

TOWN OF SCOTLAND, CONNECTICUT

FINANCIAL STATEMENTS

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2022**

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the information on pages 48 through 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are 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 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 financial 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 December 19, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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
December 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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, 2022.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$13,027,685 (net position). Of this amount, \$1,025,199 (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 \$236,318 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 \$1,420,957, a decrease of \$38,048 in comparison with the prior year.
- At the close of the current fiscal year, unassigned fund balance for the General Fund was \$581,885, which represents 9.3% of the Town's fiscal year 2023 General Fund budgetary expenditure appropriation. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 1.1 months of the Town's budgeted expenditures for the General Fund.

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.

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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 are considered governmental 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, the Capital Reserve Fund, and the Declared Emergency Fund, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 through 18 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 19 through 47 of this report.

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 48 through 68 of this report.

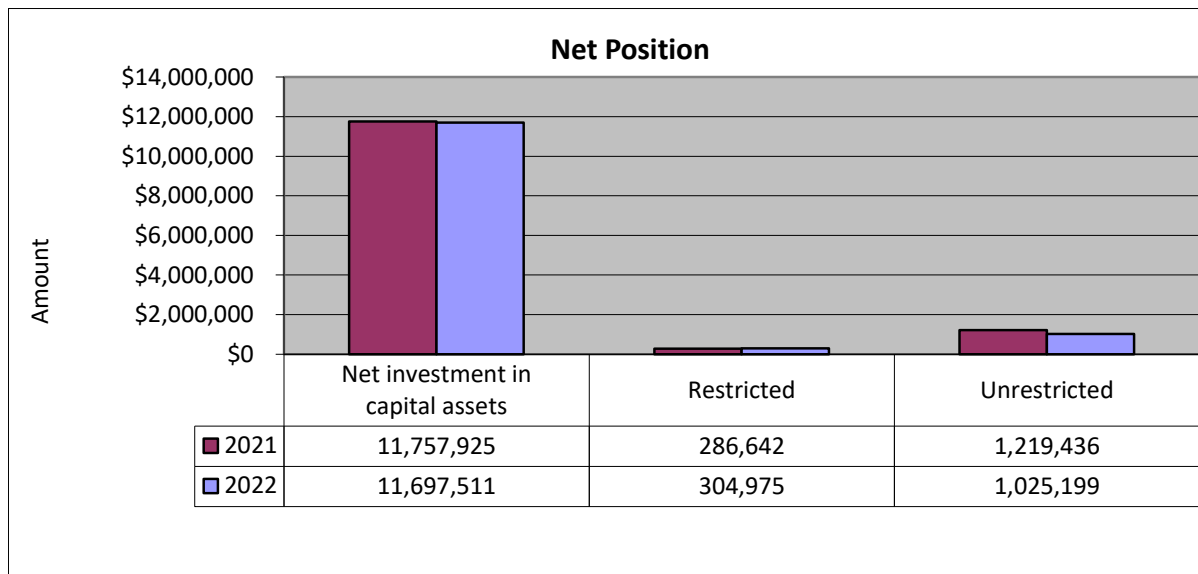
TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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 \$13,027,685 and \$13,264,003 as of June 30, 2022 and 2021, respectively, and are summarized as follows:

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$ 2,201,940	\$ 2,180,589	\$ 21,351	1.0%
Capital assets	<u>13,150,427</u>	<u>13,454,811</u>	<u>(304,384)</u>	-2.3%
Total assets	<u>15,352,367</u>	<u>15,635,400</u>	<u>(283,033)</u>	-1.8%
Other liabilities	628,504	562,772	65,732	11.7%
Long-term liabilities	<u>1,696,178</u>	<u>1,808,625</u>	<u>(112,447)</u>	-6.2%
Total liabilities	<u>2,324,682</u>	<u>2,371,397</u>	<u>(46,715)</u>	-2.0%
Net Position:				
Net investment in capital assets	11,697,511	11,757,925	(60,414)	-0.5%
Restricted	304,975	286,642	18,333	6.4%
Unrestricted	<u>1,025,199</u>	<u>1,219,436</u>	<u>(194,237)</u>	-15.9%
Total net position	<u>\$ 13,027,685</u>	<u>\$ 13,264,003</u>	<u>\$ (236,318)</u>	-1.8%



TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position (Continued)

As of June 30, 2022, 89.8% of the Town's net position reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position represents 2.3% 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 \$236,318 in comparison to the prior year and the Town's unrestricted net position decreased by \$194,237 in comparison to the prior year.

Changes in Net Position

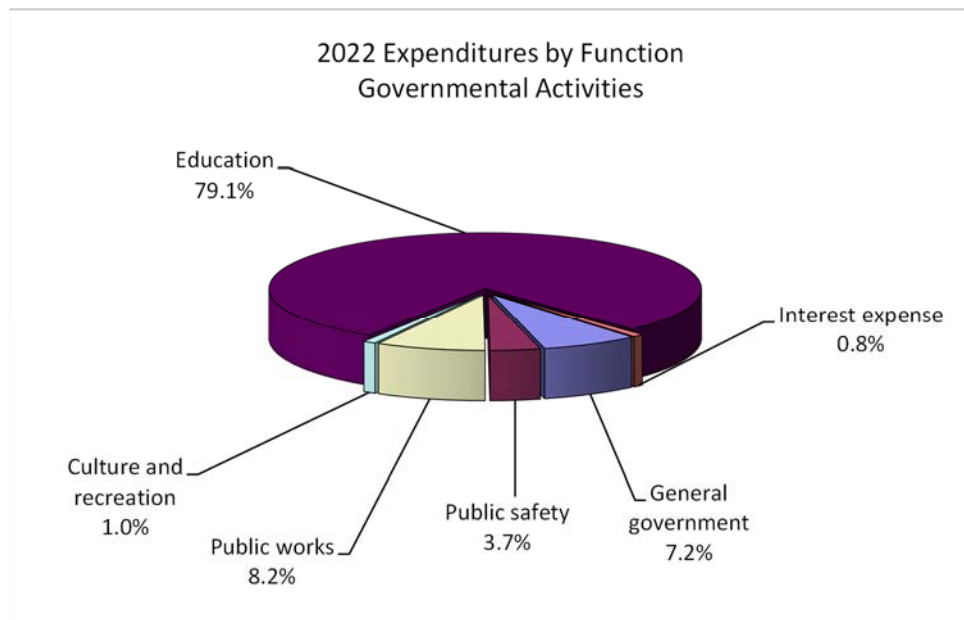
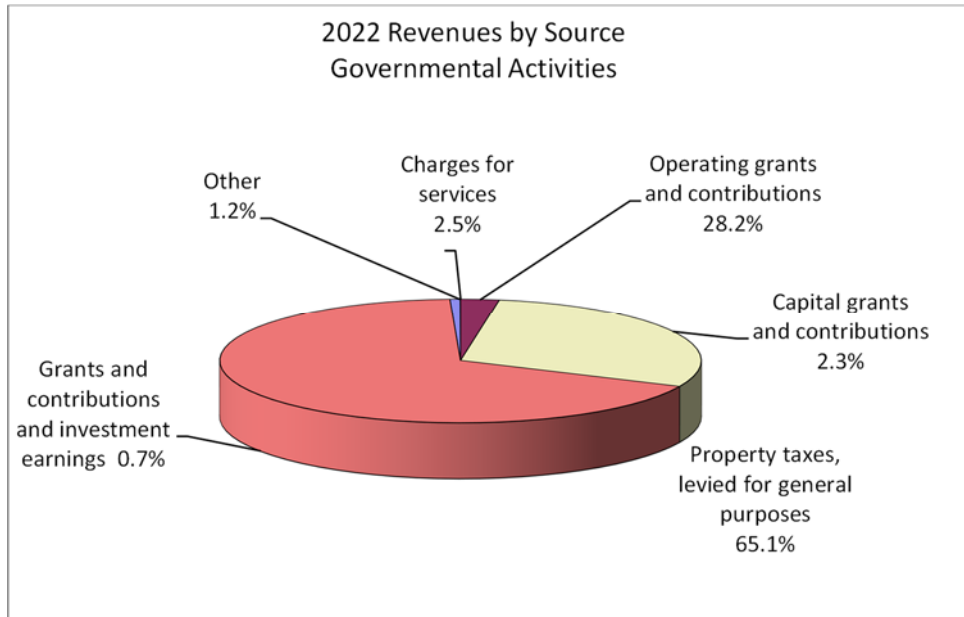
Changes in net position for the years ended June 30, 2022 and 2021 are as follows.

	2022	2021	\$ Change	% Change
Revenues				
Program revenues:				
Charges for services	\$ 169,666	\$ 121,047	\$ 48,619	40.2%
Operating grants and contributions	1,922,423	2,332,721	(410,298)	-17.6%
Capital grants and contributions	153,736	161,490	(7,754)	-4.8%
General revenues:				
Property taxes, levied for general purposes	4,429,647	4,721,622	(291,975)	-6.2%
Grants and contributions	44,797	43,215	1,582	3.7%
Investment earnings	(1,308)	9,802	(11,110)	-113.3%
Other	80,000	-	80,000	-
Total revenues	<u>6,798,961</u>	<u>7,389,897</u>	<u>(590,936)</u>	-8.0%
Expenses				
General government	508,347	484,650	23,697	4.9%
Public safety	263,485	266,466	(2,981)	-1.1%
Public works	574,738	533,114	41,624	7.8%
Culture and recreation	66,848	84,844	(17,996)	-21.2%
Education	5,566,027	5,925,758	(359,731)	-6.1%
Interest expense	55,834	63,941	(8,107)	-12.7%
Total expenses	<u>7,035,279</u>	<u>7,358,773</u>	<u>(323,494)</u>	-4.4%
Change in net position	<u>\$ (236,318)</u>	<u>\$ 31,124</u>	<u>\$ (267,442)</u>	859.3%

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS *(Continued)*

Change in Net Position *(Continued)*

Governmental activities decreased the Town's net position by \$236,318. The Town derives the majority of its revenues from local taxes (65.1% of total revenues) to fund public education (79.1% of total expenses).

Revenues decreased by \$590,936 or 8.0% compared to the prior year. Significant changes from the prior year were as follows:

- A decrease in operating grants and contributions of \$410,298 or 17.6%. This decrease includes an overall decrease of \$432,065 in operating grants and contributions recognized by the Town's school system. This decrease includes a \$504,318 decrease in the amount of pension and other post-employment benefit expenses recognized by the Town for its participation in the Connecticut Teachers' Retirement System. Although the Town is not liable for pension and other post-employment benefits provided by the Connecticut Teachers' Retirement System, the Town recognizes both revenues and expenses for the full pension and other post-employment benefit expenses that have been attributed to employees of the Town's School District.
- A decrease in property tax revenues of \$291,975 or 6.2%. This decrease reflects a decrease of 8.6% in the Town's property tax mill rate, offset by an increase in the Town's overall grand list. The Board of Selectmen reduced the Town's mill rate in part due to the receipt of unanticipated revenues recognized in both the prior and current year.
- An increase in other revenue of \$80,000, which represents the return of a prior year contribution made by the Town in the Quinebaug Regional Tech Park located in Putnam, Connecticut.

