

**TOWN OF SCOTLAND, CONNECTICUT**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED  
JUNE 30, 2019**

**TOWN OF SCOTLAND, CONNECTICUT**  
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen  
Town of Scotland, Connecticut

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Scotland, Connecticut (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Scotland, Connecticut, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, and the budgetary information, the information on the Town's pension and other post-employment benefit plans and related notes on pages 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules on pages 54 through 69 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2020 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 the Town's internal control over financial reporting and compliance.



Certified Public Accountants  
Glastonbury, Connecticut  
January 22, 2020

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**TOWN OF SCOTLAND, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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The management of the Town of Scotland, Connecticut (the "Town"), offers the readers of its financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019.

**FINANCIAL HIGHLIGHTS**

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,099,687 (net position). Of this amount, \$988,077 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$97,529 during the current fiscal year.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,318,886, a decrease of \$186,448 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance for the General Fund was \$411,465 or 6.4% of total the Town's fiscal year 2019 General Fund budgetary expenditure appropriations. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 0.7 months of General Fund budgetary operating expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Town's assets, deferred outflows and inflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

Both of the government-wide financial statements are intended to distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include activities such as: general government, public safety, public works, culture and recreation, and education. The Town has no business-type activities.

The government-wide financial statements can be found on pages 13 and 14 of this report.

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

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Reserve Fund, both of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 19 of this report.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 20 through 46 of this report.



**TOWN OF SCOTLAND, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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

**Other Information**

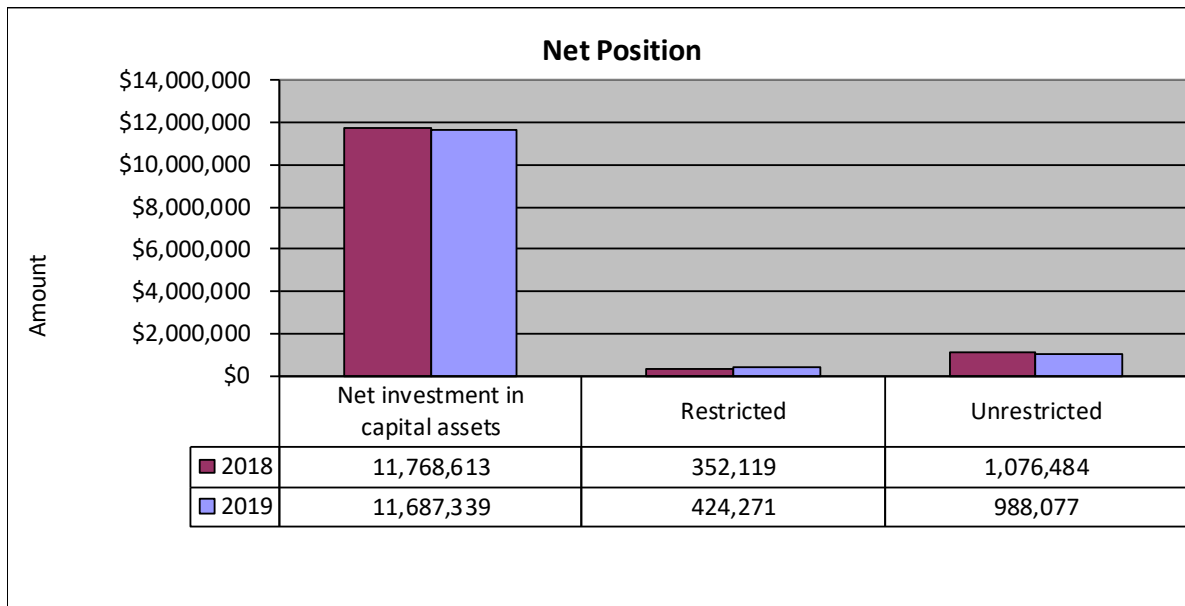
In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and combining and individual fund statements and schedules that can be found on pages 47 through 69 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Over time, net position may serve as one measure of a government's financial position. Net position of the Town totaled \$13,099,687 and \$13,197,216 as of June 30, 2019 and 2018 (as restated), respectively, and are summarized as follows:

	2019	2018	\$ Change	% Change
Current and other assets	\$ 1,933,869	\$ 1,948,215	\$ (14,346)	-0.7%
Capital assets	13,456,860	13,738,613	(281,753)	-2.1%
Total assets	15,390,729	15,686,828	(296,099)	-1.9%
Other liabilities	360,599	311,914	48,685	15.6%
Long-term liabilities	1,879,586	2,122,218	(242,632)	-11.4%
Total liabilities	2,240,185	2,434,132	(193,947)	-8.0%
Deferred inflows of resources	50,857	55,480	(4,623)	-8.3%
Net Position:				
Net investment in capital assets	11,687,339	11,768,613	(81,274)	-0.7%
Restricted	424,271	352,119	72,152	20.5%
Unrestricted	988,077	1,076,484	(88,407)	-8.2%
Total net position	\$ 13,099,687	\$ 13,197,216	\$ (97,529)	-0.7%



**TOWN OF SCOTLAND, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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

**Net Position (Continued)**

As of June 30, 2019, 89.2% of the Town's net position reflect its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents 3.2% of the Town's net position. These amounts are subject to external restrictions on how they may be used and are therefore presented as restricted net position.

The remainder of the Town's net position is considered unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

Overall, net position decreased by \$97,529 in comparison to the prior year.

**Changes in Net Position**

Changes in net position for the years ended June 30, 2019 and 2018 (as restated) are as follows:

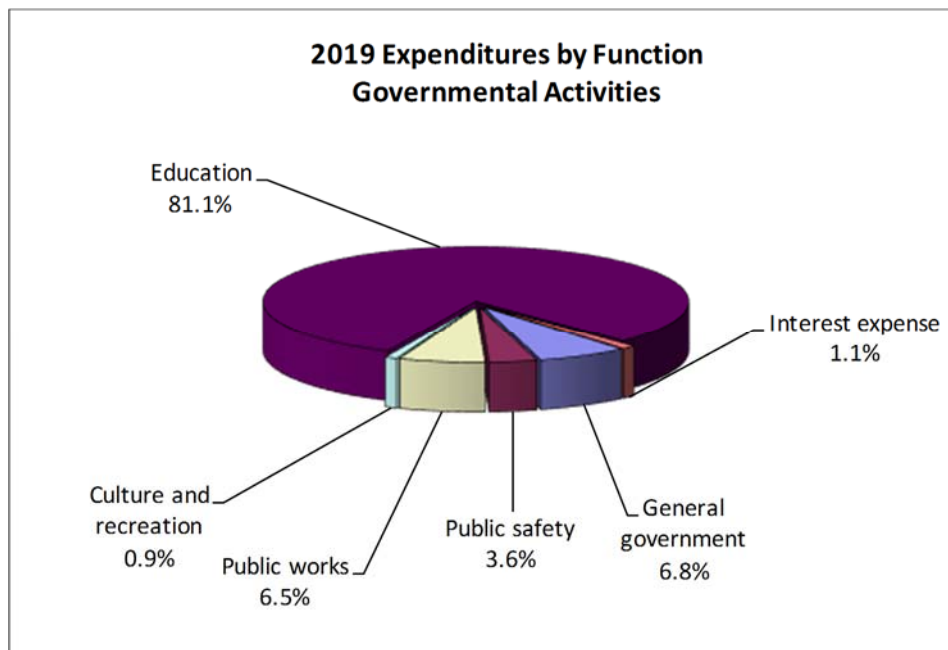
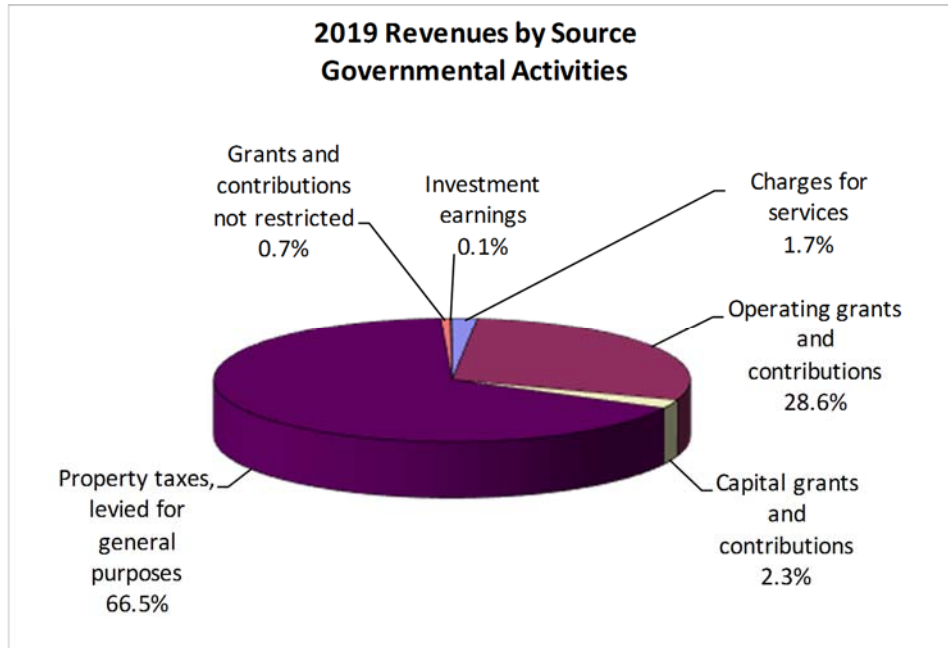
	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services	\$ 115,239	\$ 107,591	\$ 7,648	7.1%
Operating grants and contributions	1,941,391	1,645,230	296,161	18.0%
Capital grants and contributions	153,722	195,024	(41,302)	-21.2%
General revenues:				
Property taxes, levied for general purposes	4,517,384	4,421,962	95,422	2.2%
Grants and contributions not restricted to specific programs	44,636	43,262	1,374	3.2%
Investment earnings	7,145	7,214	(69)	-1.0%
Total revenues	<u>6,779,517</u>	<u>6,420,283</u>	<u>359,234</u>	5.6%
<b>Expenses</b>				
General government	468,898	449,055	19,843	4.4%
Public safety	248,111	178,120	69,991	39.3%
Public works	447,774	359,257	88,517	24.6%
Culture and recreation	64,429	59,351	5,078	8.6%
Education	5,578,029	5,212,754	365,275	7.0%
Interest expense	69,805	87,477	(17,672)	-20.2%
Total expenses	<u>6,877,046</u>	<u>6,346,014</u>	<u>531,032</u>	8.4%
Change in net position	<u>\$ (97,529)</u>	<u>\$ 74,269</u>	<u>\$ (171,798)</u>	-231.3%

**TOWN OF SCOTLAND, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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



**TOWN OF SCOTLAND, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

Governmental activities decreased the Town's net position by \$97,529.

Revenues increased by \$359,234 or 5.6% compared to the prior year. This increase is primarily due to an increase in operating grants and contributions and property taxes. Operating grants and contributions increased by \$296,161 or 18.0% and property taxes increased by \$95,422 or 2.2% compared to the prior year. Increases in operating grants and contributions was driven by an increase of \$183,436 in education cost sharing funds received from the State of Connecticut and an increase in the amounts reported for on-behalf payments made by the State of Connecticut for pension and other post-employment benefits attributed to employees of the Town's school district.

Expenses increased by \$531,032 or 8.4% compared to the prior year. This increase is primarily due to an increase in public safety, public works and education expenses. Public safety expenses increased by \$69,991 or 39.4% compared to the prior year. This increase is attributed to new ambulance transport services provided by the Town, which resulted in a current year cost of \$97,241. Public works expenses increased by \$88,517 or 24.6% compared to the prior year. This increase is attributed to an increase in road maintenance costs and related depreciation expense on capitalized infrastructure. Education expenses increased by \$365,275 or 7.0% compared to the prior year. This increase is attributed to a \$191,735 increase in the annual assessment from Regional School District No. 11 and an increase in the amounts reported for on-behalf payments made by the State of Connecticut for pension and other post-employment benefits attributed to employees of the Town's school district.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,318,886, a decrease of \$186,448 in comparison with the prior year.

***General Fund***

At the close of the current fiscal year, unassigned fund balance for the General Fund was \$411,465 or 6.4% of the Town's fiscal year 2019 General Fund budgetary expenditure appropriations. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 0.7 months of General Fund budgetary operating expenditures.

The fund balance of the Town's General Fund decreased by \$226,517 during the current fiscal year, which represented a planned use of fund balance to fund operating activities.

**TOWN OF SCOTLAND, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Governmental Funds *(Continued)***

***Capital Reserve Fund***

The fund balance of the Capital Reserve Funds decreased by \$15,948 from \$240,183 as of June 30, 2018 to \$224,235 as of June 30, 2019.

Of the \$224,235 in fund balance, \$125,980 is committed for general capital purposes and \$98,255 is committed for education capital purposes.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town's original budget contemplated the use of fund balance in the amount of \$227,033 to balance revenues and expenditures. During the year ended June 30, 2019, \$45,486 in additional appropriations were authorized, resulting in a planned use of fund balance in the amount of \$272,519. The actual net change in fund balance on a budgetary basis was a decrease of \$226,517, resulting in a favorable budgetary variance of \$46,002. Revenues were \$60,311 less than budgeted primarily due to shortfalls in tax collections. Expenditures were \$106,313 less than budgeted due to budgetary savings across all departments. During the year ended June 30, 2019, the total budgetary surplus reported by the Town's school district was \$62,279, of which \$23,907 was authorized to be transferred into the Capital Reserve Fund for future capital purposes.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's investment in capital assets as of June 30, 2019 and 2018 totaled \$13,456,860 and \$13,738,613, respectively (net of accumulated depreciation and amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and vehicles, and infrastructure. The total decrease in the Town's investment in capital assets for the current fiscal year was \$281,753 or 2.1%. This decrease consisted of capital asset additions of \$190,178 offset by current year depreciation expense of \$471,931. Major capital asset events during the current fiscal year related to expenditures that were capitalized for infrastructure related to Town road improvement projects.

