020	2019
Land	\$	448,223	448,223
Construction in progress		1,697,203	198,482
Buildings and improvements		1,042,056	993,600
Land improvements		702,196	718,496
Machinery and equipment		716,327	518,847
Infrastructure		2,780,094	2,467,945
Totals	\$	<u>7,386,099</u>	<u>5,345,593</u>
		Business-type Activities	
		2020	2019
Sewer collection system	\$	<u>1,398,917</u>	<u>1,464,747</u>

Table 4: Outstanding Debt (In Thousands)

Long-Term Liabilities

At June 30, 2020 the Town had \$995,082 in long-term liabilities versus \$1,128,156 last year.

The Town's only outstanding debt is to the Town of Litchfield for the amount of \$65,935, 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 2020 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 including the effects of COVID-19.
- Board of Selectmen continue to be diligent in ensuring that services are provided to Morris residents and the assets are well maintained while managing costs.

These indicators along with a projected modest inflationary increase were taken into account when proposing the General Fund budget for 2020-21.

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.

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STATEMENT OF NET POSITION
June 30, 2020

	Governmental Activities	Business-type Activities	Total*
Assets:			
Cash and cash equivalents	\$ 2,584,302	359,073	2,943,375
Investments	298,287		298,287
Receivables, net	666,569	37,841	704,410
Prepaid expenses	250		250
Internal balances			-
Capital assets:			
Capital assets, not being depreciated	2,145,426		2,145,426
Capital assets, being depreciated, net	5,240,673	1,398,917	6,639,590
Total assets	<u>\$ 10,935,507</u>	<u>1,795,831</u>	<u>12,731,338</u>
Deferred outflows on resources:			
Deferred pension expenses	\$ 233,535		233,535
	<u>\$ 233,535</u>	<u>-</u>	<u>233,535</u>
Liabilities:			
Accounts payable and other current liabilities	\$ 611,218		611,218
Unearned revenues			-
Noncurrent liabilities:			
Due within one year	-	20,945	20,945
Due in more than one year	929,147	44,990	974,137
Total liabilities	<u>\$ 1,540,365</u>	<u>65,935</u>	<u>1,606,300</u>
Deferred inflows on resources:			
Deferred pension credit	\$ 35,525		35,525
Total deferred inflow on resources	<u>\$ 35,525</u>	<u>-</u>	<u>35,525</u>
Net position:			
Invested in capital assets, net of related debt	\$ 7,386,099	1,332,982	8,719,081
Unrestricted	2,207,053	396,914	2,603,967
Total net position	<u>\$ 9,593,152</u>	<u>1,729,896</u>	<u>11,323,048</u>

* 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, 2020

Functions/programs	Expenses	Program Revenues
		Charges for Services
Primary government:		
Governmental activities:		
General government	\$ 1,353,534	135,791
Public safety	412,001	
Public works	1,571,447	27,489
Public health	15,119	
Cultural and recreation	335,824	36,136
Education	5,975,180	
Total governmental activities	<u>\$ 9,663,105</u>	<u>199,416</u>
Business-type activities:		
Sewer Authority	\$ 162,706	
Interest on long-term debt	1,542	
Total business-type activities	<u>\$ 164,248</u>	<u>-</u>
Total primary government	<u>\$ 9,827,353</u>	<u>199,416</u>

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
115,251		(1,102,492)		(1,102,492)
		(412,001)		(412,001)
	1,831,802	287,844		287,844
		(15,119)		(15,119)
		(299,688)		(299,688)
111,991		(5,863,189)		(5,863,189)
<u>227,242</u>	<u>1,831,802</u>	<u>(7,404,645)</u>	<u>-</u>	<u>(7,404,645)</u>
	85,693		(77,013)	(77,013)
			(1,542)	(1,542)
<u>-</u>	<u>85,693</u>	<u>-</u>	<u>(78,555)</u>	<u>(78,555)</u>
<u>227,242</u>	<u>1,917,495</u>	<u>(7,404,645)</u>	<u>(78,555)</u>	<u>(7,483,200)</u>
General revenues:				
Property taxes		\$ 9,057,711		9,057,711
Grants and contributions not restricted for specific programs		52,089		52,089
Unrestricted investment earnings		48,946	3,678	52,624
Sale of assets		8,700		8,700
Other unrestricted income		4,194		4,194
Total general revenues		<u>\$ 9,171,640</u>	<u>3,678</u>	<u>9,175,318</u>
Change in net position		<u>\$ 1,766,995</u>	<u>(74,877)</u>	<u>1,692,118</u>
Net position, beginning		<u>7,826,157</u>	<u>1,804,773</u>	<u>9,630,930</u>
Net position, ending		<u>\$ 9,593,152</u>	<u>1,729,896</u>	<u>11,323,048</u>

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General	Capital & Nonrecurring	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,816,327	596,847	171,128	2,584,302
Investments	11,457	263,745	23,085	298,287
Receivables, net	283,805	382,764		666,569
Due from other funds	370,694		218	370,912
Prepaid expenses	250			250
Total assets	\$ 2,482,533	1,243,356	194,431	3,920,320
Liabilities and Fund Balances				
Liabilities:				
Accounts and other payables	\$ 275,516	335,702		611,218
Due to other funds		370,912		370,912
Total liabilities	\$ 275,516	706,614	-	982,130
Deferred inflows of resources:				
Unavailable receipts	\$ 287,267			287,267
Payment in advance				-
Total deferred inflows of resources	\$ 287,267	-	-	287,267
Fund balances:				
Nonspendable	\$ 250			250
Committed for:				
Specified use	33,388	121,884	129,390	284,662
Assigned		404,114	65,041	469,155
Unassigned	1,886,112	10,744		1,896,856
Total fund balances	\$ 1,919,750	536,742	194,431	2,650,923
Total liabilities, deferred inflows of resources and fund balances	\$ 2,482,533	1,243,356	194,431	

