

TOWN OF SALISBURY, CONNECTICUT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

with

SUPPLEMENTAL STATEMENTS AND SCHEDULES

and

INDEPENDENT AUDITORS' REPORT

Sandra E. Welwood, LLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Finance
Town of Salisbury, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Salisbury, Connecticut (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 13 to the financial statements, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB), effective July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 9, and the required supplementary information on pages 47 through 50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The General Fund budgetary comparison detail, combining and individual nonmajor fund financial statements, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The General Fund budgetary comparison detail, combining and individual nonmajor fund financial statements, and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the General Fund budgetary comparison detail, combining and individual nonmajor fund financial statements, and other 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 17, 2018, 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.

Sandra E. Welwood, LLC

Danbury, Connecticut
December 17, 2018

TOWN OF SALISBURY, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018

This Management's Discussion and Analysis offers readers of the Town of Salisbury, Connecticut (the "Town"), financial statements a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. The information presented here should be considered in conjunction with the Town's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

On a government-wide basis, the Town's assets of \$37,097,898 exceeded its liabilities at June 30, 2018, resulting in total net position of \$29,431,483. Total net position for Government Activities was \$28,061,577 at fiscal year-end and total net position for Business-Type Activities was \$1,369,906.

The Town's governmental funds, reported on a current financial resources basis, combined ending fund balance was \$10,416,885, an increase of \$1,571,951 for the year. The General Fund operating increase for the year was \$470,381. The General Fund balance was \$2,875,306, of which \$397,677 was assigned for subsequent year's operations.

The unassigned fund balance was \$1,693,952, which is 12.0% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 private-sector businesses.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two 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 assets 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 these statements for some items that will only result in cash flow in some future fiscal period (e.g., uncollected taxes).

Both of the government-wide financial statements 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 general government, public safety, public works, and recreation. The Business-Type Activities of the Town include the sewer usage enterprise fund.

The government-wide financial statements can be found on pages 10-11 of this report.

Town of Salisbury, Connecticut
Management's Discussion and Analysis (Unaudited) (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 special activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the Town are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements that is the Town's most basic services. However, unlike the government-wide financial statements, the funds focus on (1) cash and other financial resources that can be readily converted to cash flow in and out, and (2) balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a near or short-term view of the Town's finances that may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for the 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 fund Balance Sheet and the governmental fund 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 funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Transfer Station, Other Capital Projects, Twin Lakes, Bauer, Bissell, and Small Cities Funds, which are considered to be major funds. Data from other 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 Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Proprietary Funds – The Town maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for the Sewer Enterprise Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Sewer Commission is the only activity in the proprietary fund financial statements; therefore, is considered a major fund, and information for the fund is shown separately.

The basic proprietary fund statements are found on pages 16-18 of this report.

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

The basic fiduciary fund statements can be found on pages 19-20 of this report.

Town of Salisbury, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

Notes to the Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, over time the change in net position may be a useful indicator of the Town's financial position and an important determinant of its ability to finance services in the future. In the case of the Town, net position is \$29,431,483 at June 30, 2018.

By far the largest portion of the Town's assets is its investment in capital assets (e.g., land, building, machinery, and equipment). It is presented in the Statement of Net Position less any related debt used to acquire those assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets, net of accumulated depreciation, 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.

	<u>Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Current and other assets	\$ 12,080,891	\$ 825,760	\$ 12,906,651
Capital assets, net of accumulated depreciation	<u>23,618,733</u>	<u>572,514</u>	<u>24,191,247</u>
Total assets	<u>35,699,624</u>	<u>1,398,274</u>	<u>37,097,898</u>
<u>Liabilities</u>			
Current liabilities	918,337	28,368	946,705
Long-term liabilities	<u>6,674,825</u>	<u>-</u>	<u>6,674,825</u>
Total liabilities	<u>7,638,047</u>	<u>28,368</u>	<u>7,666,415</u>
<u>Net position</u>			
Net investment in capital assets	17,036,022	572,514	17,608,536
Restricted – Permanent Funds	3,179,028	-	3,179,028
Unrestricted	<u>7,846,527</u>	<u>797,392</u>	<u>8,643,919</u>
Total net position	<u>\$ 28,061,577</u>	<u>\$ 1,369,906</u>	<u>\$ 29,431,483</u>

Town of Salisbury, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

The Town's net position increased by \$1,083,742 overall during the fiscal year with net position of Governmental Activities increasing by \$961,811 and Business-Type Activities increasing by \$121,931. The increase in Governmental Activities is mainly attributable to the General Fund operating surplus.