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

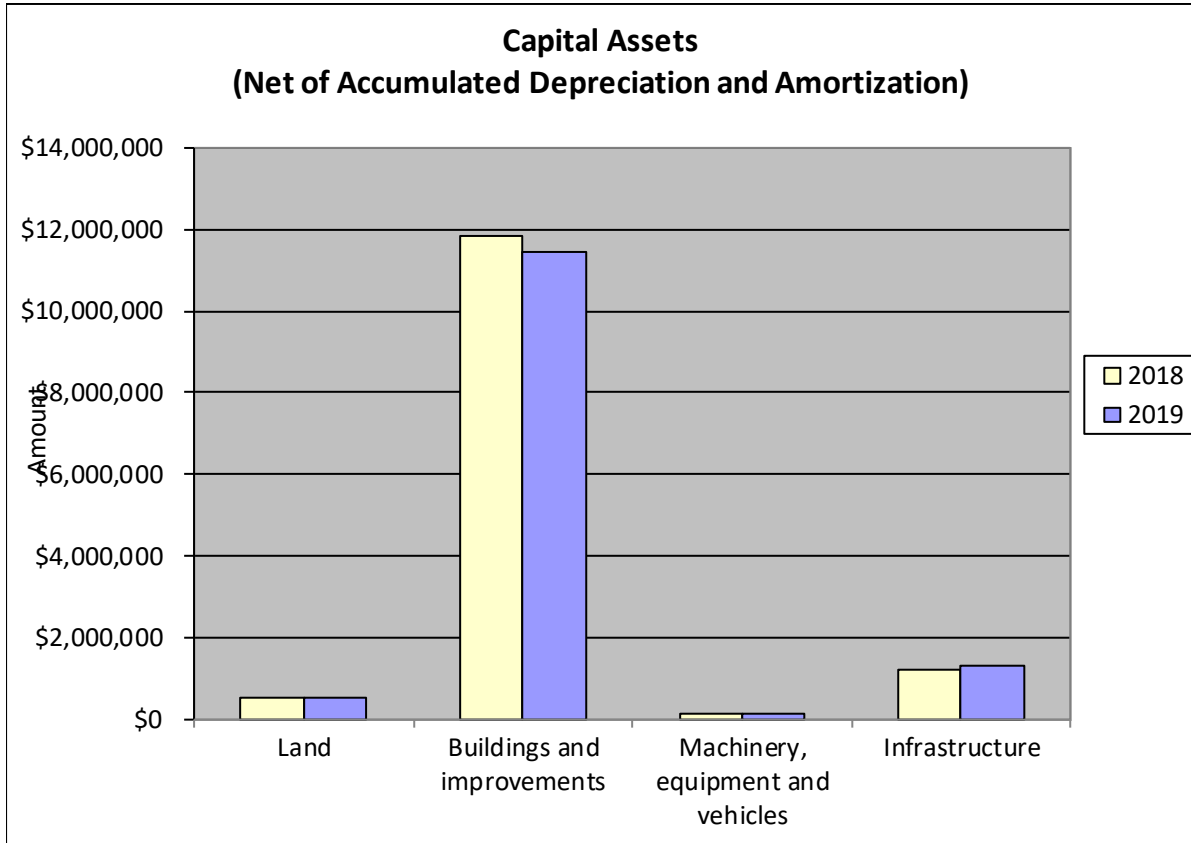
	<b>2019</b>	<b>2018</b>	<b>\$ Change</b>	<b>% Change</b>
Land	\$ 521,510	\$ 521,510	\$ -	0.0%
Buildings and improvements	16,113,866	16,113,866	-	0.0%
Machinery, equipment and vehicles	730,931	730,931	-	0.0%
Infrastructure	1,801,702	1,611,524	190,178	11.8%
Accumulated depreciation	(5,711,149)	(5,239,218)	(471,931)	9.0%
Totals	<u>\$ 13,456,860</u>	<u>\$ 13,738,613</u>	<u>\$ (281,753)</u>	-2.1%

**TOWN OF SCOTLAND, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Capital Assets *(Continued)***



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

**Long-term Debt**

At the end of the current fiscal year, the Town's long-term debt consists of a general obligation bond and notes from direct borrowings.

State statutes limit the amount of general obligation debt the Town may issue to seven times its annual receipts from taxation, as defined by the statutes. The current debt limitation for the Town is significantly in excess of the Town's outstanding debt.

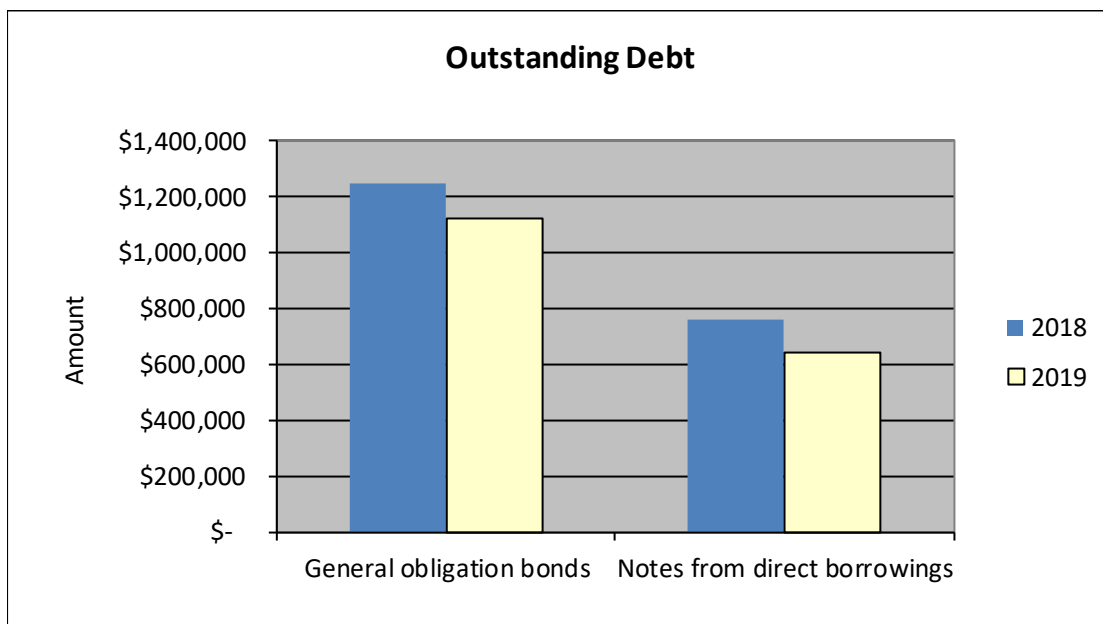
**TOWN OF SCOTLAND, CONNECTICUT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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

**Long-term Debt (Continued)**

No new long-term debt was issued by the Town during the year ended June 30, 2019. The overall decrease in long-term debt is due to scheduled debt service repayments. The following table is a two year comparison of long-term debt:

	<b>2019</b>	<b>2018</b>	<b>\$ Change</b>	<b>% Change</b>
General obligation bonds	\$ 1,125,000	\$ 1,250,000	\$ (125,000)	-10.0%
Notes from direct borrowings	644,521	763,345	(118,824)	-15.6%
Totals	<u>\$ 1,769,521</u>	<u>\$ 2,013,345</u>	<u>\$ (243,824)</u>	-12.1%



Additional information on the Town's long-term debt can be found in Note 7 of this report.

**TOWN OF SCOTLAND, CONNECTICUT**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

- Inflationary trends in the region are comparable to national indices.
- Significant estimates affecting next year's budget that are subject to change in the near term consist of the following:
  - For purposes of calculating property tax revenues for fiscal year 2020, the Assessor's grand list was used along with an estimated tax rate, and an estimated rate of collection, with deductions for taxes to be paid by the State on-behalf of certain taxpayers.
  - The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the Town will receive. The Town's budget for such grants were based on estimates from the State.
  - It is unknown how changes in market interest rates will impact real estate activity and related revenues collected by the Building Department, the Town Clerk and the amount of conveyance taxes and interest income.

All of these factors were considered in preparing the Town's budget for fiscal year 2020. The Town's fiscal year 2020 approved budget contemplates budgetary expenditure appropriations in the amount of \$6,428,105, a 3.9% increase over the original budget approved for fiscal year 2019. The fiscal year 2020 contemplates the use of fund balance in the amount of \$226,712 to reduce the overall increase in the mill rate.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the First Selectman or Town Treasurer, Town of Scotland, 9 Devotion Road, Scotland, Connecticut 06264.



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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF SCOTLAND, CONNECTICUT**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,492,727
Investments	142,958
Receivables:	
Property taxes and interest, net	285,049
Grants and contracts	12,339
Other	796
Capital assets:	
Non-depreciable	521,510
Depreciable, net	12,935,350
Total assets	<u>15,390,729</u>
<b>LIABILITIES</b>	
Accounts payable	199,860
Salaries and benefits payable	140,612
Accrued interest payable	8,823
Unearned revenue	11,304
Noncurrent liabilities:	
Due within one year	240,921
Due in more than one year	1,638,665
Total liabilities	<u>2,240,185</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred charges on OPEB expense	<u>50,857</u>
<b>NET POSITION</b>	
Net investment in capital assets	11,687,339
Restricted for:	
Permanent funds:	
Nonexpendable	173,812
Expendable	11,660
Grant programs	238,799
Unrestricted	988,077
Total net position	<u>\$ 13,099,687</u>

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

**TOWN OF SCOTLAND, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position-
					Governmental Activities
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 468,898	\$ 30,589	\$ 4,500	\$ -	\$ (433,809)
Public safety	248,111	1,133	1,300	-	(245,678)
Public works	447,774	10,875	32,410	153,722	(250,767)
Culture and recreation	64,429	14,010	7,266	-	(43,153)
Education	5,578,029	58,632	1,895,915	-	(3,623,482)
Interest expense	69,805	-	-	-	(69,805)
Total governmental activities	<u>\$ 6,877,046</u>	<u>\$ 115,239</u>	<u>\$ 1,941,391</u>	<u>\$ 153,722</u>	<u>(4,666,694)</u>
General revenues:					
Property taxes, levied for general purposes					4,517,384
Grants and contributions not restricted to specific program					44,636
Investment earnings					7,145
Total general revenues					<u>4,569,165</u>
Change in net position					(97,529)
Net position - beginning, as originally reported					13,024,019
Adjustment ( <i>See note 12</i> )					173,197
Net position - beginning, as adjusted					<u>13,197,216</u>
Net position - ending					<u>\$ 13,099,687</u>

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

**TOWN OF SCOTLAND, CONNECTICUT**  
**BALANCE SHEET -**  
**GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2019**

	<b>General Fund</b>	<b>Capital Reserve Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,214,071	\$ 210,583	\$ 68,073	\$ 1,492,727
Investments	-	-	142,958	142,958
Receivables:				
Property taxes, net	228,640	-	-	228,640
Interest on property taxes, net	56,409	-	-	56,409
Grants and contracts	-	-	12,339	12,339
Other	796	-	-	796
Due from other funds	4,514	13,652	262,617	280,783
Total assets	<u>\$ 1,504,430</u>	<u>\$ 224,235</u>	<u>\$ 485,987</u>	<u>\$ 2,214,652</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 188,844	\$ -	\$ 11,016	\$ 199,860
Salaries and benefits payable	129,509	-	11,103	140,612
Due to other funds	276,269	-	4,514	280,783
Unearned revenue	695	-	10,609	11,304
Total liabilities	<u>595,317</u>	<u>-</u>	<u>37,242</u>	<u>632,559</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	263,207	-	-	263,207
<b>FUND BALANCES</b>				
Nonspendable	-	-	173,812	173,812
Restricted	-	-	250,459	250,459
Committed	-	224,235	24,474	248,709
Assigned	234,441	-	-	234,441
Unassigned	411,465	-	-	411,465
Total fund balances	<u>645,906</u>	<u>224,235</u>	<u>448,745</u>	<u>1,318,886</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,504,430</u>	<u>\$ 224,235</u>	<u>\$ 485,987</u>	<u>\$ 2,214,652</u>

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

**TOWN OF SCOTLAND, CONNECTICUT**  
**RECONCILIATION OF THE BALANCE SHEET OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2019**

Total fund balances for governmental funds	\$	1,318,886
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Those assets consist of:

Land	\$	521,510	
Buildings and improvements		16,113,866	
Machinery, equipment and vehicles		730,930	
Infrastructure		1,801,702	
Less: accumulated depreciation and amortization		(5,711,148)	
Total capital assets, net			13,456,860

Some of the Town's taxes and interest will be collected after year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		263,207
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Deferred inflows of resources resulting from changes in the components of the total OPEB liability is reported in the statements of net position.		(50,857)
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Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as governmental fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Those liabilities consist of:

Long-term debt:			
General obligation bonds		(1,125,000)	
Notes from direct borrowings		(644,521)	
Other long-term liabilities:			
Accrued interest		(8,823)	
Termination benefits		(11,400)	
Total OPEB liability		(98,665)	
Total long-term liabilities			(1,888,409)

Net position of governmental activities	\$	13,099,687
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*The accompanying notes are an integral part of these financial statements.*