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.	7,386,099
Other long-term assets are not available to pay for current period expenditures, and therefore, are deferred in the funds.	287,267
Long-term liabilities , including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds.	(929,147)
Pension costs , including differences between expected and actual pension experiences, change in pension assumptions and net difference between projected and actual pension earnings.	198,010
Net position of governmental activities (Exhibit A)	\$ 9,593,152

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, 2020

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes and assessments	\$ 8,965,547			8,965,547
Intergovernmental	164,080	1,653,872	293,181	2,111,133
Charges for services	163,280		14,206	177,486
Investment income	36,528	11,235	1,183	48,946
Miscellaneous	12,894		21,930	34,824
Total revenues	<u>\$ 9,342,329</u>	<u>1,665,107</u>	<u>330,500</u>	<u>11,337,936</u>
Expenditures:				
Current:				
General government	\$ 1,039,457			1,039,457
Public safety	398,968			398,968
Public works	949,639		357,951	1,307,590
Public health	15,119			15,119
Culture and recreation	288,067		22,744	310,811
Education	5,975,180			5,975,180
Other	218,400		224,902	443,302
Capital outlay		2,207,149		2,207,149
Total expenditures	<u>\$ 8,884,830</u>	<u>2,207,149</u>	<u>605,597</u>	<u>11,697,576</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 457,499</u>	<u>(542,042)</u>	<u>(275,097)</u>	<u>(359,640)</u>
Other financing sources (uses):				
Transfer from other funds	\$	230,000		230,000
Transfer to other funds	(230,000)			(230,000)
Total other financing sources (uses)	<u>\$ (230,000)</u>	<u>230,000</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	<u>\$ 227,499</u>	<u>(312,042)</u>	<u>(275,097)</u>	<u>(359,640)</u>
Fund balances (deficits) - beginning	<u>1,692,251</u>	<u>848,784</u>	<u>469,528</u>	<u>3,010,563</u>
Fund balances (deficits) - ended	<u><u>\$ 1,919,750</u></u>	<u><u>536,742</u></u>	<u><u>194,431</u></u>	<u><u>2,650,923</u></u>

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (DEFICIT) OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020**

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)	\$ (359,640)
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.	2,040,506
Revenues previously recognized in the statement of activities that provided current financial resources in the current year.	92,164
The issuance of long-term liabilities 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.	(112,543)
Pension expenses and credits as a result of changes in assumptions and expectation are recognized in the government wide financial statements but are not included in the fund financial statements.	<u>106,508</u>
Change in net position of governmental activities (Exhibit B)	\$ <u><u>1,766,995</u></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, 2020**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Positive/ (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 8,905,847	8,905,847	8,965,547	59,700
Intergovernmental	153,750	153,750	164,080	10,330
Charges for services	113,285	113,285	163,280	49,995
Investment income	27,000	27,000	36,528	9,528
Other revenues	30,000	30,000	12,894	(17,106)
Total revenues	\$ 9,229,882	9,229,882	9,342,329	112,447
Expenditures:				
Current:				
General government	\$ 1,013,328	1,065,698	1,020,489	45,209
Public safety	439,084	439,388	398,968	40,420
Public works	925,646	936,839	899,089	37,750
Health and welfare	16,528	16,528	15,119	1,409
Cultural and recreation	293,466	300,341	288,067	12,274
Education	5,992,880	5,992,880	5,975,180	17,700
Other	318,950	248,208	218,400	29,808
Capital improvement	230,000	230,000	230,000	-
Total expenditures	\$ 9,229,882	9,229,882	9,045,312	184,570
Revenues over (under) expenditures	\$ -	-	297,017	297,017
Other financing sources (uses):				
Proceeds from surplus	\$ -	-	-	-
Total other financing sources (uses)	\$ -	-	-	-
Revenues over expenditures and other financing sources (uses)	\$ -	-	297,017	297,017

Net change in unassigned fund balance	\$ 297,017
Unassigned fund balance, July 1, 2019	1,589,095
Unassigned fund balance, June 30, 2020	<u>\$ 1,886,112</u>

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

STATEMENT OF NET FUND POSITION
PROPRIETARY FUNDS
June 30, 2020

	Business-type Activities
	Sewer Authority
Assets:	
Current assets:	
Cash and cash equivalents	\$ 359,073
Receivables, net of allowance	37,841
Total current assets	\$ 396,914
Noncurrent assets:	
Capital assets, net of accumulated depreciation	\$ 1,398,917
Total noncurrent assets	\$ 1,398,917
Total assets	\$ 1,795,831
Liabilities:	
Current liabilities:	
Accounts payable and accrued expenses	\$ -
Notes payable - current	20,945
Total current liabilities	\$ 20,945
Noncurrent liabilities:	
Notes payable, less current portion	\$ 44,990
Total noncurrent liabilities	\$ 44,990
Total liabilities	\$ 65,935
Net fund position:	
Invested in capital assets, net of related debt	\$ 1,332,982
Unrestricted	396,914
Total net fund position	\$ 1,729,896

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, 2020

	Business-type Activities
	<u>Sewer Authority</u>
Operating revenues:	
Charges for services and other revenues	\$ 85,693
Total operating revenues	<u>\$ 85,693</u>
Operating expenses:	
Administration and operation	\$ 96,876
Depreciation	65,830
Total operating expenses	<u>\$ 162,706</u>
Operating income (loss)	<u>\$ (77,013)</u>
Nonoperating revenues (expenses):	
Interest income	\$ 3,678
Interest expense	(1,542)
Total nonoperating revenues (expenses)	<u>\$ 2,136</u>
Change in net fund position	<u>\$ (74,877)</u>
Net fund position, beginning	<u>1,804,773</u>
Net fund position, ending	<u><u>\$ 1,729,896</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, 2020