Expenses decreased by \$323,494 or 4.4% compared to the prior year. A significant change from the prior year was a decrease in education expenses of \$359,731 or 6.1%. This decrease was driven by a \$504,318 decrease in the amount of pension and other post-employment benefit expenses recognized by the Town for its participation in the Connecticut Teachers' Retirement System, as previously discussed above.

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 \$1,420,957, a decrease of \$38,048 in comparison with the prior year.

General Fund

At the close of the current fiscal year, unassigned fund balance for the General Fund was \$581,885, which represents 9.3% of the Town's fiscal year 2023 General Fund budgetary expenditure appropriation. Expressed another way, unassigned fund balance for the General Fund was sufficient to cover approximately 1.1 months of the Town's budgeted expenditures for the General Fund.

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (Continued)

Governmental Funds (Continued)

General Fund (Continued)

The fund balance of the Town's General Fund decreased by \$141,239 during the current fiscal year. The Town's final budget for the General Fund planned for use of fund balance in the amount of \$499,491. However, actual revenues exceeded budget by \$152,250 and actual expenditures were less than budget by \$206,002. These favorable budgetary variances resulted in an overall use of fund balance in the amount of \$141,239.

Capital Reserve Fund

The fund balance of the Capital Reserve Funds increased by \$75,245 from \$237,878 as of June 30, 2021 to \$313,123 as of June 30, 2022. Of the \$313,123 in fund balance, \$163,123 is committed for general purposes and \$150,000 is committed for education purposes.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town's original budget contemplated the use of fund balance in the amount of \$432,291 to balance revenues and expenditures. The Town authorized additional appropriations from fund balance of \$67,200, resulting in a planned use of fund balance in the amount of \$499,491. The actual net change in fund balance on a budgetary basis was a decrease of \$141,239, resulting in an overall favorable budgetary variance of \$358,252. Revenues were \$152,250 more than budgeted, primarily due to an unbudgeted receipt of \$80,000 for the return of a prior year contribution made by the Town in the Quinebaug Regional Tech Park located in Putnam, Connecticut. Expenditures were \$206,002 less than budgeted with final budgetary surpluses across all departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets as of June 30, 2022 and 2021 totaled \$13,150,427 and \$13,454,811, 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 \$304,384 or 2.3%. This decrease consisted of capital asset additions of \$261,061 offset by current year depreciation expense of \$565,445. Major capital asset events during the current fiscal year related to expenditures that were capitalized for road improvements and construction in progress on the Public Works garage.

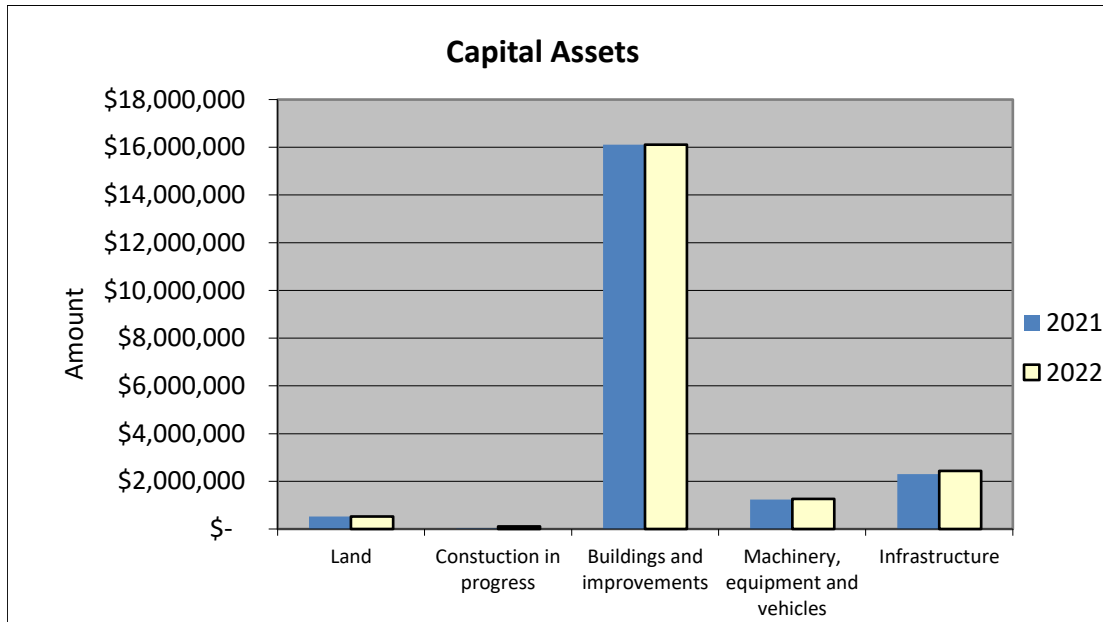
The following table is a two year comparison of the investment in capital assets:

	2022	2021	\$ Change	% Change
Land	\$ 521,510	\$ 521,510	\$ -	0.0%
Constuction in progress	109,836	22,184	87,652	395.1%
Buildings and improvements	16,113,866	16,113,866	-	0.0%
Machinery, equipment and vehicles	1,264,365	1,232,028	32,337	2.6%
Infrastructure	2,445,733	2,304,661	141,072	6.1%
Accumulated depreciation	(7,304,883)	(6,739,438)	(565,445)	8.4%
Totals	<u>\$ 13,150,427</u>	<u>\$ 13,454,811</u>	<u>\$ (304,384)</u>	-2.3%

TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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 debt 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.

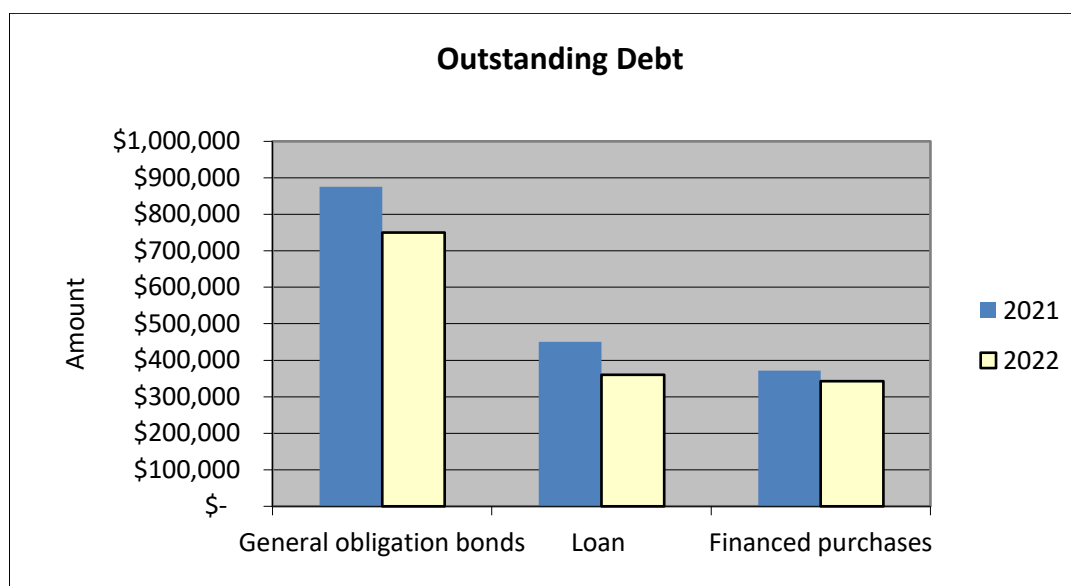
TOWN OF SCOTLAND, CONNECTICUT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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, 2022. The overall decrease in long-term debt was due to scheduled debt service repayments. The following table is a two year comparison of long-term debt:

	2022	2021	\$ Change	% Change
General obligation bonds	\$ 750,000	\$ 875,000	\$ (125,000)	-14.3%
Loan	360,000	450,000	(90,000)	-20.0%
Financed purchases	342,916	371,886	(28,970)	-7.8%
Totals	<u>\$ 1,452,916</u>	<u>\$ 1,696,886</u>	<u>\$ (243,970)</u>	-14.4%



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, 2022

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, 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 2023. The Town's fiscal year 2023 approved budget contemplates budgetary expenditure appropriations in the amount of \$6,230,843. The fiscal year 2023 budget contemplates the use of fund balance in the amount of \$166,992 to reduce the overall impact on the Town's 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.

BASIC FINANCIAL STATEMENTS

TOWN OF SCOTLAND, CONNECTICUT
STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,928,859
Investments	94,597
Receivables:	
Property taxes and interest, net	158,063
Grants and contracts	16,304
Other	3,773
Prepays	344
Capital assets:	
Non-depreciable	631,346
Depreciable, net	12,519,081
Total assets	<u>15,352,367</u>
LIABILITIES	
Accounts payable	298,306
Salaries and benefits payable	108,258
Accrued interest payable	5,584
Unearned revenue	216,356
Noncurrent liabilities:	
Due within one year	283,052
Due in more than one year	1,413,126
Total liabilities	<u>2,324,682</u>
NET POSITION	
Net investment in capital assets	11,697,511
Restricted for:	
Permanent funds:	
Nonexpendable	179,125
Expendable	1,652
Programs	124,198
Unrestricted	1,025,199
Total net position	<u>\$ 13,027,685</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, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position-
					Governmental
					Activities
Primary Government					
Governmental activities:					
General government	\$ 508,347	\$ 91,463	\$ 49,073	\$ -	\$ (367,811)
Public safety	263,485	1,286	-	-	(262,199)
Public works	574,738	10,212	21,433	153,736	(389,357)
Culture and recreation	66,848	16,356	11,353	-	(39,139)
Education	5,566,027	50,349	1,840,564	-	(3,675,114)
Interest expense	55,834	-	-	-	(55,834)
Total governmental activities	<u>\$ 7,035,279</u>	<u>\$ 169,666</u>	<u>\$ 1,922,423</u>	<u>\$ 153,736</u>	<u>(4,789,454)</u>
General revenues:					
Property taxes, levied for general purposes					4,429,647
Grants and contributions not restricted to specific programs					44,797
Investment earnings					(1,308)
Other					80,000
Total general revenues					<u>4,553,136</u>
Change in net position					(236,318)
Net position - beginning					<u>13,264,003</u>
Net position - ending					<u>\$ 13,027,685</u>