**TOWN OF SCOTLAND, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>General Fund</b>	<b>Capital Reserve Funds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 4,391,507	\$ -	\$ -	\$ 4,391,507
Intergovernmental	1,768,141	-	366,757	2,134,898
Charges for services	36,163	-	37,367	73,530
Investment income	4,172	410	2,563	7,145
Other	30,766	-	8,606	39,372
Total revenues	<u>6,230,749</u>	<u>410</u>	<u>415,293</u>	<u>6,646,452</u>
<b>EXPENDITURES</b>				
Current:				
General government	424,717	-	-	424,717
Public safety	198,080	-	2,282	200,362
Public works	379,229	-	118,719	497,948
Culture and recreation	52,280	-	16,499	68,779
Education	5,018,171	-	221,776	5,239,947
Debt service:				
Principal payments	215,000	-	-	215,000
Interest and fiscal charges	67,345	-	-	67,345
Capital outlays	77,075	41,727	-	118,802
Total expenditures	<u>6,431,897</u>	<u>41,727</u>	<u>359,276</u>	<u>6,832,900</u>
Excess (deficiency) of revenues over expenditures	(201,148)	(41,317)	56,017	(186,448)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	11,538	36,907	-	48,445
Transfers out	(36,907)	(11,538)	-	(48,445)
Total other financing sources (uses)	<u>(25,369)</u>	<u>25,369</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(226,517)	(15,948)	56,017	(186,448)
Fund balances - beginning, as originally reported	872,423	240,183	219,531	1,332,137
Adjustment ( <i>See note 12</i> )	-	-	173,197	173,197
Fund balances - beginning, as adjusted	<u>872,423</u>	<u>240,183</u>	<u>392,728</u>	<u>1,505,334</u>
Fund balances - ending	<u>\$ 645,906</u>	<u>\$ 224,235</u>	<u>\$ 448,745</u>	<u>\$ 1,318,886</u>

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

**TOWN OF SCOTLAND, CONNECTICUT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balances for governmental funds	\$	(186,448)
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Total change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeded capital additions in the current period is as follows:

Expenditures for capital assets	\$	190,178	
Depreciation expense		(471,931)	
Net adjustment			(281,753)

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

Principal repayments:			
General obligation bonds		125,000	
Notes from direct borrowings		118,824	
			243,824

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The net effect of such items is as follows:

Accrued interest		(2,460)	
Total OPEB liability		(1,192)	
Deferred charges on total OPEB liability		4,623	
			971

Certain revenues reported in the statement of activities do not provide current financial resources and, therefore, are reported as deferred inflows of resources in the governmental funds. This amount represents the change in unavailable revenue.

		125,877
Change in net position of governmental activities	\$	(97,529)

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

**TOWN OF SCOTLAND, CONNECTICUT**  
STATEMENT OF FIDUCIARY NET POSITION -  
FIDUCIARY FUNDS  
AS OF JUNE 30, 2019

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,341
Total assets	<u>\$ 12,341</u>
<b>LIABILITIES</b>	
Due to others	\$ 12,341
Total liabilities	<u>\$ 12,341</u>

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



**TOWN OF SCOTLAND, CONNECTICUT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

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

The accounting policies of the Town of Scotland, Connecticut (the "Town"), conform to accounting principles generally accepted in the United States of America, as applicable to governmental organizations. The following is a summary of significant accounting policies:

**Financial Reporting Entity**

The Town of Scotland, Connecticut, was settled in 1700 and was incorporated and separated from the Town of Windham in 1857 and covers 18.69 square miles located in Windham County. The Town operates under a Board of Selectmen and Town Meeting form of government and provides the following services as authorized by its charter: public safety, public works, health and human services, social services, culture and recreation, education, planning and zoning and general administrative services.

The legislative power of the Town is vested with the Board of Selectmen and Town Meeting. The Board of Selectmen may enact, amend or repeal ordinances and resolutions. The Board of Selectmen is responsible for financial and taxation matters as prescribed by Connecticut General Statutes, and is responsible for presenting fiscal operating budgets for Town Meeting approval.

The basic financial statements of the reporting entity include only the funds of the Town (the primary government) as no component units exist based on operational or financial relationships with the Town.

**Related Organizations**

The Town is a member of Regional School District No. 11 (the "District"), which is located in the Chaplin, Connecticut. The District provides educational services for the grade 7 through 12 populations within its member towns. The activities of the District are primarily supported by assessments made to member towns. Assessments for the Town totaled \$2,268,547, which represented approximately 32.3% of total member assessments. In addition to annual member assessments, the Town is contingently liable for its pro-rata share of the District's outstanding bonds (see Note 7). The District is governed by an elected Board of Education and issues publicly available financial reports.

The Town is a member of the Northeastern Connecticut Council of Governments (the "Council"), which provides certain member initiated regional programs and services. The Town's First Selectman serves on the Council's Board of Directors. The Council issues publicly available financial reports.

The Town contracts for fire protection and emergency ambulance services from the Scotland Volunteer Fire Department, Inc. (the "Department"), a legally separate 501(c)(3) nonprofit corporation. The Town funds a significant portion of the Department's operating and capital activities. The Town funds a significant portion of the Department's operating and capital activities. Budgetary operating appropriations paid by the Town to the Department totaled \$76,490 for the year ended June 30, 2019. Capital purchases made on-behalf of the Department totaled \$29,753 for the year ended June 30, 2019. The Department is governed by an elected Board of Directors and issues publicly available financial reports.

The Department is governed by an elected Board of Directors and issues publicly available financial reports.

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

**Government-wide and Fund Financial Statements**

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the Town and include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. The statements are intended to distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The Town has no business-type activities.

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

**Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

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

**Capital Reserve Funds** - These funds are used to account for the revenues and expenditures related to capital asset construction and/or purchases.

The Town reports the following fiduciary fund types:

**Agency Funds** - These funds are used to account for resources held by the Town in a purely custodial capacity. The Town utilizes these funds to account for assets of the student activity funds. The student activities funds account for monies generated by student activities in the Town's school system.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is available to be received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when the cash is received.

**Implementation of Accounting Standards**

Effective July 1, 2018, the Town adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The adoption of this statement did not have a material effect on the Town's financial statements.

Effective July 1, 2018, the Town adopted the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). The Statement established criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The adoption of this statement did not have a material effect on the Town's financial statements.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

**Cash and Cash Equivalents**

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

**Investments**

Investments consists of amounts invested in participating interest-earning investment contracts and mutual funds. Investments in participating interest-earning investment contracts consist of brokered certificates of deposit. Investments in these types of contracts that mature at the time of purchase of one year or less are measured by the Town at amortized costs. Investments in these types of contracts that mature at the time of purchase of more than one year are measured by the Town at fair value. Investments in mutual funds are measured by the Town at fair value, based on quoted prices in an active market.

**Donor-restricted Endowments**

The Town allocates investment income on endowment investments in accordance with donor restrictions and Connecticut law. The State of Connecticut adopted the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective October 1, 2007. UPMIFA requires the investment of endowments in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. It requires prudence in incurring investment costs, authorizing only costs that are appropriate and reasonable. Factors to be considered in investing are expanded to include, for example, the effects of inflation. UPMIFA emphasizes that investment decisions be made in relation to the overall resources of the Town. Amounts of net appreciation of endowments available for expenditure totaled \$11,660 as of June 30, 2019 and is reported as a component of restricted net position and fund balance.

**Inventories**

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

**Property Taxes**

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. The allowance is calculated based upon historical collections and analysis of creditor's ability to pay. The Town has established an allowance for uncollectible taxes and interest of \$22,000 and \$18,000, respectively, as of June 30, 2019.

Property taxes are assessed as of October 1. Taxes for real estate and personal property taxes are due in two installments on July 1 and the following January 1. Personal property and motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Assessments for real and personal property, excluding motor vehicles, are computed at 70% of the market value.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

**Capital Assets**

Capital assets, which include land, construction in progress, property, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 for all capital assets with the exception of land purchases which are capitalized regardless of amount. Such assets are recorded at historical cost, or estimated historical cost, when purchased or constructed. Donated capital assets are recorded at the acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of a capital asset or materially extend capital asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	30-50
Machinery, equipment and vehicles	3-10
Infrastructure	30-50

**Unearned Revenue**

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

**Deferred Outflows and Inflows of Resources**

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

Deferred inflows of resources consist of revenue that is considered unavailable under the modified accrual basis of accounting. Unavailable revenue from property taxes is reported in the governmental funds balance sheet and is recognized as an inflow of resources in the period that the amounts become available. The Town also reports deferred charges on OPEB expenses in the government-wide statement of net position, which result from differences between expected and actual experience, changes in assumptions or other inputs. These amounts are deferred and included in OPEB expense in a systematic and rational manner over a period equal to the average of the expected remaining service lives of all employees that are provided with benefits.

**Compensated Absences**

Town employees and certain Board of Education employees are paid by a prescribed formula for absences due to vacation and sickness. The eligibility for vacation and sick pay does not vest and these balances are not paid upon separation.

Expenditures for compensated absences are recognized in the governmental fund financial statements in the current year to the extent they are paid during the year with available resources.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

**Termination Benefits**

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

Teachers covered under union contract are eligible to receive special termination benefits. Full time teachers with 15 to 19 years of services in the Scotland School System will be eligible to receive \$1,200 upon termination of employment for longevity pay and full time teachers who have 20 years of service will be eligible to receive \$2,250.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**Net Position and Fund Balance**

The government-wide statement of net position presents the Town's non-fiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

***Net investment in capital assets*** - This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets.

***Restricted net position*** - This component of net position consists of amounts restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation.

***Unrestricted net position*** - This component of net position is the net amount of assets, liabilities, and deferred outflows and inflows of resources, which do not meet the definition of the two preceding categories.

The Town's governmental funds report the following fund balance categories:

***Nonspendable*** - Amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be maintained intact.

***Restricted*** - Constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through enabling legislation.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

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

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

**Committed** - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen (the highest levels of decision making authority of the Town) and cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same formal action. The formal action required to be taken by the Board of Selectman to commit fund balance includes formal voting procedures.

**Assigned** - Amounts are constrained by the government's intent to be used for specific purposes, but are not restricted or committed. The Town Treasurer has been authorized by the Board of Selectmen to assign fund balance as needed to meet the obligations of the Town.

**Unassigned** - Residual classification for the General Fund or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

***Net Position Flow Assumption***

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

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

***Fund Balance Flow Assumption***

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

The Town does not have a formal policy over the use of fund balance. In practice, the Town uses restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned.

**Interfund Activities**

Interfund activities are reported as follows:

**Interfund Receivables and Payables**

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

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Interfund Activities *(Continued)***

**Interfund Services Provided and Used**

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

**Interfund Transfers**

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

**Interfund Reimbursements**

Interfund reimbursements represent repayments from the funds responsible for particular expenditures, or expenses, to the funds that initially paid for them.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

A reconciliation of the Town's carrying value of cash deposits as of June 30, 2019 is as follows:

Government-wide statement of net position	\$ 1,492,727
Statement of fiduciary net position	12,341
 Add: certificates of deposit considered cash deposits for disclosure purposes	 <u>53,302</u>
	<u><u>\$ 1,558,370</u></u>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2019, \$1,315,176 of the Town's bank balance of \$1,586,583 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 1,183,658
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	 <u>131,518</u>
	<u><u>\$ 1,315,176</u></u>



**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Cash Deposits *(Continued)***

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

All of the Town's deposits were in qualified public institutions as defined by Connecticut state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

**Investments**

A reconciliation of the Town's investments as of June 30, 2019 is as follows:

Government-wide statement of net position	\$ 142,958
Less: certificates of deposit considered cash deposits for disclosure purposes	53,302
	<u>\$ 89,656</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy limits its exposure to fair value losses arising from changes in interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Information about the exposure of the Town's investments to this risk using the segmented time distribution model is as follows:

Investment type	Valuation Method	Credit Rating	Value	Investment Maturities (In Years)	
				Less Than 1	1 to 5
<b>Debt Securities:</b>					
<i>Permanent Funds:</i>					
Brokered certificates of deposit	Fair Value	Unrated	\$ 75,955	<u>\$ 44,058</u>	<u>\$ 31,897</u>
<b>Other investments:</b>					
<i>Permanent Funds:</i>					
Mutual funds			13,701		
<b>Total</b>			<u>\$ 89,656</u>		

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**Investments *(Continued)***

**Credit Risk**

The Town has no investment policy that would further limit its investment choices beyond those limited by Connecticut state statutes. Connecticut state statutes permit the Town to invest in obligations of the United States, including its instrumentalities and agencies; in obligations of any state or of any political subdivision, authority or agency thereof, provided such obligations are rated within one of the top two rating categories of any recognized rating service; or in obligations of the State of Connecticut or of any political subdivision thereof, provided such obligations are rated within one of the top three rating categories of any recognized rating service. The Town's investments in brokered certificates of deposits are unrated.

**Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town's investments in mutual funds are not exposed to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The Town's investments in brokered certificates of deposits were fully insured as of June 30, 2019.

**Concentrations of Credit Risk**

The Town's policy is to maintain a diversified portfolio to minimize the risk of loss resulting from over concentration of assets in a specific issuer. The following represents investments in individual securities that were in excess of 10.0% of the Town's overall investment portfolio as of June 30, 2019:

<u>Issuer</u>	<u>Investment</u>	<u>Value</u>	<u>% of Investments</u>
MS Bank	Brokered Certificate of Deposit	\$ 14,039	15.7%
MS Private Bank	Brokered Certificate of Deposit	11,080	12.4%
Citibank	Brokered Certificate of Deposit	10,038	11.2%
Goldman Sachs	Brokered Certificate of Deposit	10,033	11.2%
JP Morgan Chase Bank	Brokered Certificate of Deposit	10,008	11.2%
Morgan Stanley	Brokered Certificate of Deposit	10,007	11.2%

**NOTE 3 - FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs). The Town categorizes its fair value measurements as either Level 1 (inputs which are based on quoted prices in active markets for identical assets or liabilities), Level 2 (inputs, other than quoted prices, which are based on observable prices for the asset or liability), and Level 3 (inputs which are based on unobservable prices). Fair value measurements are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 3 - FAIR VALUE MEASUREMENTS *(Continued)***

The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2019, by level within the fair value hierarchy are presented in the table below.