	Business-type Activities
	Sewer Authority
Cash flows from operating activities:	
Receipts from customers and users	\$ 106,443
Payments to suppliers	<u>(105,682)</u>
Net cash flows from operating activities	\$ 761
Cash flows from noncapital and related financing activities:	
Transfer in and payments made through governmental activities	\$ -
Net cash provided by (used in) noncapital and related financing activities	\$ -
Cash flows from capital and related financing activities:	
Interest payments on capital debt	\$ (1,542)
Principal payments on capital debt	<u>(20,532)</u>
Net cash provided by (used in) capital and related financing activities	\$ (22,074)
Cash flows from investing activities:	
Transfer from investments	\$ -
Interest received on investments	<u>3,678</u>
Net cash provided by investing activities	\$ 3,678
Net increase (decrease) in cash and cash equivalents	\$ (17,635)
Cash and cash equivalents, beginning	<u>376,708</u>
Cash and cash equivalents, ending	<u><u>\$ 359,073</u></u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (77,013)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	65,830
Changes in assets and liabilities:	
Decrease (increase) in receivable accounts	20,750
Increase (decrease) in accounts payable	<u>(8,806)</u>
Net cash flows from operating activities	\$ 761

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2020

	Private Purpose Trust Funds
Assets:	
Cash and cash equivalents	\$ 4,312
Investments, at fair value	<u>1,385,076</u>
Total assets	\$ <u>1,389,388</u>
Liabilities:	
Accrued expenses	\$ <u>(8,020)</u>
Net position:	
Held in trust for benefits and other purposes	\$ <u><u>1,397,408</u></u>

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2020

	Private Purpose Trust Funds
Additions:	
Contributions:	
Contributions and donations	\$ 185,100
Total contributions	<u>\$ 185,100</u>
Investment earnings:	
Net increase in fair value of investments	\$ (45,914)
Interest and dividends	72,523
Less: investment expenses	(24)
Total investment earnings	<u>\$ 26,585</u>
Total additions	<u>\$ 211,685</u>
Deductions:	
Administrative	\$ 8,747
Benefits	<u>93,675</u>
Total deductions	<u>\$ 102,422</u>
Change in net position	\$ 109,263
Net position, beginning	<u>1,288,145</u>
Net position, ending	<u><u>\$ 1,397,408</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, 2020

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, 2020

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 funds, 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, 2020

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, 2020

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, 2020**

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 periods 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, 2020

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, 2020

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:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets in markets that are not active;
 - Observable inputs other than quoted prices for the assets or liability;
 - 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, 2020

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	\$ 9,342,329	9,045,312
Special appropriation of surplus:		
Encumbrances as of June 30, 2019		75,648
Encumbrances as of June 30, 2020		(6,130)
Reclassified as other sources / uses		<u>(230,000)</u>
Balance, GAAP basis	\$ <u>9,342,329</u>	<u>8,884,830</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, 2020

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
Construction in progress		1,697,203
Net capital assets being depreciated		<u>5,240,673</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>7,386,099</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	\$	(45,394)
Net pension obligation		(603,829)
Landfill closure		<u>(279,924)</u>
Net adjustment to reduce fund balance to arrive at net position of government activities	\$	<u>(929,147)</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>287,267</u>
Net adjustment to increase fund balance to arrive at net position of government activities	\$	<u>287,267</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	\$	124,693
Changes in assumptions		35,149
Net difference between projected and actual earnings		73,693
Difference between expected and actual experiences		<u>(35,525)</u>
Net adjustment to increase fund balance to arrive at net position of the government activities	\$	<u>198,010</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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

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

Acquisitions	\$ 916,432
Disposals	-
Depreciation	<u>(374,647)</u>
Net adjustment to increase net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>541,785</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	\$ (14,391)
Net change in landfill closure	(87,048)
Net change in pension obligation	<u>(11,104)</u>
Net adjustment to reduce net changes in fund balances to arrive at changes in net position of governmental activities	\$ <u>(112,543)</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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 funds	\$ 2,584,302		2,584,302
Business-type activities	359,073		359,073
Fiduciary funds	4,312		4,312
Investments:			
Governmental funds		298,287	298,287
Fiduciary funds		1,385,076	1,385,076
Total deposits and investments	<u>\$ 2,947,687</u>	<u>1,683,363</u>	<u>4,631,050</u>

Deposits

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

The carrying amounts of the Town's deposits at June 30, 2020 consist of the following:

Bank deposit accounts	\$ 2,734,623
Certified deposits	201,343
Cash on hand	<u>150</u>
Total deposits	<u>\$ 2,936,116</u>

Custodial credit risk

As of June 30, 2020, 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 \$400,000. 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, 2020, approximately \$250,000 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).

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

As of June 30, 2020, the Town held the following investments:

Investment Type	Fund	Fair Value	Maturities Less than 1 Year	Risk
State Investment Fund	General Fund	\$ 11,457	11,457	N/A
State Investment Fund	Capital Reserve	263,744	263,744	N/A
Money Market	Library Fund	282	282	N/A
Mutual Funds	Library Fund	22,803	22,803	N/A
Money Market	Trust Funds	14,055	14,055	N/A
Mutual Funds	Trust Funds	1,371,021	1,371,021	AAA-BB
Total Investments		\$ 1,683,362	1,683,362	

Interest rate risk

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

Credit risk

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

Note 5 - Receivables, Deferred Revenue and Payables

Receivables

The receivables as of June 30, 2020 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:

	Governmental Funds			
	General Fund	Capital Projects	Sewer Authority	Total
Property taxes	\$ 215,617			215,617
Interest	73,306			73,306
Governmental		382,764		382,764
Accounts			4,501	4,501
Assessments			33,340	33,340
Less: allowance	(5,118)			(5,118)
Net total receivables	\$ 283,805	382,764	37,841	704,410