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

TOWN OF SCOTLAND, CONNECTICUT
BALANCE SHEET -
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

	General Fund	Capital Reserve Funds	Declared Emergency Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,706,374	\$ 137,778	\$ -	\$ 84,707	\$ 1,928,859
Investments	-	-	-	94,597	94,597
Receivables:					
Property taxes, net	126,430	-	-	-	126,430
Interest on property taxes, net	31,633	-	-	-	31,633
Grants and contracts	-	-	-	16,304	16,304
Other	3,773	-	-	-	3,773
Prepays	344	-	-	-	344
Due from other funds	11,815	175,345	214,882	157,538	559,580
Total assets	<u>\$ 1,880,369</u>	<u>\$ 313,123</u>	<u>\$ 214,882</u>	<u>\$ 353,146</u>	<u>\$ 2,761,520</u>
LIABILITIES					
Accounts payable	\$ 296,308	\$ -	\$ -	\$ 1,998	\$ 298,306
Salaries and benefits payable	108,258	-	-	-	108,258
Due to other funds	544,959	-	-	14,621	559,580
Unearned revenue	194	-	216,162	-	216,356
Total liabilities	<u>949,719</u>	<u>-</u>	<u>216,162</u>	<u>16,619</u>	<u>1,182,500</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	<u>158,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,063</u>
FUND BALANCES					
Nonspendable	344	-	-	179,125	179,469
Restricted	-	-	-	125,850	125,850
Committed	-	313,123	-	33,097	346,220
Assigned	190,358	-	-	-	190,358
Unassigned	581,885	-	(1,280)	(1,545)	579,060
Total fund balances	<u>772,587</u>	<u>313,123</u>	<u>(1,280)</u>	<u>336,527</u>	<u>1,420,957</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,880,369</u>	<u>\$ 313,123</u>	<u>\$ 214,882</u>	<u>\$ 353,146</u>	<u>\$ 2,761,520</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, 2022

Total fund balances for governmental funds	\$	1,420,957
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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	
Construction in progress		109,836	
Buildings and improvements		16,113,866	
Machinery, equipment and vehicles		1,264,365	
Infrastructure		2,445,733	
Less: accumulated depreciation and amortization		<u>(7,304,883)</u>	
Total capital assets, net			13,150,427

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.		158,063
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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		(750,000)	
Loan		(360,000)	
Financed purchases		(342,916)	
Other long-term liabilities:			
Accrued interest		(5,584)	
Termination benefits		(34,200)	
Total OPEB liability		<u>(209,062)</u>	
Total long-term liabilities			<u>(1,701,762)</u>

Net position of governmental activities	\$	<u><u>13,027,685</u></u>
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TOWN OF SCOTLAND, CONNECTICUT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Capital Reserve Funds	Declared Emergency Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 4,437,060	\$ -	\$ -	\$ -	\$ 4,437,060
Intergovernmental	1,678,369	-	31,254	494,740	2,204,363
Charges for services	80,489	-	-	49,937	130,426
Investment income (loss)	2,167	137	-	(3,612)	(1,308)
Other	105,044	-	-	26,182	131,226
Total revenues	<u>6,303,129</u>	<u>137</u>	<u>31,254</u>	<u>567,247</u>	<u>6,901,767</u>
EXPENDITURES					
Current:					
General government	443,930	-	7,006	11,500	462,436
Public safety	238,194	-	13,256	1,151	252,601
Public works	393,072	-	1,289	140,686	535,047
Culture and recreation	48,833	-	1,964	10,276	61,073
Education	4,825,935	-	-	375,688	5,201,623
Debt service:					
Principal payments	243,970	-	-	-	243,970
Interest and fiscal charges	56,914	-	-	-	56,914
Capital outlays	75,000	43,412	7,739	-	126,151
Total expenditures	<u>6,325,848</u>	<u>43,412</u>	<u>31,254</u>	<u>539,301</u>	<u>6,939,815</u>
Deficiency of revenues over expenditures	(22,719)	(43,275)	-	27,946	(38,048)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	118,520	-	1,275	119,795
Transfers out	(118,520)	-	-	(1,275)	(119,795)
Total other financing sources (uses)	<u>(118,520)</u>	<u>118,520</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(141,239)	75,245	-	27,946	(38,048)
Fund balances - beginning	<u>913,826</u>	<u>237,878</u>	<u>(1,280)</u>	<u>308,581</u>	<u>1,459,005</u>
Fund balances - ending	<u>\$ 772,587</u>	<u>\$ 313,123</u>	<u>\$ (1,280)</u>	<u>\$ 336,527</u>	<u>\$ 1,420,957</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, 2022

Net change in fund balances for governmental funds	\$	(38,048)
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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 capital additions exceeded depreciation in the current period is as follows:

Expenditures for capital assets	\$	261,061	
Depreciation expense		(565,445)	
Net adjustment			(304,384)

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	
Loan		90,000	
Financed purchases		28,970	
			243,970

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		1,080	
Termination benefits		(25,200)	
Total OPEB liability		(106,323)	
			(130,443)

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.

Change in net position of governmental activities	\$	(236,318)
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TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Town of Scotland, Connecticut (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

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. Powers and privileges are conferred and granted to the Town by the Connecticut General Statutes. The Town provides general government, public safety, public works, culture and recreation, and education services. The Town's school system services grades Pre-K through six. Grades seven through twelve are serviced through Regional School District No. 11.

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. Member Towns of the District include the Towns of Chaplin, Hampton and Scotland. 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. 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 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 Department is governed by an elected Board and issues publicly available financial reports.

Jointly Governed Organizations

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.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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. Eliminations have been made to minimize the double-counting of internal activities. The statements 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. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor 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 revenues and expenditures related to capital asset construction and or purchases.

Declared Emergency Fund - This fund is used to account for unbudgeted financial resources and expenditures related to publicly declared emergencies.

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 recognition in the financial statements of various kinds of transactions or events.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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 when they have been earned and 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 Town 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 principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the Town the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases 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 either received or available to be received during the period or within the availability period for this revenue source (within 60 days of yearend). 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 either received or available to be received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when the cash is received.

Assets, Liabilities, Deferred Outflows and 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 with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are reported at cost or amortized cost. Investments in certain external investment pools that meet specific criteria for measuring its investments at amortized cost are reported at amortized cost. All other investments in external investment pools and investments with maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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

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.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Town is required to retain as a fund of perpetual duration. Deficiencies of this nature exist in two donor-restricted endowment funds reported as nonmajor permanent funds, which together have a deficiency of \$1,545 as of June 30, 2022. The amount of net appreciation of donor-restricted endowments available for expenditure totaled \$1,652 as of June 30, 2022.

Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Leases (as Lessor)

The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Property Taxes

Property taxes are assessed as of October 1 and are levied on the following July 1. Real estate and personal property taxes are due in two installments, July 1 and the following January 1. Motor vehicle taxes are payable on July 1 and supplemental motor vehicle taxes are payable on January 1. Taxes become delinquent thirty days after the installment is due and liens are filed on delinquent real estate taxes within one year. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date. Interest is charged on delinquent amounts at a statutory rate of 1.5% per month. Based on historical collection experience and other factors, the Town has established an allowance for uncollectible taxes and interest of \$4,000 and \$1,000, respectively, as of June 30, 2022.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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

Capital Assets

Capital assets are tangible and intangible assets, including land, property, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), which 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.

As the Town constructs or acquires capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. Other tangible and intangible property and equipment are depreciated/amortized 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 assets that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources until that time. Deferred inflows of resources include unavailable revenues from property taxes and related interest in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-term Obligations

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 and 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 assets.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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

Long-term Obligations *(Continued)*

Long-term Debt (Continued)

In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Premiums and discounts on long-term debt are deferred and amortized over the life of the related debt using the effective interest rate method and the debt is reported net of any unamortized premium or discount. In the governmental fund financial statements, premiums and discounts are recognized in the current period.

In the governmental fund financial statements, debt premiums and discounts are recognized 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.

Termination Benefits

Termination benefits are recorded 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.

Leases (as Lessee)

The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) for a noncancellable lease in the government-wide financial statements. The Town recognizes lease liabilities with an initial, individual value of \$20,000 or more.

Net Position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of the following three components:

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 those assets. Deferred outflows and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related are also included in this component of net position.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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

Net Position *(Continued)*

Restricted net position - This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on the use of those assets either by external parties or by law through constitutional provision or enabling legislation.

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

Sometimes the Town will fund outlays for a particular purpose from both restricted 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. It is the Town's practice to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called fund balance. The Town's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable - Amounts that are either not in spendable form or are legally or contractually required to remain intact.

Restricted - Amounts that can be spent only for specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed - Amounts that can be used only for the specific purposes determined by the approval of a resolution by the Board of Selectmen committing fund balance for the specified purpose. Once approved, the limitation imposed by the resolution remains in place until the resources have been spent for the specified purpose or the Board of Selectmen approves another resolution removing or revising the limitation.

Assigned - Amounts that are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. Amounts may be constrained to be used for a specific purpose by a governing board or body or official that has been delegated authority to assign amounts by Connecticut General Statutes and include Town officials and the Superintendent of Schools. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

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.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

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

Fund Balance *(Continued)*

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. In accordance with the Town's practice, the Town uses restricted resources first, then unrestricted resources as needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Internal Activities

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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, 2022 is as follows:

Government-wide statement of net position	\$ 1,928,859
Less: Cash equivalents considered investments for disclosure purposes	<u>(502,021)</u>
	<u>\$ 1,426,838</u>

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

Cash Deposits *(Continued)*

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, 2022, \$971,316 of the Town's bank balance of \$1,480,174 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 874,184
Uninsured and collateralized with securities held by the pledging bank's trust department or agent but not in the Town's name	<u>97,132</u>
	<u><u>\$ 971,316</u></u>

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, 2022 is as follows:

Government-wide statement of net position	\$ 94,597
Plus: Cash equivalents considered investments for disclosure purposes	<u>502,021</u>
	<u><u>\$ 596,618</u></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 limits its exposure to fair value losses arising from changes in interest rates by structuring its 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.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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

Investments *(Continued)*

Interest Rate Risk *(Continued)*

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
Debt Securities:					
Governmental Activities (excluding Permanent Funds):					
Short-term Investment Fund	Amortized Cost	AAA	\$ 502,021	\$ 502,021	\$ -
Permanent Funds:					
Corporate bonds	Fair Value	BBB	66,856	19,772	47,084
Corporate bonds	Fair Value	BB	15,256	15,256	-
			584,133	\$ 537,049	\$ 47,084
Other investments:					
Permanent Funds:					
Mutual funds	Fair Value		12,485		
Total			\$ 596,618		

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. Trust funds may also invest in certain real estate mortgages, in certain savings banks or savings and loan associations, or in stocks or bonds or other securities selected by the trustee, with the care of a prudent investor. The Town's debt securities were rated by S&P Global.

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 are not exposed to custodial credit risk because they are either not evidenced by securities that exist in physical or book entry form or they are held by a reputable custodian in the name of the Town.

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit risk disclosures. As of June 30, 2022, none of the Town's investments, in any one issuer that is subject to concentration of credit risk disclosures, exceeded 5.0% or more of the total investments reported by the Town.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 3 - FAIR VALUE MEASUREMENTS

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than those in Level 1; and
- Level 3: Unobservable inputs.

Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Town's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2022, by level within the fair value hierarchy are presented in the following table.