<b>Financial Assets Measured at Fair Value</b>	<b>Prices in Active Market (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
Brokered certificates of deposit	\$ -	\$ 75,955	\$ -
Mutual funds	13,701	-	-
	<u>\$ 13,701</u>	<u>\$ 75,955</u>	<u>\$ -</u>

The Town measures Level 2 investments based on quoted prices for similar investments in active markets.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2019 consisted of the following:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 521,510	\$ -	\$ -	\$ 521,510
Total capital assets, not being depreciated	<u>521,510</u>	<u>-</u>	<u>-</u>	<u>521,510</u>
Capital assets, being depreciated:				
Buildings and improvements	16,113,866	-	-	16,113,866
Machinery, equipment and vehicles	730,931	-	-	730,931
Infrastructure	1,611,524	190,178	-	1,801,702
Total capital assets, being depreciated	<u>18,456,321</u>	<u>190,178</u>	<u>-</u>	<u>18,646,499</u>
Less accumulated depreciation:				
Buildings and improvements	4,277,283	367,998	-	4,645,281
Machinery, equipment and vehicles	569,729	31,644	-	601,373
Infrastructure	392,206	72,289	-	464,495
Total accumulated depreciation	<u>5,239,218</u>	<u>471,931</u>	<u>-</u>	<u>5,711,149</u>
Total capital assets, being depreciated, net	<u>13,217,103</u>	<u>(281,753)</u>	<u>-</u>	<u>12,935,350</u>
Governmental activities capital assets, net	<u>\$ 13,738,613</u>	<u>\$ (281,753)</u>	<u>\$ -</u>	<u>\$ 13,456,860</u>

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

Governmental Activities:	
General government	\$ 44,182
Public safety	17,996
Public works	80,838
Education	328,915
Total depreciation and amortization expense - governmental activities	<u>\$ 471,931</u>

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivable and payable balances at June 30, 2019 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	Nonmajor Governmental Funds	\$ 4,514
Capital Reserve Funds	General Fund	13,652
Nonmajor Governmental Funds	General Fund	262,617
Total interfund receivables/payables		<u>\$ 280,783</u>

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

**NOTE 6 - INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2019 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	Capital Reserve Funds	\$ 11,538
Capital Reserve Funds	General Fund	36,907
		<u>\$ 48,445</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 7 - LONG-TERM DEBT**

The applicable accounting standards define debt as a liability that arises from a contractual obligation to pay cash, or other assets that may be used in lieu of cash, in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. For disclosure purposes, debt does not include accounts payable or leases, except for contracts reported as financed purchase of the underlying asset.

Long-term debt is liquidated by the General Fund. Changes in long-term debt for the year ended June 30, 2019, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 1,250,000	\$ -	\$ (125,000)	\$ 1,125,000	\$ 125,000
Notes from direct borrowings	763,345	-	(118,824)	644,521	104,521
	<u>\$ 2,013,345</u>	<u>\$ -</u>	<u>\$ (243,824)</u>	<u>\$ 1,769,521</u>	<u>\$ 229,521</u>

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 7 - LONG-TERM DEBT *(Continued)***

**General Obligation Bonds**

A summary of the general obligation bonds outstanding at June 30, 2019 is as follows:

	<u>Issue Date</u>	<u>Original Amount</u>	<u>Final Maturity Dates</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
<b>Governmental Activities</b>					
General Obligation Bonds	2007	\$ 2,500,000	2027	4.05%-4.9%	<u>\$ 1,125,000</u>

Annual debt service requirements to maturity on the general obligation bonds payable are as follows as of June 30, 2019:

	<u>Governmental Activities</u>	
	<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2020	\$ 125,000	\$ 46,219
2021	125,000	41,063
2022	125,000	35,906
2023	150,000	30,750
2024	150,000	24,675
2025-2027	450,000	37,088
	<u>\$ 1,125,000</u>	<u>\$ 215,700</u>

**Notes from Direct Borrowings**

The Town has outstanding notes from direct borrowings totaling \$644,521 as of June 30, 2019.

Amounts outstanding under a commercial loan with a bank totaled \$630,000 as of June 30, 2019. The Town is required to make quarterly principal payments in the amount of \$22,500 with interest payable at a rate of 2.295%. The Town is subject to certain financial and nonfinancial covenants, noncompliance with which may be considered to be an event of default and could provide the bank with the right to demand repayment of amounts outstanding immediately. The Town was in compliance with these covenants for the year ended June 30, 2019.

Amounts outstanding under loans with a utility provider totaled \$14,521 as of June 30, 2019. The loans are non-interest bearing and require monthly principal payments in the amount of \$2,402. The loans include non-appropriation clauses and provide the utility provider with a security interest in the underlying equipment in the event of default.

Annual debt service requirements to maturity on notes from direct borrowings are as follows as of June 30, 2019:

	<u>Governmental Activities</u>	
	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2020	\$ 104,521	\$ 13,912
2021	90,000	11,782
2022	90,000	7,594
2023	90,000	5,512
2024	90,000	3,405
2025-2026	180,000	1,311
	<u>\$ 644,521</u>	<u>\$ 43,516</u>

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 7 - LONG-TERM DEBT *(Continued)***

**Legal Debt Limit**

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2019.

**Shared Debt**

The Town is contingently liable for its pro-rata share of Regional School District No. 11's (the "District") outstanding bonds. As of June 30, 2019, Regional School District No. 11 had no outstanding obligations and no authorized, unissued bonds, for which the Town would be contingently liable.

**NOTE 8 - OTHER LONG-TERM LIABILITIES**

Changes in other long-term liabilities for the year ended June 30, 2019 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Other liabilities:					
Termination benefits	\$ 11,400	\$ -	\$ -	\$ 11,400	\$ 11,400
Total OPEB liability <i>(see Note 10)</i>	97,473	1,192	-	98,665	-
	<u>\$ 108,873</u>	<u>\$ 1,192</u>	<u>\$ -</u>	<u>\$ 110,065</u>	<u>\$ 11,400</u>

**NOTE 9 - EMPLOYEE RETIREMENT PLANS**

**Connecticut State Teachers' Retirement System**

**Plan Description**

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

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 9 - PENSION PLANS *(Continued)***

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

**Benefit Provisions**

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

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

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

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

*Disability Retirement:* There is no service requirement if incurred in the performance of duty. Employees are eligible for five years of credited service if not incurred in the performance of duty. Disability benefits are calculated as 2% of average annual salary times credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary. In addition, disability benefits under this plan (without regard to cost-of-living adjustments) plus any initial award of Social Security benefits and workers' compensation cannot exceed 75% of average annual salary.

A plan member who leaves service and has attained 10 years of service will be entitled to 100% of the accrued benefit as of the date of termination of covered employment. Benefits are payable at age 60, and early retirement reductions are based on the number of years of service the member would have had if they had continued work until age 60.

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

**Contributions**

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

In accordance with CGS Section 10-183z, the District does not and is not legally responsible to contribute to the plan as a special funding situation exists that requires the State to contribute 100% of an employer's contributions on-behalf of its participating municipalities at an actuarially determined rate. Effective January, 1, 2018, active employees are required to contribute 7.0%, previously 6.0%, of their annual earnings to the plan.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 9 - PENSION PLANS *(Continued)***

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

**Contributions *(Continued)***

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

**Administrative Expenses**

Administrative costs of the plan are funded by the State.

**Basis of Presentation**

The collective net pension liability, deferred outflows and inflows of resources, and pension expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net pension liability that is attributed to the Town as of June 30, 2019.

**Allocation Methodology**

The schedule of employer allocations for the TRS was calculated based upon the fiscal year 2018 expected contribution effort for each participating employer. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. For fiscal year 2018, the Town's expected contribution effort for allocation purposes totaled \$335,634 or 0.0264% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective pension expense and deferred outflows and inflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective pension expense allocated to the Town totaled \$389,756.

The total collective net pension liability of participating employers for the TRS was approximately \$13.164 billion as of the June 30, 2018 measurement date. The portion attributed to the Town totaled \$3,472,756 or approximately 0.0264% of the total collective net pension liability.

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:



**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 9 - PENSION PLANS *(Continued)***

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

**Actuarial Assumptions *(Continued)***

Inflation	2.75%
Salary increases	3.25% - 6.50%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Administrative expenses	\$0 assumption as expenses are paid for by the General Assembly

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

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

**Long-Term Rate of Return**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Large Cap U.S. Equities	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%
Real Estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Core fixed income	7.0%	1.3%
High Yield Bonds	5.0%	3.9%
Emerging market bond	5.0%	3.7%
Inflation linked bond fund	3.0%	1.0%
Cash	6.0%	0.4%
	<u>100.0%</u>	

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 9 - PENSION PLANS *(Continued)***

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

**Discount Rate**

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

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

The following presents the proportionate share of the net pension liability attributed to the Town as of the June 30, 2018 measurement date, calculated using a discount rate of 8.00%, as well as what the proportionate share of the net pension liability attributed to the Town would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<b>1.00% Decrease (7.00%)</b>	<b>Current Rate (8.00%)</b>	<b>1.00% Increase (9.00%)</b>
Town's proportionate share of the net pension liability (rounded to nearest thousand)	\$ 4,389,000	\$ 3,473,000	\$ 2,698,000

**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Board of Education OPEB Plan**

**Plan Description**

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

**Funding Policy**

Contribution requirements of the plan members and the Town are established by and may be amended through negotiations between the Town and the union. Currently, eligible Board of Education Employees with are eligible to receive benefits until they are age 65. Those who choose to participate must pay 100% of premium cost. The Town finances the plan on a pay-as-you-go basis.

The Town has not established a trust fund as of June 30, 2019, to irrevocably segregate assets to fund the liability for post-employment benefits, which would require the reporting of a trust fund in accordance with GASB guidelines.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Board of Education OPEB Plan *(Continued)***

**Total OPEB Liability**

The Town's OPEB liability reported as of June 30, 2019 totaled \$98,665. The total OPEB liability was measured as of June 30, 2019 using the Alternative Measurement Method.

*Actuarial Assumptions and Other Inputs* - The total OPEB liability as of June 30, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.94%
Healthcare cost trend rates:	
Pre-65 medical	4.60% increasing to an ultimate rate of 4.80% in 2020, subsequently decreasing to 4.70% in 2024
Prescription drug	7.60% decreasing each year, 4.70% ultimate rate
Dental	4.00%, decreasing each year, 3.00% ultimate rate
Vision	3.00%

The discount rate was based on the Bond Buyer 20 (GO 20 Index) as of the measurement date, which represents municipal bond trends based on a portfolio of 20 general obligation bonds that mature in 20 years.

Mortality rates were based on the RP-2000 Mortality Table for Males and Females Projected 18 years; not including a margin for future improvements in longevity.

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance as of June 30, 2018	\$ 97,473
<b>Changes for the year:</b>	
Service cost	3,728
Interest	3,599
Changes of benefit terms	-
Changes of assumptions and differences between expected and actual experience	(6,135)
Benefit payments	-
<b>Net changes</b>	<b>1,192</b>
Balance as of June 30, 2019	<b>\$ 98,665</b>

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (OPEB) *(Continued)***

**Board of Education OPEB Plan *(Continued)***

**Changes in the Total OPEB Liability *(Continued)***

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.94%) or 1-percentage-point higher (4.94%) than the current discount rate:

	<u>1% Decrease (2.94%)</u>	<u>Current Discount (3.94%)</u>	<u>1% Increase (4.94%)</u>
Total OPEB Liability	\$ 109,380	\$ 98,665	\$ 89,045

*Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates* - The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Total OPEB Liability	\$ 86,362	\$ 98,665	\$ 113,008

**Connecticut State Teachers' Retirement System**

**Plan Description**

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

**Benefit Provisions**

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

**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

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

**Benefit Provisions *(Continued)***

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

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

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

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

**Contributions**

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

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

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

**Administrative Expenses**

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

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

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

**Basis of Presentation**

The collective net OPEB liability, deferred outflows and inflows of resources, and OPEB expense for the TRS has been measured as of June 30, 2018 based on an actuarial valuation performed as of June 30, 2018. Since the Town does not contribute directly to the TRS, the Town does not recognize its proportionate share of these amounts in its financial statements. The information determined as of the June 30, 2018 measurement date for the TRS has been utilized by the Town for reporting on-behalf revenues, expenditures and expenses for the year ended June 30, 2019 and for reporting the proportionate share of the collective net OPEB liability that is attributed to the Town as of June 30, 2019.

The components associated with the OPEB expense and deferred outflows and inflows of resources have been determined using the unrecognized portions of each year's experience and assumption changes for the year ended June 30, 2018.

**Allocation Methodology**

The schedule of allocations has been prepared to provide the total amount of employer contributions from the State and the proportionate share percentages that have been determined based on these contributions. Based on these percentages the proportionate share amounts of the net OPEB liability associated with each participating employer and the employer OPEB expense and revenue for State support for each participating employer for the year ending June 30, 2018, are calculated to six decimal places.

For fiscal year 2018, the Town's expected contribution effort for allocation purposes totaled \$9,312 or 0.0264% of the total expected contribution effort. The Town has recognized this amount as an on-behalf payment into the TRS as intergovernmental revenues and related education expenditures of the General Fund for the year ended June 30, 2019.