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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, 2020 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	\$ 228,510	47,006	275,516
Capital Projects Fund	<u>335,702</u>	<u> </u>	<u>335,702</u>
Total payables	\$ <u>564,212</u>	<u>47,006</u>	<u>611,218</u>

Note 6 - Inter-fund Receivables, Payables and Transfers

Inter-fund Receivables and Payables

Inter-fund receivables and payables at June 30, 2020 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects	\$ 370,694
Town Road Aid	Capital Projects	<u>218</u>
	Total	\$ <u>370,912</u>

Inter-fund Transfers

The Town transferred \$230,000 from the general fund to the capital projects fund to be assigned for future capital projects.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Note 7 - Capital Assets

Capital assets activity for the year ended June 30, 2020 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
Construction in progress	198,482	1,498,721		1,697,203
Total capital assets, not being deprec.	<u>\$ 646,705</u>	<u>1,498,721</u>		<u>2,145,426</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 2,320,539	96,179		2,416,718
Land improvements	1,001,863	16,000		1,017,863
Machinery and equipment	2,519,747	267,633	38,802	2,748,578
Infrastructure	6,540,571	536,620		7,077,191
Total capital assets being depreciated	<u>\$ 12,382,720</u>	<u>916,432</u>	<u>38,802</u>	<u>13,260,350</u>
Less: accumulated depreciation:				
Buildings and improvements	\$ 1,326,939	47,723		1,374,662
Land improvements	283,367	32,300		315,667
Machinery and equipment	2,000,900	70,153	38,802	2,032,251
Infrastructure	4,072,626	224,471		4,297,097
Total accumulated depreciation	<u>\$ 7,683,832</u>	<u>374,647</u>	<u>38,802</u>	<u>8,019,677</u>
Net capital assets, being depreciated	<u>\$ 4,698,888</u>	<u>541,785</u>		<u>5,240,673</u>
Total capital assets, governmental	<u>\$ 5,345,593</u>	<u>2,040,506</u>	<u>-</u>	<u>7,386,099</u>

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

Governmental activities:	
General government	\$ 52,873
Public safety	13,033
Public works	294,899
Recreation	13,842
Total depreciation expense	<u>\$ 374,647</u>

	<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>3,281,598</u>
Less: accumulated depreciation	1,816,851	65,830		1,882,681
Total capital assets, business-type	<u>\$ 1,464,747</u>	<u>(65,830)</u>		<u>1,398,917</u>

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Note 8 - Long-Term Liabilities

Long-term debt liabilities activity for the year ended June 30, 2020 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	\$ 59,785		14,391	45,394	
Net pension liability	614,933		11,104	603,829	
Landfill closure	366,972		87,048	279,924	
Total governmental activities long-term liabilities	\$ 1,041,690	,	112,543	929,147	
Business-type activities:					
Inter-municipal debt	\$ 86,466		20,531	65,935	20,945
Total business-type activities long-term liabilities	\$ 86,466			65,935	20,945
Total long-term liabilities	\$ 1,128,156	,	133,074	995,082	20,945

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>
2021	\$ 20,945	1,128
2022	21,368	706
2023	21,799	274
2024	1,823	3
Total	\$ 65,935	2,111

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, 2020. This amount is based on estimates that are subject to change due to inflation, technology or applicable laws and regulations.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Note 9 - Commitments and Contingencies

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.

The Town received federal and state grants for specific purposes and is subject to review and audit by the grantor agency for compliance and disallowed expenses under the grant. Management believes that such disallowances, if any, will not be material to the financial position of the Town.

The spread of the COVID-19 virus has caused business disruption throughout the United States and in the State of Connecticut specifically through the State of Connecticut Executive Orders. While disruption is expected to be temporary, there is a considerable uncertainty concerning the duration and financial impact of this disruption. Although the Town does not expect this matter to negatively impact its financial condition, results of operation, or cash flow, the extent of the financial impact and duration cannot be reasonably estimated.

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, 2020, the outstanding bonded indebtedness of the District was \$1,960,000. 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, 2020**Note 10 - Fund Balance**

As of June 30, 2020, the governmental fund balance are composed of the following

	<u>General</u>	<u>Capital and Nonrecurring</u>	<u>Nonmajor</u>	<u>Total</u>
<u>Nonspendable</u>				
Prepaid expenses	\$ 250			250
<u>Restricted</u>				
Bridges program		121,884		121,884
<u>Committed</u>				
Contract	33,388			33,388
Town roads			218	218
Fire safety			129,172	129,172
Capital projects		404,114		404,114
<u>Assigned</u>				
Capital projects		10,744		10,744
Culture and recreation			65,041	65,041
<u>Unassigned</u>	<u>1,886,112</u>			<u>1,886,112</u>
	<u>1,919,750</u>	<u>536,742</u>	<u>194,431</u>	<u>2,650,923</u>

Note 11 - 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.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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.

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	8	10
Terminated plan members entitled to, but not yet receiving benefits	4	24
Active plan members	8	0
Total	20	34

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.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued **June 30, 2020**

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.

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.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Net pension liability of the plans

The Town and MVFD Plan net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020.

The components of the net pension liability of the Town at June 30, 2020 were as follows:

	<u>Town Plan</u>	<u>MVFD Plan</u>	<u>Total</u>
Total pension liability	\$ 1,875,350	156,113	2,031,463
Plan fiduciary net position	<u>1,259,649</u>	<u>129,751</u>	<u>1,389,400</u>
Net pension liability	<u>\$ 615,701</u>	<u>26,362</u>	<u>642,063</u>
Plan fiduciary net position as a percentage of the total pension liability	67.17%	83.11%	68.39%

Actuarial assumptions

The total pension liability was determined by actuarial data as of July 1, 2020, 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 adjusted for 2006 with MP-2017 mortality improvements.