<u>Change in Net Position</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Revenues</u>			
Program revenue:			
Charges for services	\$ 1,393,229	\$ 546,410	\$ 1,939,639
Operating grants and contributions	1,739,344	-	1,739,344
Capital grants and contributions	1,153,115	-	1,153,115
General revenue:			
Property taxes	14,019,396	-	14,019,396
Grants not restricted to specific programs	46,383	-	46,383
Investment earnings	478,616	6,085	484,701
Other	-	-	-
Total revenues	<u>18,830,083</u>	<u>552,495</u>	<u>19,382,578</u>
<u>Expenses</u>			
General government	2,191,212	-	2,191,212
Public safety	742,526	-	742,526
Public works	1,733,932	-	1,733,932
Sanitation/waste removal	997,868	430,564	1,428,432
Health and welfare	517,520	-	517,520
Recreation	672,675	-	672,675
Other	160,958	-	160,958
Education	10,746,864	-	10,746,864
Interest on long-term debt	104,717	-	104,717
Total expenses	<u>17,868,272</u>	<u>430,564</u>	<u>18,298,836</u>
Change in net position	<u>\$ 961,811</u>	<u>\$ 121,931</u>	<u>\$ 1,083,742</u>

Town of Salisbury, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

Governmental Activities

Approximately 74% of the revenues were derived from property taxes, followed by 15% from operating and capital grants, 7% from service charges, and 4% from all other.

Business-Type Activities

Business-type activities increased the Town's net position by \$121,931. The increase was primarily due to charges for services exceeding operating expenses.

FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

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.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the General Fund total fund balance was \$2,875,306. Of this total fund balance, \$397,677 is assigned for the subsequent year's budget and \$783,677 is restricted, committed, and assigned for other activities. The remaining balance of \$1,693,952 is unassigned.

The fund balance of the Town's General Fund increased by \$470,381 during the current fiscal year. The primary reason for this increase was that fund balance was not used as budgeted.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. The Town has one proprietary fund.

Unrestricted net position of the Sewer Enterprise Fund at the end of the year amounted to \$797,392.

GENERAL FUND BUDGETARY HIGHLIGHTS

Due to revenues being higher than the budgeted amounts and all categories of expenditures being less than budgeted amounts, the Town was able to operate at a surplus of \$1,188,959 in excess of the final budgeted amount.

A statement of revenues and expenditures, budget and actual, can be found on page 15 of this report.

Town of Salisbury, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2018, amounted to \$23,618,733 and \$572,514, respectively. This investment in capital assets included land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

<u>Capital Assets (Net of Accumulated Depreciation)</u>			
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Land	\$ 2,992,466	\$ -	\$ 2,992,466
Construction in progress	5,932,168	292,676	6,224,844
Buildings and improvements	9,293,958	59,579	9,353,537
Machinery and equipment	805,618	208,542	1,014,160
Infrastructure	2,925,410	-	2,925,410
Vehicles	<u>1,669,113</u>	<u>11,717</u>	<u>1,680,830</u>
Total	<u>\$ 23,618,733</u>	<u>\$ 572,514</u>	<u>\$ 24,191,247</u>

Long-Term Obligations

At the end of the current fiscal year, the Town had total outstanding obligations of \$6,674,825 as follows:

<u>Outstanding Obligations</u>			
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
General obligation bonds	\$ 1,985,000	\$ -	\$ 1,985,000
Bond anticipation notes	3,850,000	-	3,850,000
Notes payable	747,711	-	747,711
Net pension liability	<u>92,114</u>	<u>-</u>	<u>92,114</u>
Total	<u>\$ 6,674,825</u>	<u>\$ -</u>	<u>\$ 6,674,825</u>

The Town's total debt had a net increase of \$4,311,281 during the current fiscal year primarily from the issuance of bond anticipation notes.

Additional information on the Town's long-term obligations can be found in Note 9.

ECONOMIC FACTORS FOR NEXT YEAR'S BUDGET

The Towns of Salisbury and Sharon have appointed a Transfer Station Building Committee, which has decided on a design for the new facility. This design has been given to the Towns and has been approved. It is expected that the costs will be approximately \$2,300,000 for each town.

The Town has almost finished with remediation of the former Decker's Laundry site at 17 Perry Street. The State of Connecticut has awarded the Town a STEAP grant for \$500,000 and an EPA Brownfields of \$200,000; these funds will be used for investigation, demolition of the building, and site remediation. The Town does not anticipate additional costs for this project in the next fiscal year.

The WPCA is consulting with engineers to update code requirements at its plant. The project has been bid but not awarded. Costs are expected to be below \$400,000.

The Town has contracted to rebuild the ramps and steps in the front of the Town Hall. Costs are expected to be below \$300,000.

The Town authorized the use of \$397,677 of fund balance from the General Fund for the 2018-2019 fiscal year. The mill rate for the 2018-2019 fiscal year was set at 11.3 mills.

All of the above factors were considered in preparing the Town's budget for the 2018-2019 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview for 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 Office of the Treasurer, Town of Salisbury, 27 Main Street, PO Box 548, Salisbury CT 06068.