The components associated with the collective OPEB expense and deferred outflows and inflows of resources for the TRS have been determined based on the fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut's Comprehensive Annual Financial Report as of and for the year ended June 30, 2018. The portion of the collective negative OPEB expense allocated to the Town totaled \$(230,620).

The total collective net OPEB liability of participating employers for the TRS was approximately \$2.632 billion as of the June 30, 2018 measurement date. The portion attributed to the Town totaled \$694,221 or 0.0264% of the total collective net OPEB liability.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

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

**Actuarial Assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Real Wage Growth	0.50%
Wage Inflation	3.25%
Salary increases	3.25% - 6.50%, including inflation
Long-term investment rate of return	3.00%, net of OPEB plan investment expense, including inflation

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

**Long-Term Rate of Return**

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

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

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected 10-Year Geometric Real Rate of Return</u>
U.S. Treasuries (Cash Equivalents)	100.0%	0.27%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.87%. The projection of cash flows used to determine the discount rate was performed in accordance with the applicable standards. The projection's basis was an actuarial valuation performed as of June 30, 2018.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB) *(Continued)***

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

**Discount Rate *(Continued)***

In addition to the actuarial methods and assumptions of the June 30, 2018 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.25%.
- Employee contributions were assumed to be made at the current member contribution rate.
- Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- No future employer contributions were assumed to be made.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2019 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

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

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* - The following presents the proportionate share of the collective net OPEB liability attributed to the District as of the June 30, 2018 measurement date, calculated using a discount rate of 3.87%, as well as what the proportionate share of the net OPEB liability attributed to the District would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	<b>1.00% Decrease (2.87%)</b>	<b>Current Rate (3.87%)</b>	<b>1.00% Increase (4.87%)</b>
Proportionate share of the net OPEB liability attributed to the Town	\$ 824,000	\$ 694,000	\$ 590,000

*Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates* - The following presents the proportionate share of the collective net OPEB liability attributed to the District as of the June 30, 2018 measurement date, calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b>1% Decrease in Trend Rates</b>	<b>Current Trend Rates</b>	<b>1% Increase in Trend Rates</b>
Proportionate share of the net OPEB liability attributed to the Town	\$ 582,000	\$ 694,000	\$ 843,000



**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

**NOTE 11 - FUND BALANCE**

As of June 30, 2019, fund balance was classified for the following purposes:

	<u>General Fund</u>	<u>Capital Reserve Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:				
Endowment - Library	\$ -	\$ -	\$ 105,000	\$ 105,000
Endowment - Cemetery	-	-	58,812	58,812
Endowment - Scholarships	-	-	10,000	10,000
	<u>-</u>	<u>-</u>	<u>173,812</u>	<u>173,812</u>
Restricted for:				
Endowment - Library	-	-	6,064	6,064
Endowment - Cemetery	-	-	5,013	5,013
Endowment - Scholarships	-	-	583	583
Public works - Town aid road program	-	-	208,200	208,200
Education - Preschool program	-	-	28,413	28,413
Other purposes	-	-	2,186	2,186
	<u>-</u>	<u>-</u>	<u>250,459</u>	<u>250,459</u>
Committed for:				
Library activities	-	-	9,903	9,903
Animal control activities	-	-	8,225	8,225
Other activities	-	-	6,346	6,346
Town - capital nonrecurring purposes	-	125,980	-	125,980
Education - capital nonrecurring purposes	-	98,255	-	98,255
	<u>-</u>	<u>224,235</u>	<u>24,474</u>	<u>248,709</u>
Assigned to:				
Use in fiscal year 2020 budget	226,712	-	-	226,712
Town clerk activities	7,729	-	-	7,729
	<u>234,441</u>	<u>-</u>	<u>-</u>	<u>234,441</u>
Unassigned	411,465	-	-	411,465
	<u>\$ 645,906</u>	<u>\$ 224,235</u>	<u>\$ 448,745</u>	<u>\$ 1,318,886</u>

**NOTE 12 - ADJUSTMENT**

The Town has adjusted the beginning net position of its governmental activities as of July 1, 2018 and the beginning fund balance of its nonmajor governmental funds for the correction of an error. The effects of the adjustments on the Town's changes in net position and fund balances for the prior year has not been determined. The following is a summary of the adjustments:

	<u>Governmental Activities</u>	<u>Nonmajor Governmental Funds</u>
Net position/fund balance - beginning, as originally reported	\$ 13,024,019	\$ 219,531
Adjustment to recognize Town Aid Road funding previously presented as unearned revenue	<u>173,197</u>	<u>173,197</u>
Net position/fund balance - beginning, as adjusted	<u>\$ 13,197,216</u>	<u>\$ 392,728</u>

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 13 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God. The Town purchases commercial insurance for all risks of loss except for liability-automobile-property and worker's compensation insurance, for which it participates in risk sharing pools. During 2019, deductibles paid by the Town were insignificant. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years.

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies which was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering an interlocal risk management program pursuant to the provisions of Section 7479a et. seq. of the Connecticut General Statutes.

The Town is a member of CIRMA's Liability-Automobile-Property Pool, a risk sharing pool, which was begun on July 1, 1986. For the coverage period July 1, 2018 to June 30, 2019, the Town paid \$39,016 in contributions (premiums) to CIRMA. The contribution (premium) is subject to audit after the close of the coverage period. Various deductibles applied to these coverages and claims and expense payments falling within the deductible amounts are the responsibility of the Town.

The Town is also a member of CIRMA's Workers' Compensation Pool, a risk sharing pool, which was begun on July 1, 1980. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an incurred loss retrospective rating plan and losses incurred in coverage period July 1, 2018 to June 30, 2019 will be evaluated at 18, 30 and 42 months after the effective date of coverage. The deposit contribution (premium) paid in for that period was \$38,692. CIRMA's Workers' Compensation Pool retains \$750,000 for each insured occurrence to the limit of liability of \$10 million per occurrence. In addition, CIRMA purchases statutory excess insurance in the event of a single occurrence in excess of \$10 million.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**Grants and Contracts**

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

**Litigation**

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

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

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

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2019. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for the Town's reporting period beginning July 1, 2021. The Town is currently evaluating the potential impact of adopting this Statement on its financial statements.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF SCOTLAND, CONNECTICUT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
				<b>Over (Under)</b>
<b>REVENUES</b>				
Property taxes	\$ 4,464,075	\$ 4,464,075	\$ 4,391,507	\$ (72,568)
Intergovernmental	1,418,992	1,418,992	1,423,084	4,092
Charges for services	38,835	38,835	36,274	(2,561)
Other	35,750	35,750	46,476	10,726
Total revenues	5,957,652	5,957,652	5,897,341	(60,311)
<b>EXPENDITURES</b>				
Current:				
General government	435,837	447,483	424,717	(22,766)
Public safety	231,735	231,735	206,080	(25,655)
Public works	454,837	478,396	461,304	(17,092)
Culture and recreation	54,706	54,706	52,280	(2,426)
Education	4,725,224	4,735,505	4,697,132	(38,373)
Debt service:				
Principal payments	215,000	215,000	215,000	-
Interest and fiscal charges	67,346	67,346	67,345	(1)
Total expenditures	6,184,685	6,230,171	6,123,858	(106,313)
Excess (deficiency) of revenues over expenditures	(227,033)	(272,519)	(226,517)	46,002
<b>OTHER FINANCING SOURCES (USES)</b>				
Appropriation of fund balance	227,033	272,519	-	(272,519)
Net change in fund balance	\$ -	\$ -	\$ (226,517)	\$ (226,517)

*See accompanying notes to required supplementary information.*

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability attributed to the Town	0.026%	0.026%	0.026%	0.031%	0.031%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability attributed to the Town	3,473,000	3,500,000	3,692,000	3,692,000	3,136,000
Total	<u>\$ 3,473,000</u>	<u>\$ 3,500,000</u>	<u>\$ 3,692,000</u>	<u>\$ 3,692,000</u>	<u>\$ 3,136,000</u>
Town's covered payroll	\$ 1,111,000	\$ 1,128,000	\$ 1,035,000	\$ 1,027,000	\$ 1,158,000
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	57.69%	55.93%	52.26%	59.50%	61.51%

*See accompanying notes to required supplementary information.*

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**OTHER POST-EMPLOYMENT BENEFITS PLAN (UNAUDITED)**  
**LAST TWO FISCAL YEARS**

	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability</b>		
Service cost	\$ 3,728	\$ 4,010
Interest	3,599	5,768
Changes in benefit terms	-	-
Changes of assumptions and differences between expected and actual experience	(6,135)	(68,508)
Benefit payments, including refunds	-	-
Net change in total OPEB liability	1,192	(58,730)
Total OPEB liability - beginning	97,473	156,203
Total OPEB liability - ending	<u>\$ 98,665</u>	<u>\$ 97,473</u>

*See accompanying notes to required supplementary information.*

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

	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability attributed to the Town	0.025%	0.025%
Town's proportionate share of the net OPEB liability	\$ -	\$ -
State's proportionate share of the net OPEB liability attributed to the Town	694,000	901,000
Total	<u>\$ 694,000</u>	<u>\$ 901,000</u>
Town's covered employee payroll	\$ 1,111,000	\$ 1,128,000
Town's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	0.0%	0.0%
Plan fiduciary net position as a percentage of the total pension liability	1.49%	1.79%

*See accompanying notes to required supplementary information.*



**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 1 - BUDGETARY INFORMATION**

The General Fund is the only fund for which an annual budget is legally adopted. The Town adheres to the following procedures in establishing the budgetary data for the General Fund financial statements in accordance with provisions of the Connecticut General Statutes.

- A budget for the General Fund is authorized annually by the Board of Selectmen. The Board of Selectmen follows these procedures in establishing the budgetary data reflected in the financial statements.
- The Town's departments, boards and commissions submit budget requests the Board of Selectmen.
- Hearings are held for the submitted budget requests by functions such as the Selectmen's budget, departments, board and commissions, capital and nonrecurring requests and the Board of Education.
- A Town meeting is held and the citizens of the Town vote on the recommended budget.
- The Region 11 Board of Education presents the proposed Region 11 budget to the Board of Selectmen. A separate public hearing and referendum for the Region 11 budget are administered by the Region 11 Board of Education.
- The Board of Selectmen sets the tax rate for the upcoming fiscal year based on the budget approved by Town meeting.
- Expenditures are budgeted by function, department and object. The legal level of budgetary control, the level at which expenditures may not exceed appropriations, is established by function and department. Transfers of budgeted amounts between departments must be approved by the Board of Selectmen and only the Board of Selectmen may approve budget transfers within and between line items of a department. Additional appropriation requests are submitted by the department heads to the Board of Selectmen. The Board of Selectmen acts on the requests and may approve additional appropriations for a department, provided such additional appropriations do not exceed \$20,000 or are not a second request for an appropriation by the asking board, commission or department. Appropriations in excess of the amount the Board of Selectmen may approve or a second request by the requesting board, commission or department, must be approved by vote of a Town Meeting. During the year ended June 30, 2019, there were \$45,486 in additional appropriations made.
- The budget is prepared on the modified accrual basis of accounting. "On-behalf" payments made by the State of Connecticut into the State Teachers' Retirement System are not recorded for budgetary purposes.
- Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures of the current year.
- All unexpended appropriations lapse at year-end, except those for the Capital Projects Funds. Appropriations for capital projects are continued until completion of applicable projects, even when projects extend more than one fiscal year.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 1 - BUDGETARY INFORMATION *(Continued)***

As described above, accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP basis"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2019:

	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Other Financing Uses</b>	<b>Net Change In Fund Balance</b>
Budgetary basis	\$ 5,897,341	\$ 6,123,858	\$ -	\$ (226,517)
"On-behalf" payments - State Teachers Retirement Fund	344,946	344,946	-	-
Reclass of transfers to other funds recorded as expenditures	(11,538)	(36,907)	(25,369)	-
GAAP basis	<u>\$ 6,230,749</u>	<u>\$ 6,431,897</u>	<u>\$ (25,369)</u>	<u>\$ (226,517)</u>

**NOTE 2 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -  
CONNECTICUT - STATE TEACHERS' RETIREMENT SYSTEM**

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

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

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

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

- the inflation assumption was reduced from 2.75% to 2.50%;
- the real rate of return assumption was reduced from 5.25% to 4.40%, which when combined with the inflation assumption change, results in a decrease in the investment rate of return assumption from 8.00% to 6.90%;
- the annual rate of wage increase assumption was increased from 0.50% to 0.75%.

**TOWN OF SCOTLAND, CONNECTICUT**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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**NOTE 3 - SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY - OTHER POST-EMPLOYMENT BENEFITS PLAN**

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

The Town measures the total OPEB liability at the end of each fiscal year using the Alternative Measurement Method.

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

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

**NOTE 4 - SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM**

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

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2018. This information is utilized by the Town for reporting as of June 30, 2019.

*Benefit Changes* - Effective July 1, 2018, the Plan changed the "base plan" to the Medicare Advantage Plan for the purposes of determining retiree health care plan subsidies and/or cost sharing amount(s), and introduced a two year waiting period for re-enrollment in a system-sponsored health care plan for those who cancel their coverage or choose not to enroll in a health care coverage option on or after the effective date.