The actuarial assumptions used in the July 1, 2020 data were based on the results of an actuarial experience study for the period July 1, 2019 - June 30, 2020.

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.

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Discount rate

The discount rate used to measure the total pension liability was 6.75% for the Town Plan and the 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, 2019	\$ 1,737,028	1,166,874	570,154
Changes for the year:			
Service cost	\$ 42,924	-	42,924
Interest cost on total pension liability	114,145	-	114,145
Difference between expected and actual experience	78,313	-	78,313
Change in assumptions	(5,066)		(5,066)
Employer contributions	-	166,150	(166,150)
Employee contributions	-	-	-
Net investment income	-	23,789	(23,789)
Administrative expenses	-	(5,170)	5,170
Benefit payments, including refund of employee contributions	(91,994)	(91,994)	-
Net changes	\$ 138,322	92,775	45,547
Balances as of June 30, 2020	\$ 1,875,350	1,259,649	615,701

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

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, 2019	\$ 166,269	121,490	44,779
Changes for the year:			
Service cost	\$ -	-	-
Interest cost on total pension liability	10,912	-	10,912
Difference between expected and actual experience	(11,347)	-	(11,347)
Employer contributions	-	18,950	(18,950)
Net investment income	-	3,478	(3,478)
Change in assumption	(489)	-	(489)
Administrative expenses	-	(4,935)	4,935
Benefit payments, including refund of employee contributions	(9,232)	(9,232)	-
Net changes	\$ (10,156)	8,261	(18,417)
Balances as of June 30, 2020	\$ 156,113	129,751	26,362

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	\$ 817,168	705,223	444,341
MVFD Plan net pension liability	\$ 46,298	44,779	9,960

TOWN OF MORRIS, CONNECTICUT**NOTES TO THE FINANCIAL STATEMENTS, Continued**
June 30, 2020**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, 2020 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	\$ 118	4,194	4,312
Investments	1,251,628	125,546	1,377,174
Total assets	\$ 1,251,746	129,740	1,381,486
Liabilities:			
Accrued expenses			
Net assets held in trust for pension benefits	\$ 1,251,746	129,740	1,381,486

Schedule of Changes in Net Position

	Town Retirement Plan	Morris Volunteer Fire Department Plan	Total
Additions:			
Contributions:			
Employer	\$ 166,150	18,950	185,100
Total	\$ 166,150	18,950	185,100
Investment income:			
Net appreciation (depreciation) in fair value of investments	\$ (41,427)	(4,487)	(45,914)
Interest and dividends	65,434	7,065	72,499
Total	\$ 24,007	2,578	26,585
Deductions:			
Administrative costs	\$ 4,712	4,035	8,747
Benefits	84,432	9,243	93,675
	\$ 89,144	13,278	102,422
Net increase	\$ 101,013	8,250	109,263
Net position at beginning of year	1,166,655	121,490	1,288,145
Net position at end of year	\$ 1,267,668	129,740	1,397,408

TOWN OF MORRIS, CONNECTICUT

NOTES TO THE FINANCIAL STATEMENTS, Continued June 30, 2020

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended June 30, 2020, the Town recognized pension expense of \$156,461 and \$24,815 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	\$ 124,693		124,693
Changes of assumptions	12,761	22,388	35,149
Net difference between projected and actual earnings on pension plan investments	63,766	9,927	73,693
Total	<u>\$ 201,220</u>	<u>32,315</u>	<u>233,535</u>

	Town Plan Deferred Inflows of Resources	MVFD Plan Deferred Inflows of Resources	Total
Differences between expected and actual experience	\$ -	35,525	35,525
Net difference between projected and actual earnings on pension plan investments	-	-	-
Total	<u>\$ -</u>	<u>35,525</u>	<u>35,525</u>

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

<u>Year Ended June 30,</u>	Town Retirement Plan	MVFD Retirement Plan	Total
2021	\$ 46,102	5,125	51,227
2022	47,121	4,671	51,792
2023	33,007	2,377	35,384
2024	28,403	1,926	30,329
2025	15,986	1,043	17,029
Thereafter	<u>30,601</u>	<u>(18,352)</u>	<u>12,249</u>
Total	<u>\$ 201,220</u>	<u>(3,210)</u>	<u>198,010</u>

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

For the Five Years Ended June 30, 2020

	2020	2019	2018	2017	2016
Total pension liability:					
Service cost	\$ 42,924	46,640	38,395	12,708	19,484
Interest on total pension liability	114,145	116,145	103,218	96,471	85,093
Differences between expected and actual experience	78,313	(96,229)	114,002	68,571	(15,867)
Effect of assumption changes or inputs	(5,066)	(5,437)	22,442	-	193,463
Benefit payments	(91,994)	(89,502)	(83,605)	(71,972)	(65,211)
Net change in total pension liability	\$ 138,322	(28,383)	194,452	105,778	216,962
Total pension liability - beginning	1,737,028	1,765,411	1,570,959	1,465,181	1,248,219
Total pension liability - ending	\$ 1,875,350	1,737,028	1,765,411	1,570,959	1,465,181
Plan fiduciary net position:					
Contributions - employer	\$ 166,150	156,461	74,800	69,000	48,755
Net investment income	23,789	45,522	30,893	94,965	(10,637)
Benefit payments	(91,994)	(89,502)	(83,605)	(71,972)	(65,211)
Administrative expenses	(5,170)	(5,795)	(4,091)	-	-
Net change in plan fiduciary net position	\$ 92,775	106,686	17,997	91,993	(27,093)
Plan fiduciary net position - beginning	1,166,874	1,060,188	1,042,191	950,198	977,291
Plan fiduciary net position - ending	\$ 1,259,649	1,166,874	1,060,188	1,042,191	950,198
Net pension liability - ending	\$ 615,701	570,154	705,223	528,768	514,983
Plan fiduciary net position as a percentage of total pension liability	67.17%	67.18%	60.05%	66.34%	64.85%
Covered-employee payroll	544,916	457,890	466,832	388,213	167,017
Net pension liability as a percentage of its covered-employee payroll	112.99%	124.52%	151.07%	136.21%	308.34%