TOWN OF SALISBURY, CONNECTICUT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 5,444,177	\$ 775,602	\$ 6,219,779
Investments	5,547,403	-	5,547,403
Receivables:			
Taxes	175,894	-	175,894
Other	283,412	50,158	333,570
Due from Sewer Enterprise Fund	25,448	-	25,448
Long-term receivables	604,557	-	604,557
Capital assets:			
Capital assets, not being depreciated	8,924,634	-	8,924,634
Capital assets, net of accumulated depreciation	14,694,099	572,514	15,266,613
Total assets	35,699,624	1,398,274	37,097,898
<u>Liabilities</u>			
Accounts payable	881,937	2,920	884,857
Due to General Fund	-	25,448	25,448
Accrued interest	44,885	-	44,885
Unearned revenue	36,400	-	36,400
Noncurrent liabilities:			
Due within one year	4,162,714	-	4,162,714
Due in more than one year	2,512,111	-	2,512,111
Total liabilities	7,638,047	28,368	7,666,415
<u>Net Position</u>			
Net investment in capital assets	17,036,022	572,514	17,608,536
Restricted - Permanent Funds	3,179,028	-	3,179,028
Unrestricted	7,846,527	797,392	8,643,919
Total net position	\$ 28,061,577	\$ 1,369,906	\$ 29,431,483

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

TOWN OF SALISBURY, CONNECTICUT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ (2,191,212)	\$ 596,238	\$ 189,193	\$ -	\$ (1,405,781)	\$ -	\$ (1,405,781)
Public safety	(742,526)	57,703	-	-	(684,823)	-	(684,823)
Public works	(1,733,932)	-	285,094	1,153,115	(295,723)	-	(295,723)
Sanitation/waste removal	(997,868)	459,468	197,442	-	(340,958)	-	(340,958)
Health and welfare	(517,520)	171,990	600	-	(344,930)	-	(344,930)
Recreation	(672,675)	43,871	-	-	(628,804)	-	(628,804)
Other	(160,958)	-	-	-	(160,958)	-	(160,958)
Education	(10,746,864)	63,959	1,067,015	-	(9,615,890)	-	(9,615,890)
Interest on long-term debt	(104,717)	-	-	-	(104,717)	-	(104,717)
Total governmental activities	(17,868,272)	1,393,229	1,739,344	1,153,115	(13,582,584)	-	(13,582,584)
Business-Type Activities:							
Sewer	(430,564)	546,410	-	-	-	115,846	115,846
Total primary government	\$ (18,298,836)	\$ 1,939,639	\$ 1,739,344	\$ 1,153,115	(13,582,584)	115,846	(13,466,738)
General revenues:							
Property taxes, interest, and lien fees					14,019,396	-	14,019,396
Grants and contributions not restricted to specific programs					46,383	-	46,383
Interest and investment earnings					478,616	6,085	484,701
Total general revenues					14,544,395	6,085	14,550,480
Change in net position					961,811	121,931	1,083,742
Net position, beginning of year					27,099,766	1,247,975	28,347,741
Net position, end of year					\$ 28,061,577	\$ 1,369,906	\$ 29,431,483

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

TOWN OF SALISBURY, CONNECTICUT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Transfer Station Fund	Other Capital Projects Fund	Twin Lakes Fund	Bauer Fund	Bissell Fund	Small Cities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets									
Cash and cash equivalents	\$ 1,579,558	\$ 277,917	\$ 1,714,490	\$ -	\$ 57,287	\$ 93,191	\$ -	\$ 1,721,734	\$ 5,444,177
Investments	1,490,427	-	-	-	1,746,330	1,861,344	-	449,302	5,547,403
Receivables:									
Taxes	175,894	-	-	-	-	-	-	-	175,894
Other	253,046	-	15,079	-	-	-	-	15,287	283,412
Long-term receivables	-	-	-	-	-	-	604,557	-	604,557
Due from other funds	309,114	-	588,925	-	-	-	-	150	898,189
Total assets	\$ 3,808,039	\$ 277,917	\$ 2,318,494	\$ -	\$ 1,803,617	\$ 1,954,535	\$ 604,557	\$ 2,186,473	\$ 12,953,632
Liabilities									
Accounts payable	\$ 202,546	\$ 41,119	\$ 247,043	\$ 390,993	\$ -	\$ -	\$ -	\$ 236	\$ 881,937
Unearned revenue	-	36,400	-	-	-	-	-	-	36,400
Due to other funds	589,075	16,679	-	266,987	-	-	-	-	872,741
Total liabilities	791,621	94,198	247,043	657,980	-	-	-	236	1,791,078
Deferred Inflows of Resources									
Unavailable revenue - taxes	141,112	-	-	-	-	-	-	-	141,112
Unavailable revenue - long term receivables	-	-	-	-	-	-	604,557	-	604,557
Nonspendable	-	-	-	-	1,353,118	1,413,092	-	412,818	3,179,028
Restricted	51,531	183,719	1,241,471	-	450,499	541,443	-	1,166,699	3,635,362
Committed	584,796	-	829,980	-	-	-	-	583,856	1,998,632
Assigned	545,027	-	-	-	-	-	-	22,864	567,891
Unassigned	1,693,952	-	-	(657,980)	-	-	-	-	1,035,972
Total fund balances	2,875,306	183,719	2,071,451	(657,980)	1,803,617	1,954,535	-	2,186,237	10,416,885
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,808,039	\$ 277,917	\$ 2,318,494	\$ -	\$ 1,803,617	\$ 1,954,535	\$ 604,557	\$ 2,186,473	