*Assumption Changes* - The following assumption changes collectively had a significant effect on the measurement of the net OPEB liability reported as of June 30, 2018:

- the expected rate of return on Plan assets was changed from 4.25% to 3.00% to better reflect the anticipated returns on cash and other high quality short-term fixed income investments;
- the discount rate used to measure Plan obligations and amortize supplemental costs was updated to match the expected rate of return on assets selected as of June 30, 2018;
- long-term health care cost trend rates were updated to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods; and
- the percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a system-sponsored health care plan option in the future, was updated to better reflect anticipated plan experience.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

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**GENERAL FUND**

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**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
PROPERTY TAXES				
Property taxes	\$ 4,427,575	\$ 4,427,575	\$ 4,363,568	\$ (64,007)
Interest and lien fees collected on taxes	36,500	36,500	27,939	(8,561)
Total property taxes	4,464,075	4,464,075	4,391,507	(72,568)
INTERGOVERNMENTAL REVENUES				
Department of Education	1,340,349	1,340,349	1,340,349	-
LOCIP-Local capital improvement	24,845	24,845	24,618	(227)
State owned property -PILOT	15,937	15,937	15,937	-
Other revenue from the State	12,181	12,181	15,100	2,919
Municipal stabilization grant	13,960	13,960	13,960	-
Mashantucket Pequot grant	11,620	11,620	11,620	-
DEMHS/Grant Income	-	-	1,300	1,300
State/Judicial Branch	100	100	200	100
Total intergovernmental revenues	1,418,992	1,418,992	1,423,084	4,092
DEPARTMENTAL REVENUES				
Charges for services:				
Transfer station permit fees	10,000	10,000	10,875	875
Conveyances	8,500	8,500	9,413	913
State recording fees	7,500	7,500	5,742	(1,758)
Building department	7,000	7,000	5,351	(1,649)
Copies - Town Clerk	1,500	1,500	2,987	1,487
Pistol permits	700	700	1,053	353
License fees - all	-	-	477	477
Zoning and subdivision fees	1,000	1,000	365	(635)
Copies - Assessor	150	150	11	(139)
Cemetery Department revenue	2,000	2,000	-	(2,000)
Driveway permit fees	135	135	-	(135)
Wetland recording fees	250	250	-	(250)
Culture and recreational	100	100	-	(100)
Total departmental revenues	38,835	38,835	36,274	(2,561)
(Continued)				

*(Continued)*

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
				<b>Over (Under)</b>
<b>GENERAL REVENUES</b>				
Diesel/Gas Reimbursement PHHS	\$ 15,500	\$ 15,500	\$ 19,967	\$ 4,467
Gas/Diesel Reimbursement SES	9,250	9,250	11,900	2,650
CIRMA Equity Distribution	1,200	1,200	3,701	2,501
Interest Income	2,500	2,500	4,172	1,672
CGS Section 12-80a (PPT)	3,900	3,900	2,946	(954)
Lease of 6 Huntington Road	2,400	2,400	2,400	-
Reimb 10% Libr. Utilit - D'Elia	1,000	1,000	1,207	207
Miscellaneous Income - TOS	-	-	183	183
Total general revenues	<u>35,750</u>	<u>35,750</u>	<u>46,476</u>	<u>10,726</u>
 Total revenues	 <u>5,957,652</u>	 <u>5,957,652</u>	 <u>5,897,341</u>	 <u>(60,311)</u>
<b>OTHER FINANCING SOURCES</b>				
Appropriation of fund balance	<u>227,033</u>	<u>272,519</u>	<u>-</u>	<u>(272,519)</u>
 Total revenues and other financing sources	 <u>\$ 6,184,685</u>	 <u>\$ 6,230,171</u>	 <u>\$ 5,897,341</u>	 <u>\$ (332,830)</u>
				<i>(Concluded)</i>

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
GENERAL GOVERNMENT				
Board of Selectmen:				
First Selectmen Salary	\$ 33,845	\$ 33,845	\$ 33,845	\$ -
Administrative Assistant Salary	21,100	21,100	21,105	5
Counsel	5,000	5,925	5,917	(8)
Second Selectman Salary	2,077	2,077	2,077	-
Third Selectman Salary	2,077	2,077	2,077	-
Legal/notices	1,000	1,950	1,944	(6)
Miscellaneous	300	680	677	(3)
Mileage	200	200	127	(73)
Total Board of Selectmen	65,599	67,854	67,769	(85)
Town Hall				
Internet services	5,000	5,000	5,072	72
Office supplies	4,750	4,750	4,728	(22)
Information technology support	4,000	4,000	4,000	-
Postage	4,702	4,702	3,099	(1,603)
Janitorial salary	3,225	3,225	3,054	(171)
Copiers	1,650	1,650	1,987	337
Fire alarm contract	1,278	1,278	1,726	448
Web page	1,180	1,180	835	(345)
Water	375	375	209	(166)
Janitorial supplies	400	400	160	(240)
Total Town Hall	26,560	26,560	24,870	(1,690)
Administration/Other				
Social security tax- Town share	29,000	32,400	33,602	1,202
Auditor-contractual	13,000	13,000	13,000	-
Dues/subscriptions	6,600	6,600	6,793	193
CT Unemployment reimbursements	100	100	765	665
Alcohol and drug testing CCM D&A	200	200	200	-
Financial program/training	1,500	1,500	-	(1,500)
Probate	561	561	-	(561)
Total administration/other	50,961	54,361	54,360	(1)
Insurance and Bonds:				
Employee medical (Town share)	24,783	30,673	30,920	247
Workers compensation	27,007	27,007	27,087	80
Liability and umbrella	20,156	20,156	19,898	(258)
Bonds/blanket crime	975	975	900	(75)
Total insurance and bonds	72,921	78,811	78,805	(6)
Health and Welfare				
Health district (EHHD)	8,928	8,928	8,910	(18)
Dial-A-Ride	3,274	3,274	3,274	-
TVCC (Meals on Wheels)	1,281	1,281	1,281	-
United Services	1,208	1,208	1,208	-
Access Agency	500	500	500	-
Sexual Assault Crisis Center	234	234	234	-
NECASA	432	432	-	(432)
Total health and welfare	15,857	15,857	15,407	(450)

(Continued)



**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
GENERAL GOVERNMENT (Continued)				
Town Clerk:				
Town Clerk salary	\$ 22,568	\$ 22,568	\$ 22,568	\$ -
Grant for microfilming records	4,500	4,500	4,500	-
Software	3,396	3,396	3,360	(36)
Town Clerk assistant salary	7,191	7,191	3,087	(4,104)
Computer program services	1,250	1,250	1,344	94
Professional development	500	500	865	365
Mileage	200	200	520	320
Legal notices	2,500	2,500	442	(2,058)
Repairs/binding old records	700	700	418	(282)
Dues/subscriptions	200	200	170	(30)
Miscellaneous	75	75	39	(36)
Professional services	400	400	-	(400)
Total Town clerk	43,480	43,480	37,313	(6,167)
Tax Collector:				
Tax collector Salary	16,120	16,120	16,120	-
Tax collector assistant salary	8,032	8,032	8,200	168
Computer program services	5,300	5,300	4,246	(1,054)
Legal notices	1,775	1,775	1,178	(597)
Professional development	600	600	125	(475)
Dues/subscriptions	125	125	95	(30)
Miscellaneous	75	75	45	(30)
Counsel	300	300	-	(300)
Mileage	1,000	1,000	-	(1,000)
Total Tax collector	33,327	33,327	30,009	(3,318)
Treasurer:				
Treasurer salary	15,300	15,300	15,300	-
Miscellaneous	100	100	(1)	(101)
Total Treasurer	15,400	15,400	15,299	(101)
Bookkeeper:				
Bookkeeper salary	10,200	10,200	10,200	-
Total Bookkeeper	10,200	10,200	10,200	-
Assessor:				
Assessor salary	19,044	19,044	19,044	-
Software	8,635	8,635	8,668	33
Revaluation	4,540	4,540	4,540	-
MV pricing guide	735	735	860	125
Tax maps	500	500	500	-
Legal Notices	180	180	132	(48)
Professional development	150	150	85	(65)
Dues/subscriptions	100	100	25	(75)
Mileage	50	50	-	(50)
Office Equipment	250	250	-	(250)
Web hosting - vision gov	1,550	1,550	-	(1,550)
Total Assessor	35,734	35,734	33,854	(1,880)
(Continued)				

(Continued)

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>GENERAL GOVERNMENT (Continued)</b>				<b>Over (Under)</b>
Election Expense:				
Registrar salaries	\$ 4,998	\$ 4,998	\$ 7,882	\$ 2,884
Equipment	2,448	2,448	2,291	(157)
Ballots	1,590	1,590	1,985	395
Election worker salaries	3,060	3,060	1,836	(1,224)
Moderator salaries	1,132	1,132	1,070	(62)
Assistant registrar salaries	753	753	944	191
Professional development	5,024	5,024	276	(4,748)
Election day expense	240	240	224	(16)
Dues/subscriptions	150	150	150	-
Mileage	400	400	99	(301)
Telephone	225	225	-	(225)
Legal notices	100	100	-	(100)
Total election expense	20,120	20,120	16,757	(3,363)
Planning and Zoning:				
Zoning enforcement Officer salary	16,178	16,178	16,178	-
Counsel	3,000	3,000	1,322	(1,678)
Legal notices	1,250	1,250	151	(1,099)
Mileage	200	200	-	(200)
Miscellaneous	100	100	-	(100)
Office Equipment	200	200	-	(200)
PZC Clerk salary	765	765	-	(765)
Total planning and zoning	21,693	21,693	17,651	(4,042)
Inland Wetlands:				
Wetland Officer salary	4,988	4,988	4,988	-
Dues/subscriptions	100	100	-	(100)
DEP	100	100	-	(100)
IWWC Clerk	150	150	-	(150)
Total inland wetlands	5,338	5,338	4,988	(350)
Building Department:				
Building Inspector Salary	14,222	14,222	14,222	-
Building Clerk	2,040	2,040	2,138	98
Mileage	1,500	1,500	640	(860)
Dues/subscriptions	135	135	135	-
Professional development	350	350	-	(350)
Stare of CT fees	200	200	-	(200)
Total building department	18,447	18,447	17,135	(1,312)
Board of Assessment Appeals:				
Legal notices	200	301	300	(1)
Total Board of Assessment appeals	200	301	300	(1)
Total general government	435,837	447,483	424,717	(22,766)

(Continued)

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>CULTURE AND RECREATION</b>				
Recreation:				
Cultural events	\$ 1,300	\$ 1,300	\$ 1,899	\$ 599
Memorial Day events	500	500	912	412
Bowers Park maintenance	1,000	1,000	295	(705)
Sports/Athletics	500	500	250	(250)
Sanitation	850	850	80	(770)
Total recreation	<u>4,150</u>	<u>4,150</u>	<u>3,436</u>	<u>(714)</u>
Library:				
Director's salary	18,550	18,550	18,647	97
Assistant salary	16,567	16,567	15,885	(682)
Janitorial salary	4,012	4,012	2,871	(1,141)
Library books	2,725	2,725	2,507	(218)
Library software	2,016	2,016	2,115	99
Internet services	1,680	1,680	1,723	43
Electronic materials	950	950	1,384	434
Telephone	1,164	1,164	1,028	(136)
Fire alarm contract	627	627	648	21
Office supplies	600	600	590	(10)
Office equipment	480	480	359	(121)
Catalogue support	325	325	325	-
Library programs	300	300	186	(114)
Dues/CT Library	175	175	170	(5)
Janitorial supplies	150	150	164	14
Professional development	135	135	140	5
Mileage	100	100	102	2
Total library	<u>50,556</u>	<u>50,556</u>	<u>48,844</u>	<u>(1,712)</u>
Total culture and recreation	<u>54,706</u>	<u>54,706</u>	<u>52,280</u>	<u>(2,426)</u>
<b>PUBLIC SAFETY</b>				
Public Safety:				
Ambulance Transport	132,000	113,000	97,241	(15,759)
FIRE/EMS service	76,490	76,490	76,490	-
Ambulance/Fire Equipment	-	19,000	9,786	(9,214)
Non-recurring	8,000	8,000	8,000	-
911 dispatch	3,731	3,731	3,731	-
Office of Fire Marshall service	3,500	3,500	3,388	(112)
EMD In-kind services	1,500	1,500	1,820	320
Paramedic program services	1,694	1,694	1,710	16
Total public safety	<u>226,915</u>	<u>226,915</u>	<u>202,166</u>	<u>(24,749)</u>
Animal Control:				
Salary	3,770	3,770	3,770	-
Miscellaneous	350	350	144	(206)
Mileage	150	150	-	(150)
Supplies	50	50	-	(50)
Animal housing	500	500	-	(500)
Total animal control	<u>4,820</u>	<u>4,820</u>	<u>3,914</u>	<u>(906)</u>
Total public safety	<u>231,735</u>	<u>231,735</u>	<u>206,080</u>	<u>(25,655)</u>