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

For the Five Years Ended June 30, 2020

	2020	2019	2018	2017	2016
Total pension liability:					
Service cost	\$ -	-	2,345	2,347	2,538
Interest on total pension liability	10,912	11,306	11,604	10,694	10,622
Differences between expected and actual experience	(11,347)	(5,710)	(12,456)	5,686	(19,162)
Effect of assumption changes or inputs	(489)	(538)	2,899	-	36,911
Benefit payments	(9,232)	(12,578)	(5,037)	(5,458)	(5,038)
Net change in total pension liability	\$ (10,156)	(7,520)	(645)	13,269	25,871
Total pension liability - beginning	166,269	173,789	174,434	161,165	135,294
Total pension liability - ending	\$ 156,113	166,269	173,789	174,434	161,165
Plan fiduciary net position:					
Contributions - employer	\$ 18,950	24,815	8,000	8,500	5,981
Net investment income	3,478	4,786	(3,832)	6,013	(3,241)
Benefit payments	(9,232)	(12,578)	(5,037)	(5,458)	(5,038)
Administrative expenses	(4,935)	(6,214)	(4,001)	-	-
Net change in plan fiduciary net position	\$ 8,261	10,809	(4,870)	9,055	(2,298)
Plan fiduciary net position - beginning	121,490	110,681	115,551	106,496	108,794
Plan fiduciary net position - ending	\$ 129,751	121,490	110,681	115,551	106,496
Net pension liability - ending	\$ 26,362	44,779	63,108	58,883	54,669
Plan fiduciary net position as a percentage of total pension liability	83.11%	73.07%	63.69%	66.24%	66.08%
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
2020	\$	93,815	\$ 166,150	\$ (72,335)	\$ 544,916	30.49%
2019		71,837	156,461	(84,624)	457,890	34.17%
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, 2020

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 2014 adjusted to 2006
Mortality projection scale (to valuation date)	MP-2017

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
2020	\$ 5,075	\$ 18,950	\$ (13,875)	N/A	N/A
2019	6,815	24,815	(18,000)	N/A	N/A
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, 2020

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

	Net Money- Weighted Rate of Return
2020	1.87%
2019	3.90%
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

	Net Money- Weighted Rate of Return
2020	2.63%
2019	4.03%
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, 2020

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive / (Negative)
	Original	Final		
Property taxes:				
Current year's levy	\$ 8,775,747	8,812,185	8,772,672	(39,513)
Prior year's levy	85,000	85,000	145,248	60,248
Interest and penalties	45,100	25,100	47,627	22,527
Total property taxes	\$ 8,905,847	8,922,285	8,965,547	43,262
Intergovernmental:				
State grants for education	\$ 103,296	103,296	111,991	8,695
Other state grants	50,454	50,454	52,089	1,635
Total intergovernmental	\$ 153,750	153,750	164,080	10,330
Charges for services:				
Civil division	\$ 60,750	60,750	76,242	15,492
Charges for services	35,700	35,700	59,549	23,849
Other general government	16,835	16,835	27,489	10,654
Total charges for services	\$ 113,285	113,285	163,280	49,995
Investment income	\$ 27,000	27,000	36,528	9,528
Other revenues	\$ 30,000	30,000	16,829	(13,171)
Total revenue & other financing sources	\$ 9,229,882	9,246,320	9,346,264	99,944

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive / (Negative)
	Original	Final		
General government:				
Board of Finance	\$ 24,750	24,750	21,016	3,734
Board of Appeals - legal	1,000	1,000	-	1,000
Planning and zoning	37,905	43,138	30,855	12,283
Tax Collector	34,360	35,485	34,501	984
Treasurer	85,409	93,107	90,636	2,471
Inland wetland	8,020	8,020	1,422	6,598
Zoning Appeals Board	10,820	10,820	8,698	2,122
Town Clerk	97,367	102,100	99,346	2,754
Assessor	66,215	67,412	60,711	6,701
Insurance	80,000	80,000	77,808	2,192
Selectman - miscellaneous	69,022	97,405	96,132	1,273
Civil Division	71,073	71,073	67,982	3,091
Building Inspector	38,860	40,835	40,797	38
Other general government	388,527	390,553	354,930	35,623
Total general government	\$ 1,013,328	1,065,698	984,834	80,864
Public safety:				
Fire Department	\$ 112,230	112,534	101,484	11,050
Board of Selectmen - public safety	13,500	13,500	7,399	6,101
Fire Marshal	292,960	292,960	289,922	3,038
Dog Warden	20,394	20,394	163	20,231
Total public safety	\$ 439,084	439,388	398,968	40,420
Public works:				
Highway Department	\$ 630,316	639,705	619,049	20,656
LoCIP	30,000	30,000	26,049	3,951
Transfer Station	265,330	267,134	253,991	13,143
Total public works	\$ 925,646	936,839	899,089	37,750
Health and welfare:				
Board of Health	\$ 15,828	15,828	14,828	1,000
Morris Board of Health	700	700	291	409
Total health and welfare	\$ 16,528	16,528	15,119	1,409
Culture and recreation:				
Beach and recreation	\$ 44,755	47,370	40,534	6,836
Library	104,960	106,406	103,945	2,461
Community Hall	54,985	54,985	52,704	2,281
Senior Center	88,766	91,580	90,884	696
Total culture and recreation	\$ 293,466	300,341	288,067	12,274
Education:				
Board of Education	\$ 5,992,880	5,992,880	5,975,180	17,700
Total education	\$ 5,992,880	5,992,880	5,975,180	17,700