Amounts reported in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	23,618,733
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	745,669
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds and notes payable, including related accrued interest	(6,627,596)
Net pension liability	(92,114)
Net position of governmental activities	\$ 28,061,577

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

TOWN OF SALISBURY, CONNECTICUT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Transfer Station Fund	Other Capital Projects Fund	Twin Lakes Fund	Bauer Fund	Bissell Fund	Small Cities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:									
Property taxes	\$ 14,066,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,066,570
Intergovernmental	1,365,885	197,442	1,152,335	-	-	-	-	33,387	2,749,049
Investment earnings	42,758	2,386	15,687	-	170,008	187,392	-	60,385	478,616
Donations	189,193	-	-	-	-	-	-	-	189,193
Local	640,109	459,468	-	-	-	-	31,855	294,252	1,425,684
Total revenues	16,304,515	659,296	1,168,022	-	170,008	187,392	31,855	388,024	18,909,112
Expenditures:									
Current:									
General government	1,891,550	-	-	-	-	-	-	-	1,891,550
Public safety	381,959	-	-	-	-	-	-	241,051	623,010
Public works	1,286,061	-	-	-	-	-	-	-	1,286,061
Sanitation/waste removal	25,812	912,990	-	-	-	-	-	-	938,802
Health and welfare	310,224	-	-	-	-	41,604	-	165,692	517,520
Recreation	637,145	-	-	-	-	-	-	-	637,145
Education	9,526,853	-	-	-	-	-	-	123,726	9,650,579
Other	43,848	-	-	-	113,323	16,268	-	3,575	177,014
Capital outlay	62,696	-	4,886,283	657,980	-	-	-	271,887	5,878,846
Debt service	-	23,045	247,589	-	-	-	-	-	270,634
Total expenditures	14,166,148	936,035	5,133,872	657,980	113,323	57,872	-	805,931	21,871,161
Excess of revenues over (under) expenditures	2,138,367	(276,739)	(3,965,850)	(657,980)	56,685	129,520	31,855	(417,907)	(2,962,049)
Other financing sources (uses):									
Proceeds from issuance of loan and bond anticipation notes	-	-	3,850,000	-	-	-	-	684,000	4,534,000
Transfers in	-	296,160	872,987	-	-	-	-	561,439	1,730,586
Transfers out	(1,667,986)	(50,000)	-	-	-	-	(12,600)	-	(1,730,586)
Total other financing sources (uses)	(1,667,986)	246,160	4,722,987	-	-	-	(12,600)	1,245,439	4,534,000
Net change in fund balances	470,381	(30,579)	757,137	(657,980)	56,685	129,520	19,255	827,532	1,571,951
Fund balances, beginning of year	2,404,925	214,298	1,314,314	-	1,746,932	1,825,015	(19,255)	1,358,705	8,844,934
Fund balances, end of year	\$ 2,875,306	\$ 183,719	\$ 2,071,451	\$ (657,980)	\$ 1,803,617	\$ 1,954,535	\$ -	\$ 2,186,237	\$ 10,416,885

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

TOWN OF SALISBURY, 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, 2018**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	<u>\$ 1,571,951</u>
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period:

Capital outlay	4,791,243
Depreciation expense	<u>(970,327)</u>
	<u>3,820,916</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The details of these differences in the treatment of long-term debt and related items are as follows:

Debt issued or incurred:	
Issuance of debt	(3,850,000)
Issuance of note payable	(684,000)
Principal repayments:	
General obligation bonds	185,000
Notes payable	<u>21,663</u>
	<u>(4,327,337)</u>

Some revenues and expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as revenues and expenditures in governmental funds:

Revenues:	
Taxes, interest and liens	(79,029)
Expenses:	
Net pension liability	16,056
Accrued interest payable	<u>(40,746)</u>
	<u>(103,719)</u>

Change in net position of governmental activities	<u><u>\$ 961,811</u></u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF SALISBURY, CONNECTICUT

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
Revenues:				
Property taxes	\$ 13,950,731	\$ 13,950,731	\$ 14,066,570	\$ 115,839
Intergovernmental	415,227	415,227	338,423	(76,804)
Investment earnings	5,000	5,000	42,758	37,758
Donations	114,450	114,450	189,193	74,743
Local	<u>574,600</u>	<u>574,600</u>	<u>640,109</u>	<u>65,509</u>
Total revenues	<u>15,060,008</u>	<u>15,060,008</u>	<u>15,277,053</u>	<u>217,045</u>
Expenditures:				
Current:				
General government	1,999,417	1,999,417	1,891,550	107,867
Public safety	747,730	747,730	668,398	79,332
Public works	1,494,567	1,494,567	1,286,061	208,506
Sanitation/waste removal	324,160	324,160	321,972	2,188
Health and welfare	358,469	358,469	355,224	3,245
Recreation	649,890	649,890	637,145	12,745
Education	9,150,466	9,150,466	8,549,391	601,075
Other	46,500	46,500	43,848	2,652
Capital outlay	342,000	547,387	593,083	(45,696)
Debt service	<u>460,000</u>	<u>460,000</u>	<u>460,000</u>	<u>-</u>
Total expenditures	<u>15,573,199</u>	<u>15,778,586</u>	<u>14,806,672</u>	<u>971,914</u>
Net change in fund balance	<u>\$ (513,191)</u>	<u>\$ (718,578)</u>	470,381	<u>\$ 1,188,959</u>
Fund balance, beginning of year			<u>2,404,925</u>	
Fund balance, end of year			<u>\$ 2,875,306</u>	