Financial Assets Measured at Fair Value	Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Corporate bonds	\$ -	\$ 82,112	\$ -	\$ 82,112
Mutual funds	12,485	-	-	12,485
	<u>\$ 12,485</u>	<u>\$ 82,112</u>	<u>\$ -</u>	94,597
		Investments measured at amortized cost		502,021
				<u>\$ 596,618</u>

Level 2 investments are valued using broker quotes that utilize observable market inputs.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 consisted of the following:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 521,510	\$ -	\$ -	\$ 521,510
Construction in progress	22,184	87,652	-	109,836
Total capital assets, not being depreciated	<u>543,694</u>	<u>87,652</u>	<u>-</u>	<u>631,346</u>
Capital assets, being depreciated:				
Buildings and improvements	16,113,866	-	-	16,113,866
Machinery, equipment and vehicles	1,232,028	32,337	-	1,264,365
Infrastructure	2,304,661	141,072	-	2,445,733
Total capital assets, being depreciated	<u>19,650,555</u>	<u>173,409</u>	<u>-</u>	<u>19,823,964</u>
Less accumulated depreciation:				
Buildings and improvements	5,381,276	367,996	-	5,749,272
Machinery, equipment and vehicles	693,682	73,067	-	766,749
Infrastructure	664,480	124,382	-	788,862
Total accumulated depreciation	<u>6,739,438</u>	<u>565,445</u>	<u>-</u>	<u>7,304,883</u>
Total capital assets, being depreciated, net	<u>12,911,117</u>	<u>(392,036)</u>	<u>-</u>	<u>12,519,081</u>
Governmental activities capital assets, net	<u>\$ 13,454,811</u>	<u>\$ (304,384)</u>	<u>\$ -</u>	<u>\$ 13,150,427</u>

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4 - CAPITAL ASSETS *(Continued)*

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

Governmental Activities		
General government	\$	45,911
Public safety		10,884
Public works		180,376
Education		<u>328,274</u>
Total depreciation and amortization expense - governmental activities	\$	<u>565,445</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 2022 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Nonmajor Governmental Funds	\$ 11,815
Capital Reserve Funds	General Fund	175,345
Declared Emergency Fund	General Fund	214,882
Nonmajor Governmental Funds	General Fund	<u>157,538</u>
Total interfund receivables/payables		<u>\$ 559,580</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, 2022 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Governmental Funds		
Capital Reserve Funds	General Fund	\$ 118,520
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>1,275</u>
Total transfers in/out		<u>\$ 119,795</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.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 - LONG-TERM LIABILITIES

Changes in Long-term Liabilities

Changes in the Town's long-term liabilities for the year ended June 30, 2022, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 875,000	\$ -	\$ (125,000)	\$ 750,000	\$ 150,000
Loan payable	450,000	-	(90,000)	360,000	90,000
Financed purchases	371,886	-	(28,970)	342,916	29,852
Termination benefits	9,000	37,200	(12,000)	34,200	13,200
Total OPEB liability (see Note 9)	<u>102,739</u>	<u>106,323</u>	<u>-</u>	<u>209,062</u>	<u>-</u>
Total governmental activities	<u>\$ 1,808,625</u>	<u>\$ 143,523</u>	<u>\$ (255,970)</u>	<u>\$ 1,696,178</u>	<u>\$ 283,052</u>

Long-term liabilities are typically liquidated in the General Fund.

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are uncollateralized, direct obligations and are pledged by the full faith and credit of the Town. General obligation bonds outstanding at June 30, 2022, are as follows:

	<u>Issue Year</u>	<u>Original Amount</u>	<u>Final Maturity Year</u>	<u>Interest Rates</u>	<u>Amount Outstanding</u>
Governmental Activities					
General obligation bonds	5/2007	\$ 2,500,000	5/2027	4.05%-4.90%	<u>\$ 750,000</u>

Commercial Loan

The Town has an amount outstanding under a commercial loan with a bank of \$360,000 as of June 30, 2022. The loan is uncollateralized, direct obligation and is pledged by the full faith and credit of the Town. 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, 2022.

Financed Purchases

The Town has entered into a financed purchase arrangement for the acquisition of a fire truck. The contract includes a non-appropriation clause and provides the obligor with a security interest in the underlying asset in the event of default. Ownership of the underlying asset is transferred to the Town at the end of the contract. The Town is required to make annual principal and interest payments in the amount of \$40,290 through October 2032, the maturity date.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 7 - LONG-TERM LIABILITIES *(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 statute does exclude from the Town's aggregate debt calculation any debt issued (a) in anticipation of taxes; (b) for water, gas, or electricity supply, electric demand response, conservation and load management, distributed generation, renewable energy projects, cable, wire, and pipe subway construction, underground cable, wire, and pipe conduit construction, constructing and operating a municipal community antenna television system, or a combination of such projects; (c) in anticipation of public improvement benefit assessment revenue; (d) in anticipation of state or federal grant funding; (e) for water pollution control projects in order to meet the energy and environmental protection commissioner's abatement order requirements; and debt issued (f) for which funds have been placed in escrow (from the proceeds of refunding bonds, notes, or other obligations or other municipal funds) in an amount sufficient, together with investment earnings, to provide for the payment when due of the principal of and interest on such debt. The Town did not exceed this statutory debt limitation as of June 30, 2022.

Shared Debt

The Town is contingently liable for its pro-rata share of Regional School District No. 11's outstanding bonds. As of June 30, 2022, Regional School District No. 11 had no outstanding obligations and no authorized, unissued bonds, for which the Town would be contingently liable.

Long-term Debt Service Requirements

The debt service requirements for Town's long-term debt are as follows:

Year ending June 30:	Governmental Activities					
	General Obligation Bonds		Commercial Loan		Financed Purchases	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 150,000	\$ 30,750	\$ 90,000	\$ 7,487	\$ 29,852	\$ 10,438
2024	150,000	24,675	90,000	5,422	30,761	9,529
2025	150,000	18,525	90,000	3,356	31,697	8,593
2026	150,000	12,375	90,000	1,291	32,662	7,628
2027	150,000	6,188	-	-	33,656	6,634
2028-2032	-	-	-	-	184,288	17,162
	<u>\$ 750,000</u>	<u>\$ 92,513</u>	<u>\$ 360,000</u>	<u>\$ 17,556</u>	<u>\$ 342,916</u>	<u>\$ 59,984</u>

Termination Benefits

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. 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 are eligible to receive \$1,200 upon termination of employment for longevity pay and full time teachers who have 20 years of service are eligible to receive \$2,250. In addition, the Board of Education periodically offers eligible employees special termination benefits in the form of an early retirement incentive.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLAN

The Town accounts for activity relating to one defined benefit pension plan, the Connecticut Teachers' Retirement System. As of and for the year ended June 30, 2022, the plan had the following balances reported in the Town's government-wide financial statements:

	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>On Behalf Revenues</u>	<u>Pension Expense</u>
CT Teachers' Retirement System (proportionate share)	\$ -	\$ -	\$ -	\$ 252,299	\$ 252,299

Connecticut Teachers' Retirement System

Plan Description

The Connecticut Teachers' Retirement System (TRS or the Plan) is the public pension plan offered by the State of Connecticut (the State) to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The Plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board (TRB). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Teachers, principals, superintendents or supervisors engaged in the service of public schools are provided with pensions through the Connecticut Teachers' Retirement System - a cost sharing multi-employer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

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 5 years preceding normal retirement age and 4.0% per year for the next 5 years preceding normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% per year by which retirement precedes normal retirement date.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLAN

Connecticut Teachers' Retirement System (Continued)

Benefit Provisions (Continued)

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: Employees are eligible for service-related disability benefits regardless of length of service. Five years of credited service is required to be eligible for non-service related disability. Disability benefits are calculated as 2.0% per year of service times the average of the highest three years of pensionable salary, but not less than 15.0%, nor more than 50.0%. 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 75.0% of average annual salary. A plan member who leaves service and has attained 10 years of service will be entitled to 100.0% 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

State of Connecticut - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State are amended and certified by the TRB 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.

Employers - School District employers are not required to make contributions to the Plan, as contributions are required only from employees and the State.

Employees - Effective January 1, 2018, the required contribution increased to 7.0% of pensionable salary.

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, 2022

NOTE 8 - PENSION PLAN

Connecticut Teachers' Retirement System (Continued)

Basis of Presentation

The components associated with pension expense and deferred outflows and inflows of resources have been determined based on fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Annual Comprehensive Financial Report as of and for the year ended June 30, 2021. The net pension liability at June 30, 2021 has been calculated using the audited amounts. TRS is included in the State of Connecticut audit as a pension trust fund. The State of Connecticut's Annual Comprehensive Financial Report can be obtained at www.ct.gov.

The accounting standards require participating employers to recognize their proportional share of the collective net pension liability, deferred outflows and inflows of resources and pension expense. Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Allocation Methodology

The allocations for participating employers are based on the 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. Based upon the employee contributions made by the employees of each employer, as compared to the total employee contributions, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above. The employer allocation applied to Town totaled 0.026% as of the most recent measurement date.

Collective Net Pension Liability

The following summarizes the collective net pension liability of the State for the TRS as of June 30, 2021, the measurement date, in addition to the Town's and State's proportionate shares of the collective net pension liability that is attributed to the Town:

Collective Net Pension Liability of the State for the TRS		<u>\$ 14,926,263,000</u>
	<u>Proportion</u>	<u>Proportionate Share</u>
Town's proportionate share of the Collective Net Pension Liability	0.000%	<u>\$ -</u>
State's proportionate share of the Collective Net Pension Liability attributed to the Town	0.026%	<u>\$ 3,908,000</u>

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLAN

Connecticut Teachers' Retirement System (Continued)

Collective Pension Expense

The Town's expected contribution effort for allocation purposes totaled \$324,267 or 0.026% 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 in the General Fund for the year ended June 30, 2022.

The collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The portion of the collective pension expense attributed to the Town totaled \$252,299 or 0.026% of the total collective pension expense and has been recognized as an operating contribution and related education expense in the statement of activities for the year ended June 30, 2022.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% - 6.50%, including inflation
Investment rate of return	6.90%, 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 PubT-2010 Healthy Retiree Table, adjusted 105% for males and 103% for females as ages 82 and above, projected generationally with MP-2019 for the period after service retirement.

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 3.0% and a maximum of 5.0% 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 6.0% 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 5.0% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3.0%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 8 - PENSION PLAN

Connecticut Teachers' Retirement System (Continued)

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. The current capital market assumptions and the target asset allocation as provided by the Treasurer's Office are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity Fund	20.0%	5.6%
Developed Market Intl. Stock Fund	11.0%	6.0%
Emerging Market Intl. Stock Fund	9.0%	7.9%
Core Fixed Income Fund	16.0%	2.1%
Inflation Linked Bond Fund	5.0%	1.1%
Emerging Market Debt Fund	5.0%	2.7%
High Yield Bond Fund	6.0%	4.0%
Real Estate Fund	10.0%	4.5%
Private Equity	10.0%	7.3%
Alternative Investments	7.0%	2.9%
Liquidity Fund	1.0%	0.4%
	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 the actuarially determined rates in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Town accounts for activity relating to two other post-employment benefits plans, (1) the Scotland Board of Education Other Post-Employment Benefits program and (2) the Connecticut Teachers' Retirement System. As of and for the year ended June 30, 2022, the two plans had the following balances reported in the Town's government-wide financial statements:

	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	On Behalf Revenues	OPEB Expense
Scotland Board of Education Other Post-employment Benefits Plan	\$ 209,062	\$ -	\$ -	\$ -	\$ 254,038
CT Teachers' Retirement System (proportionate share)	-	-	-	(15,724)	(15,724)
	<u>\$ 209,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,724)</u>	<u>\$ 238,314</u>

Scotland Board of Education OPEB Plan

Plan Description

The Board of Education of the Town provides healthcare coverage for eligible retirees and their spouses through its group health insurance plan, which covers both active and retired members. The plan does not issue a publicly available financial report and is not included in the financial statements of another entity.