(Continued)

**GENERAL FUND EXPENDITURES, ENCUMBRANCES AND OTHER FINANCING USES -
BUDGETARY BASIS - BUDGET AND ACTUAL
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts - Budgetary Basis	Variance With Final Budget Positive / (Negative)
	Original	Final		
Other:				
Contingency	\$ 100,000	29,258		29,258
Economic development	500	500		500
Bantam Lake Authority	50	50		50
Sandy Beach Commission	8,300	8,300	8,300	-
Pension Commission	185,100	185,100	185,100	-
Bantam Lake weed control	25,000	25,000	25,000	-
Total other	\$ 318,950	248,208	218,400	29,808
Other financing uses:				
Capital improvements	\$ 230,000	230,000	230,000	-
Total debt service	\$ 230,000	230,000	230,000	-
Total encumbrances and financial uses	\$ 9,229,882	9,229,882	9,009,657	220,225

COMBINING BALANCE SHEETS
NONMAJOR FUNDS
June 30, 2020

	Town Aid Road Fund	Library Fund	Senior Center Fund	Social Services Fund	Recreation Activities Fund	Small Cities Fund	Fire Department Fund	Total
Assets:								
Cash and cash equivalents	\$	3,851	7,552	17,219	13,334		129,172	171,128
Investments		23,085						23,085
Receivables, net								-
Due from other funds	218							218
Total assets	\$ 218	26,936	7,552	17,219	13,334	-	129,172	194,431
Fund balance (deficit):								
Committed	\$ 218						129,172	129,390
Assigned		26,936	7,552	17,219	13,334	-		65,041
Total fund balance (deficit)	\$ 218	26,936	7,552	17,219	13,334	-	129,172	194,431

TOWN OF MORRIS, CONNECTICUT

SCHEDULE 4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICITS) - NONMAJOR FUNDS
For the Year Ended June 30, 2020**

	Town Aid Road Fund	Library Fund	Senior Center Fund	Social Services Fund	Recreation Activities Fund	Small Cities Fund	Fire Department Fund	Total
Revenues:								
Intergovernmental	\$ 177,930					115,251		293,181
Charges for services			4,036		10,170			14,206
Investment income		481	25	50	43		584	1,183
Other		12,349		9,581				21,930
Total revenues	\$ 177,930	12,830	4,061	9,631	10,213	115,251	584	330,500
Expenditures:								
Public safety	\$							-
Public works								-
Culture and recreation		15,263	700	2,305	4,476			22,744
Education								-
Other	357,951					224,902		582,853
Total expenditures	\$ 357,951	15,263	700	2,305	4,476	224,902	-	605,597
Revenue over (under) exp.	\$ (180,021)	(2,433)	3,361	7,326	5,737	(109,651)	584	(275,097)
Changes in fund balances	\$ (180,021)	(2,433)	3,361	7,326	5,737	(109,651)	584	(275,097)
Fund balances - beginning	180,239	29,369	4,191	9,893	7,597	109,651	128,588	469,528
Fund balances - ended	\$ 218	26,936	7,552	17,219	13,334	-	129,172	194,431

TOWN OF MORRIS, CONNECTICUT

SCHEDULE 5

PRIVATE PURPOSE TRUST FUNDS
 COMBINING STATEMENT OF NET POSITION
 June 30, 2020

	Town Employee's Plan Trust Fund	Fire Department Plan Trust Fund	Total Trust Funds
Assets:			
Cash and cash equivalents	\$ 118	4,194	4,312
Investments at fair value	1,267,550	125,546	1,393,096
Total assets	<u>\$ 1,267,668</u>	<u>129,740</u>	<u>1,397,408</u>
Liabilities:			
Accured expenses	\$		-
Net position:			
Held in trust for specific purposes	<u>\$ 1,267,668</u>	<u>129,740</u>	<u>1,397,408</u>

PRIVATE PURPOSE TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended June 30, 2020

	Town Employees' Plan Trust Fund	Volunteer Fire Department Trust Fund	Total Trust Funds
Additions:			
Contributions	\$ 166,150	18,950	185,100
Total contributions	<u>\$ 166,150</u>	<u>18,950</u>	<u>185,100</u>
Investment earnings:			
Net increase (decrease) in fair value	\$ (41,427)	(4,487)	(45,914)
Interest and dividends	65,449	7,074	72,523
Less: investment expense	(15)	(9)	(24)
Total investment earnings	<u>\$ 24,007</u>	<u>2,578</u>	<u>26,585</u>
Deductions:			
Administrative	\$ 4,712	4,035	8,747
Benefits	84,432	9,243	93,675
Total deductions	<u>\$ 89,144</u>	<u>13,278</u>	<u>102,422</u>
Change in net position	<u>\$ 101,013</u>	<u>8,250</u>	<u>109,263</u>
Net position - beginning	<u>1,166,655</u>	<u>121,490</u>	<u>1,288,145</u>
Net position - ending	<u><u>\$ 1,267,668</u></u>	<u><u>129,740</u></u>	<u><u>1,397,408</u></u>