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

TOWN OF SALISBURY, CONNECTICUT

PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Business-Type Activities</u>
	<u>Sewer Enterprise Fund</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 775,602
Sewer usage receivable	50,158
Noncurrent assets:	
Capital assets:	
Depreciable, net of accumulated depreciation	<u>572,514</u>
Total assets	<u>1,398,274</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	2,920
Due to General Fund	<u>25,448</u>
Total liabilities	<u>28,368</u>
<u>Net Position</u>	
Net investment in capital assets	572,514
Unrestricted	<u>797,392</u>
Total net position	<u>\$ 1,369,906</u>

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

TOWN OF SALISBURY, CONNECTICUT

PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities</u>
	<u>Sewer Enterprise Fund</u>
Operating revenues	
Sewer usage fees	\$ 506,977
Intergovernmental revenues	39,433
Total operating revenues	<u>546,410</u>
Operating expenses	
Wages and benefits	233,618
Utilities	40,082
Operating expenses	117,704
Administrative expenses	13,540
Depreciation	25,620
Total operating expenses	<u>430,564</u>
Non-operating income	
Interest income	6,085
Total non-operating income	<u>6,085</u>
Change in net position	121,931
Net position, beginning of year	<u>1,247,975</u>
Net position, end of year	<u>\$ 1,369,906</u>

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

TOWN OF SALISBURY, CONNECTICUT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Business-Type Activities
	Sewer Enterprise Fund
Cash flows from operating activities	
Cash received from the following:	
Sewer usage fees	\$ 502,668
Intergovernmental revenue	39,433
Cash paid for the following:	
Wages and benefits	(233,618)
Utilities	(40,082)
Operating expenses	(102,789)
Administrative expenses	(13,540)
Net cash provided by operating activities	152,072
Cash flows from capital & related investing activities	
Purchases of equipment	(106,720)
Net cash used by capital and related investing activities	(106,720)
Cash flows from investing activities	
Interest income	6,085
Net cash provided by investing activities	6,085
Net increase in cash and cash equivalents	51,437
Cash and cash equivalents, beginning of year	724,165
Cash and cash equivalents, end of year	\$ 775,602
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 115,846
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	25,620
Change in assets and liabilities	
Sewer usage receivable	(4,309)
Accounts payable	(5,088)
Due to General Fund	20,003
Net cash provided by operating activities	\$ 152,072

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

TOWN OF SALISBURY, CONNECTICUT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Pension Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and cash equivalents	\$ -	\$ 33,888
Investments	1,063,779	-
Total assets	<u>1,063,779</u>	<u>33,888</u>
<u>Liabilities</u>		
Due to student groups	-	33,888
Total liabilities	<u>-</u>	<u>33,888</u>
<u>Net Position</u>		
Total net position held in trust for pension benefits	<u>\$ 1,063,779</u>	<u>\$ -</u>

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

TOWN OF SALISBURY, CONNECTICUT

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Pension Trust Fund</u>
Additions:	
Employer contributions	\$ 41,068
Investment income:	
Interest and dividends	26,921
	<u>67,989</u>
Deductions:	
Benefits paid	57,032
Fees and expenses	5,754
	<u>62,786</u>
Change in net position	5,203
Net position, beginning of year	<u>1,058,576</u>
Net position, end of year	<u>\$ 1,063,779</u>

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

TOWN OF SALISBURY, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Town of Salisbury, Connecticut (the “Town”) was incorporated October 1741 under the provisions of the Connecticut General Statutes. It operates under a Board of Selectmen form of government with a Board of Finance, a Board of Education, various other boards and commissions, and provides a full range of services including public safety, public works, health and welfare, parks and recreation, education, and general administrative services to its residents. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

Accounting principles generally accepted in the United States of America require that the reporting entity include: 1) the primary government, 2) organizations for which the primary government is financially accountable, and 3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. 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.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 more significant of the Town’s accounting policies are described below.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effects of interfund activity have been removed from these statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-Type Activities, which rely to a significant extent on fees and charges for support.

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

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

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

The various funds included in the financial statements are described below:

Governmental Funds

General Fund - the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state and federal grants, licenses, permits, charges for services, and interest income.

Special Revenue Funds - account for revenue derived from specific sources (other than capital projects) that are restricted by legal and regulatory provisions to finance specific activities.