Benefit Provisions

The plan covers retired teachers and administrators of the Board of Education. Any member that is currently receiving a retirement or disability benefit through the Connecticut Teachers' Retirement System is eligible to participate in the plan as follows:

Any retired member that is not currently participating in Medicare Parts A & B is eligible to continue healthcare coverage with the Board of Education. The Board of Education must offer the members the same healthcare coverage that are available to active teachers. A subsidy from the Connecticut State Teachers' Retirement System of up to \$110 per month for a retired member, plus an additional \$110 per month for a spouse, enrolled in the Board of Education's health insurance plan is provided to offset the retiree's share of the cost of coverage. 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 who contributes at least \$220 per month towards coverage under the Board of Education's health insurance plan. The subsidies are set by State statute.

Any member that is currently participating in Medicare Parts A & B is eligible to either continue healthcare coverage with the Board of Education, if offered, or enroll in the plan sponsored by the Connecticut Teachers' Retirement System. If they elect to remain in the Board of Education health insurance plan, the same subsidies as above will be paid to offset the cost of coverage.

Funding Policy

Contribution requirements of the plan members and the Board of Education are established by and may be amended through union negotiations. Currently, participants are required to contribute 100% of their healthcare premiums to the Board of Education, less any reimbursements received by the Board of Education from the State Retirement Board. The Board of Education has not established a trust fund to irrevocably segregate assets to fund the liability for other post-employment benefits and currently pays the benefits on a pay-as-you-go basis.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Scotland Board of Education OPEB Plan (Continued)

Total OPEB Liability

The OPEB liability reported as of June 30, 2022 totaled \$209,062 and was measured as of June 30, 2022 using the Alternative Measurement Method.

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2022 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%
Average retirement age	60 years old
Percentage participation	50%
Healthcare cost trend rates:	
Medical	4.70% initial, 4.20% final
Prescription drug	5.20% initial, 4.20% final
Dental	3.50% initial, 3.00% final
Vision	3.00% initial and final

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 Pub-2010 Public Retirement Plans Mortality Tables; with mortality improvement projected for 10 years.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2021	<u>\$ 102,739</u>
Changes for the year:	
Service cost	2,800
Interest	89
Changes of benefit terms	-
Changes of assumptions and differences between expected and actual experience	247,075
Benefit payments	<u>(143,641)</u>
Net changes	<u>106,323</u>
Balance as of June 30, 2022	<u><u>\$ 209,062</u></u>

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Scotland Board of Education OPEB Program (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 calculated using the discount rate of 3.94%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 293,675	\$ 209,062	\$ 106,018

Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability calculated using the healthcare cost trend rate of 4.70% to 4.20%, as well as what the 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	\$ 193,582	\$ 209,062	\$ 226,785

Connecticut Teachers' Retirement System

Plan Description

The Connecticut Teachers' Retirement System (TRS or the Plan) is the public pension plan offered by the State of Connecticut (the State) to provide retirement, disability, survivorship and health insurance benefits for Connecticut public school teachers and their beneficiaries. The Plan is governed by Connecticut Statute Title 10, Chapter 167a of the Connecticut General Statutes. TRS is a multiemployer pension plan administered by the Connecticut State Teachers' Retirement Board (TRB). The State Treasurer is responsible for investing TRS funds for the exclusive benefit of TRS members.

Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System - a cost sharing multi-employer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at www.ct.gov.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Connecticut Teachers' Retirement System (Continued)

Benefit Provisions

The Plan covers retired teachers and administrators of public schools in the State who are receiving pension 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.

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

State of Connecticut - Per Connecticut General Statutes Section 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.

Employers - School District employers are not required to make contributions to the Plan.

Employees/Retirees - 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.

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, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Connecticut Teachers' Retirement System (Continued)

Basis of Presentation

The components associated with pension expense and deferred outflows and inflows of resources have been determined based on fiduciary net position as audited by the State of Connecticut Auditors of Public Accounts as part of the State of Connecticut Annual Comprehensive Financial Report as of and for the year ended June 30, 2021. The net pension liability at June 30, 2021 has been calculated using the audited amounts. TRS is included in the State of Connecticut audit as a pension trust fund. The State of Connecticut's Annual Comprehensive Financial Report can be obtained at www.ct.gov.

The accounting standards require participating employers to recognize their proportional share of the collective net pension liability, deferred outflows and inflows of resources and pension expense. Contributions remitted by the State are recognized when legally due, based upon statutory requirements.

Allocation Methodology

The allocations for participating employers are based on the 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. Based upon the employee contributions made by the employees of each employer, as compared to the total employee contributions, an employer allocation percentage is calculated to six decimal places and is used to allocate the elements noted above. The employer allocation applied to Town totaled 0.026% as of the most recent measurement date.

Collective Net OPEB Liability

The following summarizes the collective net OPEB liability of the State for the TRS as of June 30, 2021, the measurement date, in addition to the Town's and State's proportionate shares of the collective net OPEB liability that is attributed to the Town:

Collective Net OPEB Liability of the State for the TRS		<u>\$ 1,626,189,000</u>
	<u>Proportion</u>	<u>Proportionate Share</u>
Town's proportionate share of the Collective Net OPEB Liability	0.000%	<u>\$ -</u>
State's proportionate share of the Collective Net OPEB Liability attributed to the Town	0.026%	<u>\$ 426,000</u>

Collective OPEB Expense

The Town's expected contribution effort for allocation purposes totaled \$7,701 or 0.026% 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 in the General Fund for the year ended June 30, 2022.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Connecticut Teachers' Retirement System (Continued)

Collective OPEB Expense (Continued)

The collective OPEB expense includes certain current period changes in the collective net OPEB liability, projected earnings on OPEB plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The portion of the negative collective OPEB expense attributed to the Town totaled \$15,724 or 0.026% of the total collective OPEB expense and has been recognized as an operating contribution and related education expense in the statement of activities for the year ended June 30, 2022.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Real Wage Growth	0.50%
Wage Inflation	3.00%
Salary increases	3.00% - 6.50%, including inflation
Investment rate of return	3.00%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates:	
Medicare	5.125% for 2020 decreasing to an ultimate rate of 4.5% by 2023

Mortality rates were based on the PubT-2010 Healthy Retiree Table, adjusted 105% for males and 103% for females as ages 82 and above, projected generationally with MP-2019 for the period after service retirement.

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.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 9 - OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Connecticut Teachers' Retirement System (Continued)

Long-Term Rate of Return *(Continued)*

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

Asset Class	Target Allocation	Expected 10-Year Geometric Real Rate of Return	Standard Deviation
U.S. Treasuries (Cash Equivalents)	100.0%	-0.42%	1.78%

Discount Rate

The discount rate used to measure the total OPEB liability was 2.17%. 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, 2020.

In addition to the actuarial methods and assumptions of the June 30, 2020 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 annual at a rate of 3.00%.
- 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.
- Annual State contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.

Based on those assumptions, the Plan's fiduciary net position was projected to be depleted in 2023 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 10 - FUND BALANCE

Fund Balance Policy

The Town does not have a formal policy on the level of unrestricted or unassigned fund balance that should be maintained in the General Fund. As of June 30, 2022, fund balance was classified for the following purposes:

	<u>General Fund</u>	<u>Capital Reserve Funds</u>	<u>Declared Emergency Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable:					
Endowment - Library	\$ -	\$ -	\$ -	\$ 105,000	\$ 105,000
Endowment - Cemetery	-	-	-	64,125	64,125
Endowment - Scholarships	-	-	-	10,000	10,000
Prepaid items	344	-	-	-	344
	<u>344</u>	<u>-</u>	<u>-</u>	<u>179,125</u>	<u>179,469</u>
Restricted for:					
Endowment - Cemetery	-	-	-	1,652	1,652
Public works - Town aid road program	-	-	-	106,054	106,054
Education - Student activities	-	-	-	14,916	14,916
Other purposes	-	-	-	3,228	3,228
	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,850</u>	<u>125,850</u>
Committed for:					
Library activities	-	-	-	10,391	10,391
Animal control activities	-	-	-	6,768	6,768
Student activities	-	-	-	15,938	15,938
Town - capital nonrecurring purposes	-	163,123	-	-	163,123
Education - capital nonrecurring purposes	-	150,000	-	-	150,000
	<u>-</u>	<u>313,123</u>	<u>-</u>	<u>33,097</u>	<u>346,220</u>
Assigned to:					
Use in fiscal year 2023 budget	166,992	-	-	-	166,992
Town clerk activities	23,366	-	-	-	23,366
	<u>190,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,358</u>
Unassigned	581,885	-	(1,280)	(1,545)	579,060
	<u>\$ 772,587</u>	<u>\$ 313,123</u>	<u>\$ (1,280)</u>	<u>\$ 336,527</u>	<u>\$ 1,420,957</u>

Deficit Fund Balance

The Declared Emergency Fund has a deficit fund balance of \$1,280 as of June 30, 2022. This deficit does not constitute a violation of statutory provisions. The deficit is expected to be eliminated through future grant funding and or a transfer in from the General Fund.

NOTE 11 - 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 certain risks of loss and participates in risk sharing pools for liability-automobile-property insurance and for worker's compensation insurance. During 2022, deductibles paid by the Town were insignificant. In addition, there have been no significant reductions in insurance coverages from coverages maintained in the prior year and neither the Town nor its insurers have settled any claims that have exceeded the Town's coverages during the past three years.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO THE FINANCIAL STATEMENTS *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

NOTE 11 - RISK MANAGEMENT *(Continued)*

Risk Sharing Pools

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. For the coverage period July 1, 2021 to June 30, 2022, the Town paid \$XX,XXX 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. 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, 2021 to June 30, 2022 will be evaluated at 18, 30 and 42 months after the effective date of coverage. 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 12 - COMMITMENTS AND CONTINGENCIES

Federal Awards and State Financial Assistance

The Town has received state and federal funding for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditure disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

Litigation, Claims and Assessments

The Town, in the normal course of operations, is named as defendants in lawsuits, tax appeals, administrative proceedings and other miscellaneous claims. The outcome and eventual liability to the Town, if any, for such matters are 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 matters would not materially affect the financial position of the Town.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
REVENUES				
Property taxes	\$ 4,415,938	\$ 4,415,938	\$ 4,437,060	\$ 21,122
Intergovernmental	1,354,673	1,354,673	1,346,401	(8,272)
Charges for services	30,900	30,900	80,489	49,589
Other	17,400	17,400	107,211	89,811
Total revenues	<u>5,818,911</u>	<u>5,818,911</u>	<u>5,971,161</u>	<u>152,250</u>
EXPENDITURES				
Current:				
General government	476,732	483,832	443,930	(39,902)
Public safety	295,755	341,455	291,484	(49,971)
Public works	607,219	621,469	548,072	(73,397)
Culture and recreation	55,872	55,872	48,833	(7,039)
Education	4,555,163	4,555,163	4,519,487	(35,676)
Debt service:				
Principal payments	215,000	215,000	215,000	-
Interest and fiscal charges	45,461	45,611	45,594	(17)
Total expenditures	<u>6,251,202</u>	<u>6,318,402</u>	<u>6,112,400</u>	<u>(206,002)</u>
Excess (deficiency) of revenues over expenditures	(432,291)	(499,491)	(141,239)	358,252
OTHER FINANCING SOURCES				
Use of fund balance	<u>432,291</u>	<u>499,491</u>	<u>-</u>	<u>(499,491)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (141,239)</u>	<u>\$ (141,239)</u>

See accompanying notes to required supplementary information.