TOWN OF MORRIS, CONNECTICUT

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

For the Fiscal Year Ended June 30, 2020

	Beginning Fund Balance	Current Year Appropriations	Transfer In (Out)
Restricted fund balance:			
Smokey Hollow - highway planning	\$ 101,947		
Fire Department restroom STEAP grant	(43,472)		
Total restricted fund balance	<u>\$ 58,475</u>	<u>-</u>	<u>-</u>
Committed fund balance:			
Energy grant	\$ -		
Beach and rec. - cabin maintenance	1,560		
Bonding	10,000		
Conservations commission fundraising	1,019		
Fire Department - gear			
Fire Department - oil tank	49		
Fire Department - radios and pagers	697		
Fire Department - replacement doors			
Fire Engine #5 upgrade	20		
First Selectman - boiler replacement	9,591		
First Selectman - oil tank			
Highway - E. Shore Road culverts	200,000		
Highway tractor			
Revaluation	56,643		
Selectman - fire pond	576		
Selectman - fire pond dredging	10,000		
Selectman - maintenance shed	6,000		
Selectman - Town Hall repairs	29,325		
Tax Collector - fire proof safe	389		
Todd Hill Road replace pipes	(3)		
Transfer Station concrete wall replacement	462		
Fire Department - air packs	65,000	65,000	
Fire Department - exterior steps		30,000	
Fire Department - Fire Engine #3 replacement		150,000	
Smokey Hollow reclaim and pave	120,000		
Smokey Hollow fence	5,050		
Highway - dump truck tandem refurb		45,000	
Highway - dump truck		108,000	
Highway amp - add basins	4,800		
Highway building repairs	75,164		
Senior side walks		10,000	
Transfer Station - chipseal garage and brush	4,000		
Town Clerk upgrade	10,000		
Total committed fund balance	<u>\$ 610,342</u>	<u>408,000</u>	<u>-</u>
Assigned fund balance:			
Senior Center funds	\$ 183		
Unspecified projects	179,782	(408,000)	230,000
Total assigned fund balance	<u>\$ 179,965</u>	<u>(408,000)</u>	<u>230,000</u>

SCHEDULE 7

Other Revenues	Total Available	Current Year Expenditures	Ended Fund Balance	Eliminating Deficit Balances GASB 54	Reported Fund Balance
1,518,658	1,620,605	(1,498,721)	121,884		121,884
134,224	90,752	(93,198)	(2,446)	2,446	-
1,652,882	1,711,357	(1,591,919)	119,438	2,446	121,884
1,000	1,000		1,000		1,000
	1,560		1,560		1,560
	10,000		10,000		10,000
	1,019		1,019		1,019
	-		-		-
	49		49		49
	697	(695)	2		2
	-		-		-
	20		20		20
	9,591		9,591		9,591
	-		-		-
	200,000	(129,631)	70,369		70,369
	-		-		-
	56,643	(2,500)	54,143		54,143
	576		576		576
	10,000		10,000		10,000
	6,000		6,000		6,000
	29,325	(20,465)	8,860		8,860
	389		389		389
	(3)		(3)	3	-
	462		462		462
	130,000	(115,603)	14,397		14,397
	30,000	(16,400)	13,600		13,600
	150,000	(150,000)	-		-
	120,000	(16,518)	103,483		103,483
	5,050		5,050		5,050
	45,000	(43,250)	1,750		1,750
	108,000	(96,912)	11,088		11,088
	4,800	(2,653)	2,147		2,147
	75,164	(11,905)	63,259		63,259
	10,000	(8,700)	1,300		1,300
	4,000		4,000		4,000
	10,000		10,000		10,000
1,000	1,019,342	(615,231)	404,111	3	404,114
	183		183		183
11,225	13,007		13,007	(2,446)	10,561
11,225	13,190	-	13,190	(2,446)	10,744

TOWN OF MORRIS, CONNECTICUT

SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
For the Year Ended June 30, 2020

Grand List Year	Uncollected Balance & New Levy July 1, 2019	Lawful Corrections		Transfers to (Recoveries From) Suspense	Balance to be Collected
		Increases	Decreases		
2003	\$ -		-		
2004	-				-
2005	-				-
2006	1,087			(169)	918
2007	645			(232)	413
2008	2,140			(805)	1,335
2009	2,654			(990)	1,664
2010	2,207			(851)	1,356
2011	4,183			(73)	4,110
2012	1,102		(5)		1,097
2013	1,968			(1,268)	700
2014	9,483		(557)	(237)	8,689
2015	19,950	41	(673)	(346)	18,972
2016	40,888	608	(1,893)	(1,922)	37,681
2017	109,594	6,250	(12,425)	(221)	103,198
Total	\$ 195,901	6,899	(15,553)	(7,114)	180,133
2018	9,008,874	44,280	(45,965)	-	9,007,189
Total	\$ 9,204,775	51,179	(61,518)	(7,114)	9,187,322

SCHEDULE 8

Collections				Uncollected Balance June 30, 2020
Taxes	Interest	Lien Fees	Total	
			-	-
			-	-
			-	918
			-	413
			-	1,335
273	444	110	827	1,391
104	152	19	275	1,252
46	59	17	122	4,064
			-	1,097
			-	700
1,052	3,453	148	4,653	7,637
4,605	1,965	241	6,811	14,367
18,624	5,627	250	24,501	19,057
64,703	13,214	962	78,879	38,495
89,407	24,914	1,747	116,068	90,726
8,882,299	58,130	15	8,940,444	124,890
8,971,706	83,044	1,762	9,056,512	215,616

TOWN OF MORRIS, CONNECTICUT

SCHEDULE OF DEBT LIMITATION
For the Year Ended June 30, 2020

	<u>General Purpose</u>
Debt limitation:	
2 1/4 times base	\$ 20,377,152
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>20,377,152</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>20,377,152</u></u>

SCHEDULE 9

Total tax collections (including interest and lien fees)
for the year ended June 30, 2020 \$ 9,056,512

Reimbursement for revenue loss on:
Elderly Tax Relief - Freeze -

Base \$ 9,056,512

<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Bonding</u>	<u>Total Debt</u>
40,754,304	33,961,920	29,433,664	27,169,536	63,395,584
<u>40,754,304</u>	<u>33,961,920</u>	<u>29,433,664</u>	<u>27,169,536</u>	<u>63,395,584</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>40,754,304</u>	<u>33,961,920</u>	<u>29,433,664</u>	<u>27,169,536</u>	<u>63,395,584</u>