Capital Project Funds - account for all financial resources used for the acquisition or construction of capital assets not being financed by proprietary funds.

Permanent Funds - used to report resources that are legally restricted to the extent that only income, and not principal, may be used for purposes that support the Town's programs.

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. The following is the Town's proprietary fund:

Enterprise Fund - accounts for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements. The fiduciary funds are as follows:

Pension Trust Fund - used to account for the activities of the Town's defined benefit plan, which accumulates resources for pension benefit payments to qualified employees.

Agency Funds - account for monies held by the Town as a custodian for outside groups and agencies.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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.

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, charges for services, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the Town or specifically identified.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the funds are charges to customers for services. Operating expenses for the funds include the cost of operations and maintenance, provision for doubtful accounts, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Transfer Station Fund** accounts for financial resources designated for the operation of the Salisbury/Sharon Transfer Station.

The **Other Capital Projects Fund** accounts for smaller, short-term capital projects that are funded through capital grants or General Fund transfers. This fund is also used to account for proceeds of bond anticipation notes and general obligation bonds used for authorized bonded projects such as acquisition and construction of capital facilities, which have not been established in a separate fund.

The **Twin Lakes Fund** was established to account for intergovernmental grants received and expended for the repair of the Twin Lakes road.

The **Bauer Fund** accounts for permanently restricted funds held by the Town and used for general assistance, recreation, and maintenance of Bauer Park as allowed under the fund.

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

The **Bissell Fund** accounts for permanently restricted funds held by the Town to be spent on medical expenses of Town residents.

The **Small Cities Fund** relates to intergovernmental grants received and reflects the Town's activities related to those grants.

Additionally, the Town reports the following major proprietary fund:

The **Sewer Enterprise Fund** accounts for the operations of the Town's waste water treatment system.

Accounting 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 of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Investments

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 for the town are reported at fair value.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Town deposits may not be returned to it. The Town's policy for custodial credit risk is to invest in obligations allowable under the Connecticut General Statutes. In general for most of the funds, this includes deposits in allowable banks, obligations of the United States of America, and obligations of any State or political subdivision, which is tax exempt.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Interest Rate Risk – Interest rate risk is the risk that the Town will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town follows the limitations specified in the Connecticut General Statutes. Generally, the Town's deposits cannot be 75% or more of the total capital of any one depository.

Fair Value Measurements

The Town utilizes the market approach as the valuation technique to measure fair value of its financial assets. GAAP establishes a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity ("observable inputs") and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances ("unobservable inputs") and requires that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuation based on unadjusted quoted prices in active markets for identical assets the Town has the ability to access. Since valuations are based on quoted prices readily and regularly available in an active market, valuation of these assets does not entail significant judgment.
- Level 2 - Valuation based on quoted prices for similar assets in active markets; quoted prices for similar assets in inactive markets; or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the Town's own assumptions about assumptions that market participants might use.

The Town's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The Town has no financial assets measured using Level 2 or Level 3 at June 30, 2018.

Property Taxes

The Town levies property taxes each year on October 1, which are payable in four installments on July 1, October 1, January 1, and April 1. Supplemental motor vehicle taxes are due in full January 1. The bill becomes delinquent 30 days after the installment is due at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under Connecticut State Statutes, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of 15 years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

The Town establishes allowances for uncollectible taxes and interest based on historical collection experience and other factors. As of June 30, 2018, no allowance for uncollectible taxes and interest was considered necessary.

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

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

Long-Term Receivables

The Town administers a loan program for individuals and families in need. Repayment of the loans is deferred, but the loans become due and payable upon sale or transfer of the property, the owner's demise, or when the subject property is no longer the applicant's principal place of residence. The notes may be paid in full or in part by the borrower at any time without penalty. As of June 30, 2018, loans receivable totaled \$604,557 under this program.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable Governmental Activities or Business-Type Activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40 - 50
Building improvements	20
Infrastructure	50
Machinery and equipment	5 - 30
Vehicles	5 - 10

Long-Term Obligations

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

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

Net Pension Liability

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

Unearned Revenue

In the government-wide and fund financial statements, this liability represents resources that have been received but not yet earned.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has no items that qualify for reporting in this category.

Deferred inflows of resources represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports unavailable revenue, which arises only under the modified accrual basis of accounting. The unavailable revenues from property taxes and long-term loans are reported 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.

Fund Equity and Net Position

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

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

Restricted – This category represents external restrictions imposed by creditors, grantors, contributors, laws, or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents the net position of the Town which is not restricted for any project or other purpose.

Governmental Accounting Standards Board Statement #54 (GASB 54) defines the different types of fund balances that the Town must use for its governmental funds. GASB 54 requires the fund balances to be properly reported within one of the following categories for financial reporting purposes.

Nonspendable – fund balance amounts associated with inventories, prepaids, long-term receivables and payables, and amounts that are legally or contractually required to be maintained intact.

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Restricted – fund balance amounts that can be spent only for the specific purposes stipulated by external source providers or enabling legislation.