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY -
CONNECTICUT TEACHERS' RETIREMENT SYSTEM (UNAUDITED)
LAST EIGHT FISCAL YEARS*
(Rounded to nearest thousand)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the collective net pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net pension liability attributed to the Town	<u>3,908,000</u>	<u>4,935,000</u>	<u>4,504,000</u>	<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>
Total	<u>\$ 3,908,000</u>	<u>\$ 4,935,000</u>	<u>\$ 4,504,000</u>	<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	\$ 1,178,000	\$ 1,140,000	\$ 1,158,000	\$ 1,140,000	\$ 1,109,000	\$ 1,069,000	\$ 1,264,000	\$ 1,219,000
Town's proportionate share of the collective net pension liability as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total collective pension liability	60.77%	49.24%	52.00%	57.69%	55.93%	52.26%	59.50%	61.51%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

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 FIVE FISCAL YEARS*

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 2,800	\$ 2,800	\$ 2,800	\$ 3,728	\$ 4,010
Interest	89	4,812	89	3,599	5,768
Changes in benefit terms	-	-	-	-	-
Changes of assumptions and differences between expected and actual experience	247,075	1,185	(7,612)	(6,135)	(68,508)
Benefit payments, including refunds	(143,641)	-	-	-	-
Net change in total OPEB liability	106,323	8,797	(4,723)	1,192	(58,730)
Total OPEB liability - beginning	102,739	93,942	98,665	97,473	156,203
Total OPEB liability - ending	<u>\$ 209,062</u>	<u>\$ 102,739</u>	<u>\$ 93,942</u>	<u>\$ 98,665</u>	<u>\$ 97,473</u>

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Town's proportion of the collective net OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Town's proportionate share of the collective net OPEB liability	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the collective net OPEB liability attributed to the Town	426,000	736,000	702,000	694,000	901,000
Total	<u>\$ 426,000</u>	<u>\$ 736,000</u>	<u>\$ 702,000</u>	<u>\$ 694,000</u>	<u>\$ 901,000</u>
Town's covered employee payroll	\$ 1,178,000	\$ 1,140,000	\$ 1,158,000	\$ 1,140,000	\$ 1,109,000
Town's proportionate share of the collective net OPEB liability as a percentage of its covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total collective OPEB liability	6.11%	2.50%	2.08%	1.49%	1.79%

* This schedule is intended to show information for ten years and additional years' information will be displayed as it becomes available.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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 end June 30, 2022, \$67,200 in supplemental appropriations were authorized.
- 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. 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, 2022

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, 2022:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Uses</u>	<u>Net Change In Fund Balance</u>
Budgetary basis	\$ 5,971,161	\$ 6,112,400	\$ -	\$ (141,239)
"On-behalf" payments - State Teachers Retirement Fund	331,968	331,968	-	-
Reclass of transfers to other funds recorded as expenditures	-	(118,520)	(118,520)	-
GAAP basis	<u>\$ 6,303,129</u>	<u>\$ 6,325,848</u>	<u>\$ (118,520)</u>	<u>\$ (141,239)</u>

NOTE 2 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY - CONNECTICUT 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. Information has been presented only for as many years as that information is available.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2020. The liabilities were estimated based on a measurement date of June 30, 2021. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. This information is utilized by the Town for reporting as of June 30, 2022.

Benefit Changes - There were no changes in benefit terms that had a significant effect on the measurement of the collective net pension liability reported as of June 30, 2022.

Assumption Changes - There were no changes in assumptions that had a significant effect on the measurement of the collective net pension liability reported as of June 30, 2022.

TOWN OF SCOTLAND, CONNECTICUT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) *(Continued)*
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

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. Information has been presented only for as many years as that information is available.

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

Benefit Changes - There were no changes in benefit terms that had a significant effect on the measurement of the total OPEB liability reported as of June 30, 2022.

Assumption Changes - There were no changes in assumptions that had a significant effect on the measurement of the total OPEB liability reported as of June 30, 2022.

NOTE 4 - SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE COLLECTIVE NET OTHER POST-EMPLOYMENT BENEFITS LIABILITY - CONNECTICUT 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. Information has been presented only for as many years as that information is available.

Actuarial valuations are prepared every two years with the most recent available actuarial valuation performed as of June 30, 2020. The liabilities were estimated based on a measurement date of June 30, 2021. The employer allocations were then applied to the net pension liability and pension expense to determine the amount applicable to each employer. This information is utilized by the Town for reporting as of June 30, 2022.

Benefit Changes - There were no changes in benefit terms that had a significant effect on the measurement of the collective net OPEB liability reported as of June 30, 2022.

Assumption Changes - There were no changes in assumptions that had a significant effect on the measurement of the collective net OPEB liability reported as of June 30, 2022.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GENERAL FUND

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts			Variance With Final Budget Over (Under)
	Original	Final	Actual	
PROPERTY TAXES				
Property taxes	\$ 4,395,438	\$ 4,395,438	\$ 4,403,908	\$ 8,470
Interest and lien fees collected on taxes	20,500	20,500	33,152	12,652
Total property taxes	4,415,938	4,415,938	4,437,060	21,122
INTERGOVERNMENTAL REVENUES				
Education cost sharing	1,230,287	1,230,287	1,274,671	44,384
Other revenue from the State	15,731	15,731	23,353	7,622
PILOT on State owned property	18,154	18,154	18,154	-
Municipal stabilization grant	13,960	13,960	13,960	-
Mashantucket Pequot and Mohegan Fund gra	11,620	11,620	11,620	-
Emergency management performance grant	1,500	1,500	4,553	3,053
Judicial fines and fees	100	100	90	(10)
Local capital improvement program	63,321	63,321	-	(63,321)
Total intergovernmental revenues	1,354,673	1,354,673	1,346,401	(8,272)
DEPARTMENTAL REVENUES				
Charges for services:				
Conveyances	7,500	7,500	27,161	19,661
Building department	5,000	5,000	23,578	18,578
State recording fees	5,000	5,000	12,348	7,348
Transfer station permit fees	10,000	10,000	10,212	212
Copies - Town Clerk	2,000	2,000	4,579	2,579
Zoning and subdivision fees	150	150	1,125	975
Pistol permits	1,000	1,000	985	(15)
License fees - all	250	250	501	251
Total departmental revenues	30,900	30,900	80,489	49,589

(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, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
GENERAL REVENUES				
Miscellaneous income - TOS	\$ -	\$ -	\$ 88,504	\$ 88,504
CIRMA equity distribution	1,200	1,200	4,425	3,225
Lease of 6 Huntington Road	4,200	4,200	4,200	-
Gas/Diesel reimbursement SES	5,000	5,000	3,039	(1,961)
CGS Section 12-80a (PPT)	3,000	3,000	2,584	(416)
Settlement/EA Income	-	-	2,292	2,292
Interest Income	3,000	3,000	2,167	(833)
Reimburse 10% Library Utilities - D'Elia	1,000	1,000	-	(1,000)
Total general revenues	<u>17,400</u>	<u>17,400</u>	<u>107,211</u>	<u>89,811</u>
Total revenues	<u>5,818,911</u>	<u>5,818,911</u>	<u>5,971,161</u>	<u>152,250</u>
OTHER FINANCING SOURCES				
Use of fund balance	<u>432,291</u>	<u>499,491</u>	<u>-</u>	<u>(499,491)</u>
Total revenues and other financing sources	<u><u>\$ 6,251,202</u></u>	<u><u>\$ 6,318,402</u></u>	<u><u>\$ 5,971,161</u></u>	<u><u>\$ (347,241)</u></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, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
GENERAL GOVERNMENT				
Board of Selectmen:				
First Selectmen salary	\$ 34,691	\$ 34,691	\$ 35,993	\$ 1,302
Administrative Assistant salary	20,279	20,279	19,306	(973)
Intern Program	16,000	16,000	15,000	(1,000)
Counsel	10,000	10,000	10,661	661
Second Selectman salary	2,172	2,172	2,172	-
Third Selectman salary	2,172	2,172	2,172	-
Legal notices	1,000	1,000	271	(729)
Miscellaneous	500	500	13	(487)
Mileage	200	200	-	(200)
Total Board of Selectmen	87,014	87,014	85,588	(1,426)
Town Hall				
Information technology support	9,600	9,600	10,857	1,257
Office supplies	4,000	6,000	5,343	(657)
Janitorial salary	3,372	3,372	3,382	10
Postage	3,100	3,100	2,784	(316)
Phone service	3,600	3,600	2,510	(1,090)
Web page	2,000	2,000	1,580	(420)
Fire alarm contract	1,300	1,300	1,171	(129)
Internet services	1,080	1,080	1,115	35
Copiers	300	300	420	120
Janitorial supplies	250	250	254	4
Water	300	300	(2)	(302)
Total Town Hall	28,902	30,902	29,414	(1,488)
Administration/Other				
Social security tax- Town share	37,305	37,305	37,687	382
Auditor-contractual	13,450	13,450	13,450	-
Dues and subscriptions	6,600	6,600	7,028	428
Probate	565	565	565	-
Alcohol and drug testing CCM D&A	200	200	200	-
CT Unemployment reimbursements	1,200	1,200	75	(1,125)
Total administration/other	59,320	59,320	59,005	(315)
Insurance and Bonds:				
Workers compensation	25,606	25,606	25,728	122
Employee medical (Town share)	25,985	25,985	25,199	(786)
Liability and umbrella	19,471	19,471	19,518	47
Bonds/blanket crime	1,000	1,000	895	(105)
Cyber security	4,700	4,700	-	(4,700)
Total insurance and bonds	76,762	76,762	71,340	(5,422)
Health and Welfare				
Health district (EHHD)	9,848	9,848	9,505	(343)
Dial-A-Ride	3,543	3,543	3,543	-
United Services	1,208	1,208	1,208	-
Access Agency	1,000	1,000	1,000	-
TVCCA (Meals on Wheels)	1,300	1,300	-	(1,300)
Sexual Assault Crisis Center	200	200	-	(200)
Total health and welfare	17,099	17,099	15,256	(1,843)