*(Continued)*

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With Final Budget Over (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>PUBLIC WORKS</b>				
Public Works:				
Capital improvements roads	\$ 77,160	\$ 77,160	\$ 77,075	\$ (85)
Foreman salary	51,201	51,201	52,653	1,452
Diesel/gasoline	34,000	34,000	43,262	9,262
Road assistant salary	40,226	40,226	27,589	(12,637)
Salt/sand	21,000	21,000	17,694	(3,306)
Maintenance roads/other	20,000	20,000	14,303	(5,697)
Vehicle maintenance	6,000	6,000	10,889	4,889
Part time seasonal	7,650	7,650	10,450	2,800
Highway Supervisor salary	7,930	7,930	7,930	-
Overtime	11,000	11,000	7,798	(3,202)
Equipment maintenance	5,000	5,000	6,063	1,063
Capital non-recurring DPW	5,000	5,000	5,000	-
Snow removal - contractual	6,000	6,000	2,973	(3,027)
Other fuels	1,500	1,500	2,920	1,420
Tree trimming	3,000	3,000	2,400	(600)
Annuity - Foreman	2,000	2,000	2,000	-
Telephone	1,116	1,116	1,164	48
In-kind services -SES	-	-	352	352
Safety clothing allowance	300	300	309	9
New equipment	4,000	4,000	296	(3,704)
Annuity	1,000	1,000	-	(1,000)
Cemeteries	2,000	2,000	(713)	(2,713)
Total public works	307,083	307,083	292,407	(14,676)
<b>Building Maintenance:</b>				
Non-recurring building renovations	5,000	5,000	8,124	3,124
Building maintenance - Public	1,500	7,667	5,310	(2,357)
Community room maintenance	1,500	1,500	1,500	-
Building maintenance salary	2,040	2,040	1,459	(581)
Building maintenance - Town Hall	1,500	1,500	1,004	(496)
Pest control	900	900	675	(225)
Building maintenance - Library	1,500	1,500	559	(941)
State of CT boiler permits	400	400	520	120
Building maintenance - New Town	1,000	1,000	152	(848)
Building maintenance - Grange	250	250	83	(167)
Building maintenance - Old Town	100	100	67	(33)
Building maintenance - Town	100	100	60	(40)
Mileage	100	100	-	(100)
Building maintenance - State of CT	120	120	-	(120)
Building maintenance - Old Fire	500	500	-	(500)
Total building maintenance	16,510	22,677	19,513	(3,164)
<b>Utilities - Electric:</b>				
Public Safety complex	9,000	14,525	14,473	(52)
Library	6,000	6,000	6,944	944
Town Hall	5,000	5,000	4,945	(55)
Street lighting	3,700	3,700	3,144	(556)
New Town garage	2,000	2,000	1,904	(96)
Town Green	600	600	575	(25)
Old Town garage	600	600	569	(31)
Grange Hall	600	600	540	(60)
Bowers Park	600	600	528	(72)
Total utilities-electric	28,100	33,625	33,622	(3)

(Continued)

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -**  
**BUDGETARY BASIS - GENERAL FUND (Concluded)**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Budgeted Amounts</b>			<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
				<b>Over (Under)</b>
<b>PUBLIC WORKS (Continued)</b>				
Utilities - Heat:				
Oil - Public safety complex	\$ 6,000	\$ 7,415	\$ 7,412	\$ (3)
Oil - Library	4,500	4,985	5,233	248
Oil - Public works	2,500	4,075	4,069	(6)
Oil - Town Hall	3,000	4,060	4,058	(2)
Oil - Grange Hall	250	250	-	(250)
Total utilities - heat	16,250	20,785	20,772	(13)
Transfer Station:				
Disposal - Willi Waste	41,000	44,590	45,359	769
Container transit	18,000	20,700	20,700	-
Rental of Land and building	14,794	14,794	14,791	(3)
Transfer Operations	12,000	12,895	12,893	(2)
Dues and fees Mid-Neroc Transfer	1,100	1,247	1,247	-
Total transfer station	86,894	94,226	94,990	764
Total public works	454,837	478,396	461,304	(17,092)
<b>EDUCATION</b>				
Scotland Elementary	2,390,707	2,390,707	2,328,428	(62,279)
Scotland Elementary - Transfer to Capital	-	-	23,907	23,907
Regional School District No. 11	2,259,516	2,268,547	2,268,547	-
Parish Hill Transportation	75,001	76,251	76,250	(1)
Total education	4,725,224	4,735,505	4,697,132	(38,373)
<b>DEBT SERVICE</b>				
Principal SES 2.5 MM Bond	125,000	125,000	125,000	-
Principal SES 1.3mm SI Loan	90,000	90,000	90,000	-
Interest (2.5mil) 5/15/07-SES	51,375	51,375	51,375	-
Interest (\$1.3mil) 4/20/11-SES	15,971	15,971	15,970	(1)
Total debt service	282,346	282,346	282,345	(1)
<b>Total expenditures</b>	<b>\$ 6,184,685</b>	<b>\$ 6,230,171</b>	<b>\$ 6,123,858</b>	<b>\$ (106,313)</b>
				<i>(Concluded)</i>

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Grand List Year	Uncollected Taxes July 1, 2018	Current Year Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections		Uncollected Taxes June 30, 2019
			Additions	Deletions			Taxes	Interest & Liens	
2017	\$ -	\$ 4,458,097	\$ 14,167	\$ 17,422	\$ -	\$ 4,454,842	\$ 4,320,100	\$ 18,209	\$ 134,742
2016	66,403	-	715	2,804	-	64,314	6,908	10,696	57,406
2015	31,047	-	-	-	-	31,047	6,494	2,881	24,553
2014	11,065	-	-	-	-	11,065	576	412	10,489
2013	8,689	-	-	-	-	8,689	482	466	8,207
2012	7,150	-	-	-	-	7,150	906	677	6,244
2011	3,977	-	-	-	-	3,977	27	97	3,950
2010	4,153	-	-	-	-	4,153	(74)	-	4,227
2009	462	-	-	-	-	462	(29)	-	491
2008	-	-	-	-	-	-	-	-	-
2007	(81)	-	-	-	-	(81)	(81)	-	-
2006	(23)	-	-	-	-	(23)	(23)	-	-
2005	295	-	-	-	-	295	295	-	-
2004	-	-	-	-	-	-	(331)	-	331
	<u>\$ 133,137</u>	<u>\$ 4,458,097</u>	<u>\$ 14,882</u>	<u>\$ 20,226</u>	<u>\$ -</u>	<u>\$ 4,585,890</u>	<u>\$ 4,335,250</u>	<u>\$ 33,438</u>	<u>\$ 250,640</u>

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF DEBT LIMITATION**  
**CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)**  
**AS OF JUNE 30, 2019**

Total cash collections for the year ended

June 30, 2019:

Taxes	\$ 4,335,250
Interest and lien fees	<u>33,438</u>
Total	4,368,688

Reimbursement for revenue loss:

Tax relief (CGS 12-129d)	-
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Base \$ 4,368,688

	<u>General Purposes</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt limitation:					
2-1/4 times base	\$ 9,829,548	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	19,659,096	-	-	-
3-3/4 times base	-	-	16,382,580	-	-
3-1/4 times base	-	-	-	14,198,236	-
3 times base	-	-	-	-	13,106,064
Total debt limitation	<u>9,829,548</u>	<u>19,659,096</u>	<u>16,382,580</u>	<u>14,198,236</u>	<u>13,106,064</u>
Indebtedness:					
General obligation bonds	-	1,125,000	-	-	-
Note from direct borrowing*	<u>-</u>	<u>630,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>-</u>	<u>1,755,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 9,829,548</u></u>	<u><u>\$17,904,096</u></u>	<u><u>\$16,382,580</u></u>	<u><u>\$14,198,236</u></u>	<u><u>\$13,106,064</u></u>
Total capacity of borrowing (7 times base)	\$30,580,816				
Total present indebtedness	<u>1,755,000</u>				
Margin for additional borrowing	<u><u>\$28,825,816</u></u>				

\* - Excludes notes in the amount of \$14,521 which include non-appropriation clauses.

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**NONMAJOR GOVERNMENTAL FUNDS**

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**TOWN OF SCOTLAND, CONNECTICUT**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<b>Nonmajor Special Revenue Funds</b>							
	<b>Elementary Education Grant Fund</b>	<b>Town Aid Road Fund</b>	<b>Library Activities Fund</b>	<b>Library Literacy Grant Fund</b>	<b>Dog Fund</b>	<b>Lori Fisher Memorial Fund</b>	<b>Auxiliary Fund</b>	<b>Total Special Revenue Funds</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ -	\$ 8,485	\$ -	\$ 10,152	\$ 253	\$ 4,684	\$ 23,574
Investments	-	-	-	-	-	1,933	-	1,933
Receivables:								
Grants and contracts	10,164	-	-	-	-	-	-	10,164
Due from other funds	50,191	208,200	816	602	-	-	2,808	262,617
Total assets	<u>\$ 60,355</u>	<u>\$ 208,200</u>	<u>\$ 9,301</u>	<u>\$ 602</u>	<u>\$ 10,152</u>	<u>\$ 2,186</u>	<u>\$ 7,492</u>	<u>\$ 298,288</u>
<b>LIABILITIES</b>								
Accounts payable	\$ 10,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 786	\$ 11,016
Salaries and benefits payable	11,103	-	-	-	-	-	-	11,103
Due to other funds	-	-	-	-	1,927	-	360	2,287
Unearned revenue	10,609	-	-	-	-	-	-	10,609
Total liabilities	<u>31,942</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,927</u>	<u>-</u>	<u>1,146</u>	<u>35,015</u>
<b>FUND BALANCES</b>								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	28,413	208,200	-	-	-	2,186	-	238,799
Committed	-	-	9,301	602	8,225	-	6,346	24,474
Total fund balances	<u>28,413</u>	<u>208,200</u>	<u>9,301</u>	<u>602</u>	<u>8,225</u>	<u>2,186</u>	<u>6,346</u>	<u>263,273</u>
Total liabilities and fund balances	<u>\$ 60,355</u>	<u>\$ 208,200</u>	<u>\$ 9,301</u>	<u>\$ 602</u>	<u>\$ 10,152</u>	<u>\$ 2,186</u>	<u>\$ 7,492</u>	<u>\$ 298,288</u>

*(Continued)*

**TOWN OF SCOTLAND, CONNECTICUT**  
**COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS (Concluded)**  
**JUNE 30, 2019**

	<b>Nonmajor Permanent Funds</b>					<b>Total Nonmajor</b>
	<b>D'Elia Library Fund</b>	<b>Other Permanent Library Fund</b>	<b>Cemetery Trust Fund</b>	<b>Rose Khourie Scholarship Fund</b>	<b>Total Permanent Funds</b>	<b>Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 21,408	\$ -	\$ 23,091	\$ -	\$ 44,499	\$ 68,073
Investments	84,379	5,277	40,786	10,583	141,025	142,958
Receivables:						
Grants and contracts	-	-	2,175	-	2,175	12,339
Due from other funds	-	-	-	-	-	262,617
Total assets	<u>\$ 105,787</u>	<u>\$ 5,277</u>	<u>\$ 66,052</u>	<u>\$ 10,583</u>	<u>\$ 187,699</u>	<u>\$ 485,987</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -	-	\$ 11,016
Salaries and benefits payable	-	-	-	-	-	11,103
Due to other funds	-	-	2,227	-	2,227	4,514
Unearned revenue	-	-	-	-	-	10,609
Total liabilities	<u>-</u>	<u>-</u>	<u>2,227</u>	<u>-</u>	<u>2,227</u>	<u>37,242</u>
<b>FUND BALANCES</b>						
Nonspendable	100,000	5,000	58,812	10,000	173,812	173,812
Restricted	5,787	277	5,013	583	11,660	250,459
Committed	-	-	-	-	-	24,474
Total fund balances	<u>105,787</u>	<u>5,277</u>	<u>63,825</u>	<u>10,583</u>	<u>185,472</u>	<u>448,745</u>
Total liabilities and fund balances	<u>\$ 105,787</u>	<u>\$ 5,277</u>	<u>\$ 66,052</u>	<u>\$ 10,583</u>	<u>\$ 187,699</u>	<u>\$ 485,987</u>
						(Concluded)

**TOWN OF SCOTLAND, CONNECTICUT**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2019

	Nonmajor Special Revenue Funds							Total Special Revenue Funds
	Elementary Education Grant Funds	Town Aid Road Fund	Library Activities Fund	Library Literacy Grant Fund	Dog Fund	Lori Fisher Memorial Fund	Auxiliary Fund	
<b>REVENUES</b>								
Intergovernmental	\$ 210,620	\$ 153,722	\$ 240	\$ -	\$ -	\$ -	\$ -	\$ 364,582
Charges for services	26,765	-	769	-	1,133	-	-	28,667
Investment income	-	-	1	-	9	5	5	20
Other	-	-	4,851	-	-	-	3,755	8,606
Total revenues	<u>237,385</u>	<u>153,722</u>	<u>5,861</u>	<u>-</u>	<u>1,142</u>	<u>5</u>	<u>3,760</u>	<u>401,875</u>
<b>EXPENDITURES</b>								
Current:								
Public works	-	118,719	-	-	-	-	-	118,719
Public safety	-	-	-	-	2,282	-	-	2,282
Culture and recreation	-	-	5,221	-	-	-	2,910	8,131
Education	221,776	-	-	-	-	-	-	221,776
Total expenditures	<u>221,776</u>	<u>118,719</u>	<u>5,221</u>	<u>-</u>	<u>2,282</u>	<u>-</u>	<u>2,910</u>	<u>350,908</u>
Excess (deficiency) of revenues over expenditures and net changes in fund balances	15,609	35,003	640	-	(1,140)	5	850	50,967
Fund balances - beginning, as originally report	12,804	-	8,661	602	9,365	2,181	5,496	39,109
Adjustment ( <i>See note 12</i> )	-	173,197	-	-	-	-	-	173,197
Fund balances - beginning, as adjusted	<u>12,804</u>	<u>173,197</u>	<u>8,661</u>	<u>602</u>	<u>9,365</u>	<u>2,181</u>	<u>5,496</u>	<u>212,306</u>
Fund balances - ending	<u>\$ 28,413</u>	<u>\$ 208,200</u>	<u>\$ 9,301</u>	<u>\$ 602</u>	<u>\$ 8,225</u>	<u>\$ 2,186</u>	<u>\$ 6,346</u>	<u>\$ 263,273</u>

(Continued)

**TOWN OF SCOTLAND, CONNECTICUT**  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
NONMAJOR GOVERNMENTAL FUNDS *(Concluded)*  
FOR THE YEAR ENDED JUNE 30, 2019