Committed – fund balance amounts that can be used only for specific purposes determined by a formal action of the Town’s highest level of decision-making authority.

Assigned – fund balance amounts intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed fund balances.

Unassigned – fund balance amounts remaining for the General Fund that are spendable or amounts necessary in other governmental funds to eliminate otherwise negative fund balance amounts in the other four categories.

The Town does not have a formal policy over the use of fund balance. In accordance with GASB 54, the Town will use restricted resources first, then unrestricted resources as needed. Unrestricted resources are used in the following order: committed; assigned; then unassigned.

Note 2 – Budgets and Budgetary Accounting

General Fund

The Town adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- a. A proposed operating budget is submitted for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted in the Town to obtain taxpayer comments.
- c. The budget is legally enacted through passage of ordinance.
- d. The Board of Finance is authorized to transfer budgeted amounts between departments within any fund; however, any major revisions that alter the total expenditures or any fund must be approved at the Town Meeting. No additional appropriations were approved at Town meetings.
- e. Formal budgetary integration is employed as a management control device during the year for the General Fund. Formal budgets are not employed in the other various types of funds of the Town.
- f. The Board of Education, which is not a separate legal entity, but a function of the Town, is authorized under state law to make any transfers within their budget at their discretion.

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

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"). A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented in conformity with accounting principles generally accepted in the United States of America is as follows:

	<u>Fund Balance</u> <u>Beginning</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other</u> <u>Financing</u> <u>Source (Uses)</u>	<u>Fund Balance</u> <u>Ending</u>
GAAP basis	\$ 2,404,925	\$ 16,304,515	\$ (14,166,148)	\$ (1,667,986)	\$ 2,875,306
Reclassifications	-	-	(1,667,986)	1,667,986	-
Teachers' retirement system on behalf payments	-	(1,027,462)	1,027,462	-	-
Budgetary basis	<u>\$ 2,404,925</u>	<u>\$ 15,277,053</u>	<u>\$ (14,806,672)</u>	<u>\$ -</u>	<u>\$ 2,875,306</u>

Special Revenue Funds

The Town does not have legally adopted annual budgets for the Special Revenue Funds. Budgets for the various Special Revenue Funds, which are utilized to account for specific grant and other special programs, are established in accordance with the requirements of the grantor agencies or Town Boards. Such budgets generally carry over until completion of the grants and programs.

Capital Project Funds

Legal authorization for expenditures of the Capital Project Funds is provided by Town ordinances and/or intergovernmental grant agreements. Capital appropriations do not lapse until completion of the applicable projects.

Note 3 – Deposits and Investments

Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at year end:

Governmental funds	\$ 5,444,177
Enterprise fund	775,602
Agency funds	<u>33,888</u>
Total cash and cash equivalents	<u>\$ 6,253,667</u>

The bank balance of the deposits was \$6,295,819 and was exposed to custodial credit risk as follows:

Covered by Federal Depository Insurance	\$ 533,888
Uninsured and collateralized	<u>5,761,931</u>
Total Deposits	<u>\$ 6,295,819</u>

The level of the Town's deposits varied significantly throughout the year as a result of higher cash flows during certain periods of the year. As a result, uninsured, uncollateralized amounts fluctuate during the year.

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Investments

The Town has no formally adopted investment policy that would limit its investment choices due to credit risk other than the State of Connecticut General Statutes that limit investments to obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust (as defined), in obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Governmental fund investments are as follows:

	Fair Value	Maturity not applicable	Investment Maturities (in years)		
			Less Than 1	1-5	5-10
Bank and brokered certificates of deposit	\$ 1,204,788	\$ -	\$ 1,204,788	\$ -	\$ -
U.S. Treasury bonds and notes	317,252	-	317,252	-	-
Corporate bonds and notes	447,689	-	-	447,689	-
Common stock	2,805,090	2,805,090	-	-	-
Mutual funds	<u>772,584</u>	<u>772,584</u>	-	-	-
	<u>\$ 5,547,403</u>	<u>\$ 3,577,674</u>	<u>\$ 1,522,040</u>	<u>\$ 447,689</u>	<u>\$ -</u>

Note 4 – Interfund Receivables, Payables, and Transfers

As of June 30, 2018, interfund receivables and payables were as follows:

	Due From:					
	General Fund	Transfer Station Fund	Twin Lakes Fund	Total Governmental Funds	Sewer Enterprise Fund	Total Funds
Due To:						
General Fund	\$ -	\$ 16,679	\$ 266,987	\$ 283,666	\$ 25,448	\$ 309,114
Other Capital Projects Fund	588,925	-	-	588,925	-	588,925
Nonmajor Governmental Funds	<u>150</u>	<u>-</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>150</u>
	<u>\$ 589,075</u>	<u>\$ 16,679</u>	<u>\$ 266,987</u>	<u>\$ 872,741</u>	<u>\$ 25,448</u>	<u>\$ 898,189</u>