(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, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
GENERAL GOVERNMENT (Continued)				
Town Clerk:				
Town Clerk salary	\$ 23,596	\$ 23,596	\$ 24,027	\$ 431
Software	7,122	7,122	7,126	4
Grant for microfilming records	5,500	5,500	5,500	-
Legal notices	2,500	2,500	2,679	179
Miscellaneous	400	2,400	2,143	(257)
Repairs/binding old records	400	400	576	176
Professional development	750	750	393	(357)
Dues and subscriptions	200	200	170	(30)
Mileage	205	205	164	(41)
Professional services	400	400	150	(250)
Total Town clerk	<u>41,073</u>	<u>43,073</u>	<u>42,928</u>	<u>(145)</u>
Tax Collector:				
Windham tax collection service	17,479	17,479	17,479	-
Computer program services	6,874	6,874	6,078	(796)
Legal notices	2,075	2,075	1,309	(766)
Professional development	150	150	150	-
Dues and subscriptions	100	100	20	(80)
Miscellaneous	300	300	-	(300)
Counsel	100	100	-	(100)
Total Tax collector	<u>27,078</u>	<u>27,078</u>	<u>25,036</u>	<u>(2,042)</u>
Finance Department:				
Treasurer salary	25,600	25,600	26,585	985
Bookkeeper salary	10,140	8,140	7,456	(684)
Financial program/training	2,400	2,400	1,278	(1,122)
Miscellaneous	100	100	436	336
Total Finance Department	<u>38,240</u>	<u>36,240</u>	<u>35,755</u>	<u>(485)</u>
Assessor:				
Assessor salary	19,911	19,911	20,658	747
Software	8,435	8,435	8,873	438
Revaluation	5,750	5,750	5,750	-
MV pricing guide	920	920	938	18
Dues and subscriptions	690	690	655	(35)
Tax maps	1,000	1,000	591	(409)
Legal notices	500	500	256	(244)
Professional development	150	150	231	81
Web hosting - vision gov	638	638	-	(638)
Office Equipment	190	190	-	(190)
Mileage	50	50	-	(50)
Total Assessor	<u>38,234</u>	<u>38,234</u>	<u>37,952</u>	<u>(282)</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, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
GENERAL GOVERNMENT (Continued)				
Elections:				
Registrar salaries	\$ 7,590	\$ 7,590	\$ 5,344	\$ (2,246)
Equipment	2,650	2,650	1,943	(707)
Election worker salaries	2,086	1,086	806	(280)
Moderator salaries	1,617	1,617	747	(870)
Ballots	2,190	2,190	549	(1,641)
Assistant registrar salaries	1,812	812	234	(578)
Dues and subscriptions	150	150	162	12
Election day expense	240	240	136	(104)
Office supplies	-	-	45	45
Professional development	1,560	1,560	-	(1,560)
Mileage	300	300	-	(300)
Total elections	20,195	18,195	9,966	(8,229)
Planning and Zoning:				
Counsel	8,000	8,000	6,845	(1,155)
Zoning Enforcement Officer salary	9,000	9,000	5,894	(3,106)
Legal notices	1,000	1,000	1,324	324
Affordable housing grant	-	5,500	-	(5,500)
Miscellaneous	100	100	-	(100)
Mileage	200	200	-	(200)
Office equipment	200	200	-	(200)
PZC Clerk salary	500	500	-	(500)
Total planning and zoning	19,000	24,500	14,063	(10,437)
Inland Wetlands:				
Wetland Officer salary	5,215	6,815	6,622	(193)
Dues and subscriptions	100	100	-	(100)
DEP	100	100	-	(100)
IWWC Clerk	150	150	-	(150)
Total inland wetlands	5,565	7,165	6,622	(543)
Building Department:				
Building Inspector salary	10,600	10,600	9,969	(631)
State of CT fees	500	500	362	(138)
Mileage	1,250	1,250	476	(774)
Total building department	12,350	12,350	10,807	(1,543)
Declared Emergency:				
Declared emergency expenses	5,000	5,000	-	(5,000)
COVID-19 Miscellaneous	-	-	198	198
Total declared emergency	5,000	5,000	198	(4,802)
Economic Development Commission:				
Mailings	350	350	-	(350)
Supplies	200	200	-	(200)
Events	175	175	-	(175)
Membership & education	175	175	-	(175)
Total economic development commissi	900	900	-	(900)
Total general government	476,732	483,832	443,930	(39,902)

(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, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
CULTURE AND RECREATION				
Recreation:				
Cultural events	\$ 1,261	\$ 1,261	\$ 2,487	\$ 1,226
Sports/Athletics	485	485	961	476
Memorial Day events	485	485	312	(173)
Bowers Park maintenance	970	970	-	(970)
Sanitation	825	825	-	(825)
Total recreation	<u>4,026</u>	<u>4,026</u>	<u>3,760</u>	<u>(266)</u>
Library:				
Director's salary	19,393	19,393	19,291	(102)
Assistant salary	17,320	17,320	12,984	(4,336)
Library books	2,500	2,500	2,640	140
Library software	2,215	2,215	2,115	(100)
Janitorial salary	4,194	4,194	1,840	(2,354)
Internet services	1,680	1,680	1,566	(114)
Telephone	1,164	1,164	1,221	57
Office equipment	480	480	790	310
Fire alarm contract	675	675	684	9
Electronic materials	450	450	522	72
Catalogue support	350	350	350	-
Office supplies	500	500	314	(186)
Library programs	150	150	208	58
Dues/CT Library	175	175	170	(5)
Professional development	250	250	158	(92)
Janitorial supplies	150	150	144	(6)
Mileage	200	200	76	(124)
Total library	<u>51,846</u>	<u>51,846</u>	<u>45,073</u>	<u>(6,773)</u>
Total culture and recreation	<u>55,872</u>	<u>55,872</u>	<u>48,833</u>	<u>(7,039)</u>
PUBLIC SAFETY				
Public Safety:				
Ambulance transport	142,028	187,728	138,795	(48,933)
FIRE/EMS service	84,799	84,799	84,798	(1)
Fire Truck lease payment	40,290	40,290	40,290	-
Non-recurring	13,000	13,000	13,000	-
911 dispatch	4,171	4,171	4,171	-
EMD In-kind services	3,000	3,000	2,873	(127)
Paramedic program services	1,700	1,700	1,710	10
Office of Fire Marshall service	1,500	1,500	580	(920)
Total public safety	<u>290,488</u>	<u>336,188</u>	<u>286,217</u>	<u>(49,971)</u>
Animal Control:				
Animal control	5,267	5,267	5,267	-
Total public safety	<u>295,755</u>	<u>341,455</u>	<u>291,484</u>	<u>(49,971)</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, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Over (Under)
PUBLIC WORKS				
Public Works:				
Capital improvements roads	\$ 75,000	\$ 75,000	\$ 75,000	\$ -
Foreman salary	53,531	60,031	60,980	949
Road assistant salary	41,600	51,100	44,414	(6,686)
Diesel/gasoline	23,000	23,000	24,914	1,914
Capital non-recurring DPW	20,000	20,000	20,000	-
Salt/sand	20,000	13,070	12,276	(794)
Maintenance roads/other	15,000	15,000	10,818	(4,182)
Equipment maintenance	7,500	7,500	9,754	2,254
Highway Supervisor salary	8,291	8,291	8,602	311
Overtime	10,937	10,937	8,534	(2,403)
Propane for buses	-	-	7,920	7,920
Part time seasonal	7,758	7,758	7,698	(60)
Vehicle maintenance	6,000	6,000	6,791	791
New equipment	1,500	1,500	3,134	1,634
Snow removal - contractual	5,820	-	3,130	3,130
Other fuels	1,500	1,500	2,850	1,350
Cemeteries	-	-	2,177	2,177
Tree trimming	3,000	3,000	1,700	(1,300)
Telephone	1,100	1,100	1,613	513
In-kind services - SES	-	-	59	59
Protective gear/clothing	500	500	56	(444)
Annuity - Foreman	2,000	2,000	-	(2,000)
LOCIP projects	63,321	63,321	-	(63,321)
Safety clothing allowance	300	300	-	(300)
Total public works	367,658	370,908	312,420	(58,488)
Building Maintenance:				
Non-recurring building renovations	60,000	60,000	60,000	-
Building maintenance - Town Hall	3,000	3,000	4,708	1,708
Building maintenance - Public	1,250	1,250	4,565	3,315
Pest control	900	900	2,045	1,145
Building maintenance - Town	9,000	9,000	1,804	(7,196)
Building maintenance - Library	1,500	1,500	1,756	256
Building maintenance salary	2,091	2,091	1,711	(380)
Building maintenance - New Town	1,000	1,000	1,275	275
Building maintenance - Old Fire	1,000	1,000	1,061	61
Building maintenance - Grange	1,000	1,000	311	(689)
State of CT boiler permits	400	400	160	(240)
Building maintenance - Old Town	1,000	1,000	110	(890)
Community room maintenance	1,500	1,500	-	(1,500)
Certification	120	120	-	(120)
Mileage	100	100	-	(100)
Total building maintenance	83,861	83,861	79,506	(4,355)
Utilities - Electric:				
Public Safety complex	10,000	10,000	7,924	(2,076)
Town Hall	5,200	5,200	4,761	(439)
Library	6,000	6,000	6,794	794
Street lighting	3,500	3,500	3,352	(148)
New Town garage	3,000	3,000	2,254	(746)
Old Town garage	600	600	414	(186)
Grange Hall	600	600	531	(69)
Town Green	600	600	537	(63)
Bowers Park	600	600	572	(28)
Total utilities-electric	30,100	30,100	27,139	(2,961)

(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, 2022

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
				Over (Under)
PUBLIC WORKS (Continued)				
Utilities - Heat:				
Oil - Public safety complex	\$ 5,500	\$ 9,500	\$ 9,461	\$ (39)
Oil - Library	4,000	6,000	5,440	(560)
Oil - Town Hall	3,000	5,000	4,467	(533)
Oil - Public works	3,000	6,000	3,109	(2,891)
Oil - Grange Hall	1,000	1,000	-	(1,000)
Total utilities -heat	<u>16,500</u>	<u>27,500</u>	<u>22,477</u>	<u>(5,023)</u>
Transfer Station:				
Disposal - Willimantic Waste	50,000	50,000	48,300	(1,700)
Container transit	20,000	20,000	21,274	1,274
Transfer operations	22,000	22,000	18,822	(3,178)
Rental of land and building	16,000	16,000	16,192	192
Dues and fees Mid-Neroc transfer	1,100	1,100	1,942	842
Total transfer station	<u>109,100</u>	<u>109,100</u>	<u>106,530</u>	<u>(2,570)</u>
Total public works	<u>607,219</u>	<u>621,469</u>	<u>548,072</u>	<u>(73,397)</u>
EDUCATION				
Regional School District No. 11	2,107,352	2,107,352	2,102,185	(5,167)
Scotland Elementary	2,364,997	2,364,997	2,308,968	(56,029)
Scotland Elementary - Transfer to Capital	-	-	25,520	25,520
Parish Hill Transportation	82,814	82,814	82,814	-
Total education	<u>4,555,163</u>	<u>4,555,163</u>	<u>4,519,487</u>	<u>(35,676)</u>
DEBT SERVICE				
Principal SES \$2.5m bond	125,000	125,000	125,000	-
Principal SES \$1.3m loan	90,000	90,000	90,000	-
Interest SES \$2.5m bond	35,907	35,907	35,906	(1)
Interest \$1.3m loan	9,554	9,704	9,688	(16)
Total debt service	<u>260,461</u>	<u>260,611</u>	<u>260,594</u>	<u>(17)</u>
 Total expenditures	 <u>\$ 6,251,202</u>	 <u>\$ 6,318,402</u>	 <u>\$ 6,112,400</u>	 <u>\$ (206,002)</u>
				<i>(Concluded)</i>