	Nonmajor Permanent Funds					
	D'Elia Library Fund	Other Permanent Library Fund	Cemetery Trust Fund	Rose Khourie Scholarship Fund	Total Permanent Funds	Total Nonmajor Governmental Funds
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$ 2,175	\$ -	\$ 2,175	\$ 366,757
Charges for services	-	-	8,700	-	8,700	37,367
Investment income	2,020	106	338	79	2,543	2,563
Other	-	-	-	-	-	8,606
Total revenues	2,020	106	11,213	79	13,418	415,293
<b>EXPENDITURES</b>						
Current:						
Public works	-	-	-	-	-	118,719
Public safety	-	-	-	-	-	2,282
Culture and recreation	1,356	71	6,941	-	8,368	16,499
Education	-	-	-	-	-	221,776
Total expenditures	1,356	71	6,941	-	8,368	359,276
Excess (deficiency) of revenues over expenditures and net changes in fund balances	664	35	4,272	79	5,050	56,017
Fund balances - beginning, as originally reported	105,123	5,242	59,553	10,504	180,422	219,531
Adjustment <i>(See note 12)</i>	-	-	-	-	-	173,197
Fund balances - beginning, as adjusted	105,123	5,242	59,553	10,504	180,422	392,728
Fund balances - ending	\$ 105,787	\$ 5,277	\$ 63,825	\$ 10,583	\$ 185,472	\$ 448,745

*(Concluded)*

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**FIDUCIARY FUNDS**

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**TOWN OF SCOTLAND, CONNECTICUT**  
**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -**  
**AGENCY FUNDS**  
**AS OF JUNE 30, 2019**

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	<b>Student Activites Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,341
Total assets	<u>\$ 12,341</u>
<b>LIABILITIES</b>	
Due to others	\$ 12,341
Total liabilities	<u>\$ 12,341</u>

**TOWN OF SCOTLAND, CONNECTICUT**  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUNDS  
AS OF JUNE 30, 2019

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	Balance, July 1, 2018	Additions	Deletions	Balance, June 30, 2019
<b>Student Activity Fund</b>				
Assets				
Cash and cash equivalents	\$ 10,714	\$ 23,128	\$ 21,501	\$ 12,341
Total assets	<u>\$ 10,714</u>	<u>\$ 23,128</u>	<u>\$ 21,501</u>	<u>\$ 12,341</u>
Liabilities				
Due to others	\$ 10,714	\$ 23,128	\$ 21,501	\$ 12,341
Total liabilities	<u>\$ 10,714</u>	<u>\$ 23,128</u>	<u>\$ 21,501</u>	<u>\$ 12,341</u>

**TOWN OF SCOTLAND, CONNECTICUT**

**STATE SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2019**



**TOWN OF SCOTLAND, CONNECTICUT**  
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**FOR THE YEAR ENDED JUNE 30, 2019**

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

To the Honorable First Selectman and  
Members of the Board of Selectmen  
Town of Scotland, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Scotland, Connecticut (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 22, 2020.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of state findings and questioned costs as 2019-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

**Management's Response to the Finding**

Management's response to the finding identified in our audit is described in the accompanying schedule of state findings and questioned costs. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

A handwritten signature in cursive script that reads "Mahoney Sabol & Company, LLP".

Certified Public Accountants  
Glastonbury, Connecticut  
January 22, 2020

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES  
OF STATE FINANCIAL ASSISTANCE REQUIRED BY THE CONNECTICUT STATE SINGLE AUDIT ACT**

To the Honorable First Selectman and  
Members of the Board of Selectmen  
Town of Scotland, Connecticut

**Report on Compliance for Each Major Program**

We have audited the Town of Scotland, Connecticut's (the "Town") compliance with the types of compliance requirements described in the State of Connecticut, Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2019. The Town's major state programs are identified in the summary of auditor's results section of the accompanying schedule of state findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Basis for Modified Opinion on School Readiness in Competitive Grant Municipalities Program***

As described in the accompanying schedule of state findings and questioned costs, the Town of Scotland, Connecticut, did not comply with requirements regarding School Readiness in Competitive Grant Municipalities as described in finding 2019-002 for Special Tests and Provisions and Costs Allowed. Compliance with such requirements is necessary, in our opinion, for the Town of Scotland, Connecticut, to comply with the requirements applicable to that program.

***Modified Opinion on School Readiness in Competitive Grant Municipalities Program***

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph, the Town of Scotland, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the School Readiness in Competitive Grant Municipalities Program for the year ended June 30, 2019.

### ***Unmodified Opinion on Each of the Other Major State Programs***

In our opinion, the Town of Scotland, Connecticut, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major state programs identified in the summary of auditor's results section of the accompanying schedule of state findings and questioned costs for the year ended June 30, 2019.

### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of state findings and questioned costs as item 2019-002, that we consider to be a material weakness.

### **Management's Response to the Finding**

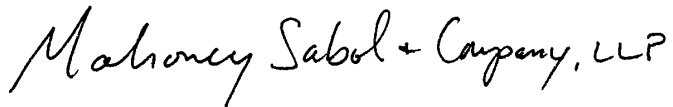
Management's response to the finding identified in our audit is described in the accompanying schedule of state findings and questioned costs. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon, dated January 22, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



Certified Public Accountants  
Glastonbury, Connecticut  
January 22, 2020

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<b>State Grantor; Pass-Through Grantor; Program Title</b>	<b>State Grant Program Core - CT Number</b>	<b>Expenditures</b>
<b>NONEXEMPT PROGRAMS:</b>		
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
<b>Direct:</b>		
Local Capital Improvement Program	12050-OPM20600-40254	\$ 24,618
Payment in Lieu of Taxes on State-Owned Property	11000-OPM20600-17004	15,937
Municipal Grants-In-Aid	12052-OPM20600-43587	7,681
Property Tax Relief for Veterans	11000-OPM20600-17024	2,366
Property Tax Relief on Property of Totally Disabled	11000-OPM20600-17011	553
<b>Total Office of Policy and Management</b>		<u>51,155</u>
<b>DEPARTMENT OF EDUCATION</b>		
<b>Direct:</b>		
Adult Education	11000-SDE64370-17030	<u>1,849</u>
<b>CONNECTICUT STATE LIBRARY</b>		
<b>Direct:</b>		
Historic Documents Preservation Grants	12060-CSL66094-35150	4,500
Connecticard Program	11000-CSL66051-17010	240
<b>Total Connecticut State Library</b>		<u>4,740</u>
<b>DEPARTMENT OF TRANSPORTATION</b>		
<b>Direct:</b>		
Town Aid Road Grants	12001-DOT57131-43455	59,359
Town Aid Road Grants - STO	13033-DOT57131-43459	59,360
<b>Total Department of Transportation</b>		<u>118,719</u>
<b>OFFICE OF EARLY CHILDHOOD</b>		
<b>Direct:</b>		
School Readiness in Competitive Grant Municipalities	11000-OEC64845-16274	111,538
Child Care Quality Enhancement	11000-OEC64845-16158	2,497
<b>Total Office of Early Childhood</b>		<u>114,035</u>
<b>CONNECTICUT JUDICIAL BRANCH</b>		
<b>Direct:</b>		
Judicial Fines and Fees	34001-JUD95162-40001	<u>190</u>
<b>DEPARTMENT OF SOCIAL SERVICES</b>		
<b>Direct:</b>		
Medicaid	11000-DSS60000-16020	<u>12,444</u>
<b>Total State Financial Assistance Before Exempt Programs</b>		<u>303,132</u>
<b>EXEMPT PROGRAMS:</b>		
<b>OFFICE OF POLICY AND MANAGEMENT</b>		
<b>Direct:</b>		
Mashantucket Pequot and Mohegan Fund Grant	12009-OPM20600-17005	11,620
Municipal Stabilization Grant	11000-OPM20600-17104	13,960
<b>Total Office of Policy and Management</b>		<u>25,580</u>
<b>DEPARTMENT OF EDUCATION</b>		
<b>Direct:</b>		
Education Cost Sharing	11000-SDE64370-17041-82010	<u>1,340,349</u>
<b>Total Exempt Programs</b>		<u>1,365,929</u>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		<u><u>\$ 1,669,061</u></u>

*The accompanying note is an integral part of this schedule.*

**TOWN OF SCOTLAND, CONNECTICUT**  
**NOTE TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Scotland, Connecticut (the "Town") under programs of the State of Connecticut for the year ended June 30, 2019. Various departments and agencies of the State of Connecticut have provided financial assistance to the Town through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

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

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America as applicable to governmental organizations.

The information in the schedule of expenditures of state financial assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management. The following is a summary of the more significant policies relating to the aforementioned grant programs.

**BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of state financial assistance has been prepared on the accrual basis consistent with the preparation of the basic financial statements.

For cost reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

For performance based awards, revenues are recognized to the extent of performance achieved during the grant period.

Certain financial assistance is not dependent on expenditure activity or the achievement of performance goals and, accordingly, is considered expended in the fiscal year of receipt. In accordance with Section 4-236-22 of the regulations to the Connecticut State Single Audit Act, these financial assistance program receipts are reflected in the expenditures column of the schedule of expenditures of state financial assistance.



**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**I. SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

☐ Material weakness(es) identified? \_\_\_\_\_ Yes    ✓ No  
None

☐ Significant deficiency(ies) identified? ✓ Yes    \_\_\_\_\_ Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes    ✓ No

**STATE FINANCIAL ASSISTANCE**

Internal control over major programs:

☐ Material weakness(es) identified? ✓ Yes    \_\_\_\_\_ No  
None

☐ Significant deficiency(ies) identified? \_\_\_\_\_ Yes    ✓ Reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? ✓ Yes    \_\_\_\_\_ No

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

State Grantor/ Program	State Grant Program Core-CT Number	Expenditures
<b>Department of Transportation:</b>		
Town Aid Road Grants	12001-DOT57131-43455	\$ 59,359
Town Aid Road Grants - STO	13033-DOT57131-43459	59,360
		\$ 118,719
<b>Office of Early Childhood:</b>		
School Readiness in Competitive Grant Municipalities	11000-OEC64845-16274	\$ 111,538

Dollar threshold used to distinguish between Type A and Type B programs: \$100,000

**II. FINANCIAL STATEMENT FINDINGS**

**Finding 2019-001: Significant Deficiency over Internal Control over Financial Reporting - Municipal Taxes**

**Criteria:** Management of the Town is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**II. FINANCIAL STATEMENT FINDINGS *(Continued)***

**Condition:** During our audit, we noted the following matters that are indicative of a significant deficiency in the Town's internal control over financial reporting relating to the accounting for municipal taxes:

- We noted that certain refunds that were properly authorized, processed and accounted for by the Town Treasurer, were not recorded in the tax software.
- We noted that unreconciled differences were identified by the Town Treasurer when reconciling amounts collected and reported within the tax software and the general ledger.

**Effect:** Adjustments were required to both the general ledger and the tax software.

**Cause:** Incomplete reconciliations between the general ledger and the tax software.

**Auditor's Recommendation:** We recommend that the Town Treasurer and the Tax Collector develop formal weekly, monthly and annual closing procedures to ensure that all tax deposits, refunds and other items are recorded properly within the general ledger and the tax software. Any unreconciled items should be investigated and resolved in a timely manner.

**Management's Response:** Management agrees with the finding and intends to take corrective action to address the identified deficiencies. During July 2019, the Town transitioned its responsibilities for the billing, collection and account management for all municipal taxes to the Windham Revenue Department. This transition has resulted in a strengthening of the Town's internal controls over financial reporting relating to municipal taxes.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

**Finding 2019-002: Noncompliance and Material Weakness in Internal Control over Compliance**

**Grantor:** State of Connecticut Office of Early Childhood Education (OEC)

**State Program Name:** School Readiness in Competitive Grant Municipalities

**State Grant Program Core-CT Number:** 11000-OEC64845-16274

**Criteria:** Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs. In addition, management is responsible for establishing and maintaining effective internal control over compliance to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. School Readiness program requirements state that funding from the State cannot exceed \$6,000 for school-day, school-year slots. In addition, School Readiness program requirements state that all fees from families received by grantees shall be used to support the School Readiness program in the fiscal year they are collected, except that fees collected from May and June may be used in the next fiscal year.

**Condition:** The School Readiness grant awarded to the School District totaled \$113,400. Of this amount, \$5,400 was budgeted to fund administrative costs of the program and \$108,000 was budgeted to fund space allocation. The space allocation budget of \$108,000 provided for 18 school-day, school-year slots (18 slots X \$6,000 per slot = \$108,000). The School District drew down the full amount of the grant awarded and reported total expenditures charged to the grant in the amount of \$111,538. However, the actual monthly enrollment was less than 18, resulting in excess funding received. In addition, by overcharging the grant, the School District had reported approximately \$21,000 in cumulative unspent program fees as of year end, which is in excess of fees collected from May and June 2019.

**Questioned Costs:** Questioned costs totaled \$26,938, which represents the amount of expenditures charged to the grant in excess of the actual grant revenue earned by the School District.

**TOWN OF SCOTLAND, CONNECTICUT**  
**SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

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**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS *(Continued)***

**Context:** The total grant awarded to the School District for space allocation in the amount of \$108,000 provided for 18 school-day, school year slots. The expenditures charged to the grant for space allocation totaled \$106,138. Actual slot utilization varied from 10 to 13 children during the grant period. Actual grant revenue earned by the School District based on enrollment totaled \$79,200. Total program fees received by the School District for the fiscal year amounted to approximately \$27,000.

**Effect:** Unknown

**Cause:** Management was unaware of the applicable compliance requirement.

**Auditor's Recommendation:** We recommend that management of the School District review and understand the compliance requirements of the program. We recommend that enrollment reports be provided to the Finance Coordinator on a monthly basis so that funds requested are based on actual slot utilization. In addition, we recommend that management adhere to the State's program fee requirements and request permission from the OEC to carryover excess program fees.

**Management's Response:** Management agrees with the finding and intends to take corrective action to address the identified instances of noncompliance and related deficiencies.