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF PROPERTY TAXES LEVIED, COLLECTED AND OUTSTANDING
FOR THE YEAR ENDED JUNE 30, 2022

Grand List Year	Uncollected Taxes July 1, 2021	Current Year Levy	Lawful Corrections		Transfer to Suspense	Adjusted Taxes Collectible	Collections		Uncollected Taxes June 30, 2022
			Additions	Deletions			Taxes	Interest & Liens	
2020	\$ -	\$ 4,427,336	\$ 12,811	\$ 26,288	\$ (3,165)	\$ 4,410,694	\$ 4,324,689	\$ 18,348	\$ 86,005
2019	102,880	-	2,400	1,572	(4,064)	99,644	62,631	11,058	37,013
2018	23,735	-	23	68	(8,487)	15,203	9,927	3,784	5,276
2017	10,580	-	-	-	(7,321)	3,259	1,136	665	2,123
2016	1,289	-	-	-	(1,276)	13	-	-	13
2015	-	-	-	-	-	-	-	-	-
2014	-	-	-	-	-	-	-	-	-
2013	105	-	-	-	(105)	-	-	-	-
2012	90	-	-	-	(90)	-	-	-	-
	<u>\$ 138,679</u>	<u>\$ 4,427,336</u>	<u>\$ 15,234</u>	<u>\$ 27,928</u>	<u>\$ (24,508)</u>	<u>\$ 4,528,813</u>	<u>\$ 4,398,383</u>	<u>\$ 33,855</u>	<u>\$ 130,430</u>

TOWN OF SCOTLAND, CONNECTICUT
SCHEDULE OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES, SECTION 7-374(b)
AS OF JUNE 30, 2022

Total cash collections for the year ended
June 30, 2022:

Taxes	\$ 4,398,383
Interest and lien fees	33,855
Total	<u>4,432,238</u>

Reimbursement for revenue loss:

Tax relief (CGS 12-129d)	-
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Base \$ 4,432,238

	<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	\$ 9,972,536	\$ -	\$ -	\$ -	\$ -
4-1/2 times base	-	19,945,071	-	-	-
3-3/4 times base	-	-	16,620,893	-	-
3-1/4 times base	-	-	-	14,404,774	-
3 times base	-	-	-	-	13,296,714
Total debt limitation	<u>9,972,536</u>	<u>19,945,071</u>	<u>16,620,893</u>	<u>14,404,774</u>	<u>13,296,714</u>
Indebtedness:*					
General obligation bonds	-	750,000	-	-	-
Note	-	360,000	-	-	-
Total indebtedness	<u>-</u>	<u>1,110,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 9,972,536</u>	<u>\$18,835,071</u>	<u>\$16,620,893</u>	<u>\$14,404,774</u>	<u>\$13,296,714</u>
Total capacity of borrowing (7 times base)	\$31,025,666				
Total present indebtedness	<u>1,110,000</u>				
Margin for additional borrowing	<u><u>\$29,915,666</u></u>				

* - Excludes financed purchased of capital asset in the amount of \$342,916, which includes a non-appropriation clause.

NONMAJOR GOVERNMENTAL FUNDS

TOWN OF SCOTLAND, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

	Nonmajor Special Revenue Funds							
	Education Grant Fund	Town Aid Road Fund	Library Activities Fund	Affordable Housing Grant Fund	Liquor Surcharge Fund	Dog Fund	Lori Fisher Memorial Fund	Auxiliary Fund
ASSETS								
Cash and cash equivalents	\$ -	\$ 2,000	\$ 10,391	\$ -	\$ -	\$ 6,191	\$ 254	\$ 16,253
Investments	-	-	-	-	-	-	-	-
Grants and contracts receivables	4,804	-	-	11,500	-	-	-	-
Due from other funds	-	104,054	-	-	1,031	577	1,943	-
Total assets	<u>\$ 4,804</u>	<u>\$ 106,054</u>	<u>\$ 10,391</u>	<u>\$ 11,500</u>	<u>\$ 1,031</u>	<u>\$ 6,768</u>	<u>\$ 2,197</u>	<u>\$ 16,253</u>
LIABILITIES								
Accounts payable	\$ 1,998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	2,806	-	-	11,500	-	-	-	315
Total liabilities	<u>4,804</u>	<u>-</u>	<u>-</u>	<u>11,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315</u>
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	106,054	-	-	1,031	-	2,197	-
Committed	-	-	10,391	-	-	6,768	-	15,938
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>106,054</u>	<u>10,391</u>	<u>-</u>	<u>1,031</u>	<u>6,768</u>	<u>2,197</u>	<u>15,938</u>
Total liabilities and fund balances	<u>\$ 4,804</u>	<u>\$ 106,054</u>	<u>\$ 10,391</u>	<u>\$ 11,500</u>	<u>\$ 1,031</u>	<u>\$ 6,768</u>	<u>\$ 2,197</u>	<u>\$ 16,253</u>

TOWN OF SCOTLAND, CONNECTICUT
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (Concluded)
AS OF JUNE 30, 2022

	Nonmajor Special Revenue Funds		Nonmajor Permanent Funds					
	School Activity Fund	Total Special Revenue Funds	D'Elia Library Fund	Library Fund	Cemetery Trust Fund	Rose Khourie Scholarship Fund	Total Permanent Funds	Total Nonmajor Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 14,916	\$ 50,005	\$ 8,858	\$ -	\$ 25,844	\$ -	\$ 34,702	\$ 84,707
Investments	-	-	89,701	4,896	-	-	94,597	94,597
Grants and contracts receivables	-	16,304	-	-	-	-	-	16,304
Due from other funds	-	107,605	-	-	39,933	10,000	49,933	157,538
Total assets	<u>\$ 14,916</u>	<u>\$ 173,914</u>	<u>\$ 98,559</u>	<u>\$ 4,896</u>	<u>\$ 65,777</u>	<u>\$ 10,000</u>	<u>\$ 179,232</u>	<u>\$ 353,146</u>
LIABILITIES								
Accounts payable	\$ -	\$ 1,998	\$ -	\$ -	\$ -	\$ -	-	\$ 1,998
Due to other funds	-	14,621	-	-	-	-	-	14,621
Total liabilities	<u>-</u>	<u>16,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,619</u>
FUND BALANCES								
Nonspendable	-	-	100,000	5,000	64,125	10,000	179,125	179,125
Restricted	14,916	124,198	-	-	1,652	-	1,652	125,850
Committed	-	33,097	-	-	-	-	-	33,097
Unassigned	-	-	(1,441)	(104)	-	-	(1,545)	(1,545)
Total fund balances	<u>14,916</u>	<u>157,295</u>	<u>98,559</u>	<u>4,896</u>	<u>65,777</u>	<u>10,000</u>	<u>179,232</u>	<u>336,527</u>
Total liabilities and fund balances	<u>\$ 14,916</u>	<u>\$ 173,914</u>	<u>\$ 98,559</u>	<u>\$ 4,896</u>	<u>\$ 65,777</u>	<u>\$ 10,000</u>	<u>\$ 179,232</u>	<u>\$ 353,146</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, 2022

	Nonmajor Special Revenue Funds							
	Education Grant Fund	Town Aid Road Fund	Library Activities Fund	Affordable Housing Grant Fund	Liquor Surcharge Fund	Dog Fund	Lori Fisher Memorial Fund	Auxiliary Fund
REVENUES								
Intergovernmental	\$ 329,318	\$ 153,736	\$ 186	\$ 11,500	\$ -	\$ -	\$ -	\$ -
Charges for services	32,295	-	242	-	1,031	1,286	-	8,133
Investment income (loss)	-	-	1	-	-	3	3	5
Other	-	-	8,542	-	-	-	-	2,625
Total revenues	<u>361,613</u>	<u>153,736</u>	<u>8,971</u>	<u>11,500</u>	<u>1,031</u>	<u>1,289</u>	<u>3</u>	<u>10,763</u>
EXPENDITURES								
Current:								
General government	-	-	-	11,500	-	-	-	-
Public works	-	134,911	-	-	-	-	-	-
Public safety	-	-	-	-	-	1,151	-	-
Culture and recreation	-	-	5,992	-	-	-	-	3,997
Education	361,613	-	-	-	-	-	-	-
Total expenditures	<u>361,613</u>	<u>134,911</u>	<u>5,992</u>	<u>11,500</u>	<u>-</u>	<u>1,151</u>	<u>-</u>	<u>3,997</u>
Excess (deficiency) of revenues over expenditures	-	18,825	2,979	-	1,031	138	3	6,766
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	1,275	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	18,825	4,254	-	1,031	138	3	6,766
Fund balances - beginning	-	87,229	6,137	-	-	6,630	2,194	9,172
Fund balances - ending	<u>\$ -</u>	<u>\$ 106,054</u>	<u>\$ 10,391</u>	<u>\$ -</u>	<u>\$ 1,031</u>	<u>\$ 6,768</u>	<u>\$ 2,197</u>	<u>\$ 15,938</u>

TOWN OF SCOTLAND, CONNECTICUT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS *(Concluded)*
FOR THE YEAR ENDED JUNE 30, 2022

	Nonmajor Special Revenue Funds		Nonmajor Permanent Funds					
	School Activity Fund	Total Special Revenue Funds	D'Elia Library Fund	Library Fund	Cemetery Trust Fund	Rose Khourie Scholarship Fund	Total Permanent Funds	Total Nonmajor Governmental Funds
REVENUES								
Intergovernmental	\$ -	\$ 494,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 494,740
Charges for services	-	42,987	-	-	6,950	-	6,950	49,937
Investment income (loss)	-	12	(3,525)	(185)	71	15	(3,624)	(3,612)
Other	15,015	26,182	-	-	-	-	-	26,182
Total revenues	15,015	563,921	(3,525)	(185)	7,021	15	3,326	567,247
EXPENDITURES								
Current:								
General government	-	11,500	-	-	-	-	-	11,500
Public works	-	134,911	-	-	5,775	-	5,775	140,686
Public safety	-	1,151	-	-	-	-	-	1,151
Culture and recreation	-	9,989	272	15	-	-	287	10,276
Education	13,646	375,259	-	-	-	429	429	375,688
Total expenditures	13,646	532,810	272	15	5,775	429	6,491	539,301
Excess (deficiency) of revenues over expenditures	1,369	31,111	(3,797)	(200)	1,246	(414)	(3,165)	27,946
OTHER FINANCING SOURCES (USES)								
Transfers in	-	1,275	-	-	-	-	-	1,275
Transfers out	-	-	(1,211)	(64)	-	-	(1,275)	(1,275)
Total other financing sources	-	1,275	(1,211)	(64)	-	-	(1,275)	-
Net change in fund balances	1,369	32,386	(5,008)	(264)	1,246	(414)	(4,440)	27,946
Fund balances - beginning	13,547	124,909	103,567	5,160	64,531	10,414	183,672	308,581
Fund balances - ending	\$ 14,916	\$ 157,295	\$ 98,559	\$ 4,896	\$ 65,777	\$ 10,000	\$ 179,232	\$ 336,527

(Concluded)