Transfers are used to account for unrestricted revenues collected mainly in the General Fund to finance capital projects and other programs accounted for in other funds in accordance with budget and project authorizations. Interfund transfers were as follows:

	Transfers From:			
	General Fund	Transfer Station Fund	Small Cities Fund	Total Governmental Funds
Transfers To:				
Transfer Station Fund	\$ 296,160	\$ -	\$ -	\$ 296,160
Other Capital Projects Fund	860,387	-	12,600	872,987
Nonmajor Governmental Funds	<u>511,439</u>	<u>50,000</u>	<u>-</u>	<u>561,439</u>
Total Governmental Funds	<u>\$ 1,667,986</u>	<u>\$ 50,000</u>	<u>\$ 12,600</u>	<u>\$ 1,730,586</u>

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Note 5 – Capital Assets

	Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,392,466	\$ 1,600,000	\$ -	\$ 2,992,466
Construction in progress	<u>3,163,741</u>	<u>2,768,427</u>	-	<u>5,932,168</u>
Total capital assets not being depreciated	<u>4,556,207</u>	<u>4,368,427</u>	-	<u>8,924,634</u>
Capital assets being depreciated:				
Buildings and improvements	17,571,275	162,294	-	17,733,569
Machinery and equipment	3,349,905	89,238	-	3,439,143
Infrastructure	4,178,180	-	-	4,178,180
Vehicles	<u>4,763,427</u>	<u>171,284</u>	-	<u>4,934,711</u>
Total capital assets being depreciated	<u>29,862,787</u>	<u>422,816</u>	-	<u>30,285,603</u>
Less accumulated depreciation:				
Buildings and improvements	7,991,231	448,380	-	8,439,611
Machinery and equipment	2,492,868	140,657	-	2,633,525
Infrastructure	1,169,526	83,244	-	1,252,770
Vehicles	<u>2,967,552</u>	<u>298,046</u>	-	<u>3,265,598</u>
Total accumulated depreciation	<u>14,621,177</u>	<u>970,327</u>	-	<u>15,591,504</u>
Capital assets being depreciated, net of depreciation	<u>15,241,610</u>	<u>(547,511)</u>	-	<u>14,694,099</u>
Total governmental activities	<u>\$ 19,797,817</u>	<u>\$ 3,820,916</u>	<u>\$ -</u>	<u>\$ 23,618,733</u>
Business-Type Activities				
Capital assets not being depreciated:				
Construction in progress	<u>\$ 185,956</u>	<u>\$ 106,720</u>	<u>\$ -</u>	<u>\$ 292,676</u>
Capital assets being depreciated:				
Buildings and improvements	639,657	-	-	639,657
Machinery and equipment	429,156	-	-	429,156
Vehicles	<u>37,000</u>	-	-	<u>37,000</u>
Total capital assets being depreciated	<u>1,105,813</u>	-	-	<u>1,105,813</u>
Less accumulated depreciation:				
Building and improvements	578,299	1,779	-	580,078
Machinery and equipment	204,173	16,441	-	220,614
Vehicles	<u>17,883</u>	<u>7,400</u>	-	<u>25,283</u>
Total accumulated depreciation	<u>800,355</u>	<u>25,620</u>	-	<u>825,975</u>
Business-type activities, capital assets, net of depreciation	<u>\$ 491,414</u>	<u>\$ 81,100</u>	<u>\$ -</u>	<u>\$ 572,514</u>

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

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

Governmental Activities:	
General government	\$ 212,059
Public safety	119,516
Recreation	35,530
Sanitation	59,066
Public works	247,871
Education	<u>296,285</u>
Total depreciation expense – governmental activities	<u>\$ 970,327</u>
Business-Type Activities:	
Sewer	<u>\$ 25,620</u>
Total depreciation expense – business-type activities	<u>\$ 25,620</u>

Note 6 – Deficit Fund Balance

As of June 30, 2018, the Twin Lakes Fund reported deficit fund balance of \$657,980. The deficit will be satisfied through transfers from the General Fund and/or grants.

Note 7 – Risk Management

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, natural disaster, and public official liabilities. The Town generally obtains commercial insurance for these risks and any claims have not exceeded commercial coverage.

Note 8 – Contingencies

There are legal actions pending in which the Town is involved. The Town officials are of the opinion that the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect the financial position of the Town.

The Town has agreed to guarantee a loan at a local bank in the name of Salisbury Winter Sports Association, a local nonprofit organization. The amount of the loan is \$140,000. This amount has been put into a separate bank account at the local bank and is included on these financial statements as a reserve fund in Other Capital Projects Fund.

Note 9 – Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 2,170,000	\$ -	\$ (185,000)	\$ 1,985,000	\$ 185,000
Notes payable	85,374	684,000	(21,663)	747,711	127,714
Bond anticipation notes	-	2,250,000	-	2,250,000	2,250,000
Bond anticipation notes	-	1,600,000	-	1,600,000	1,600,000
Net pension liability	<u>108,170</u>	<u>-</u>	<u>(16,056)</u>	<u>92,114</u>	<u>-</u>
	<u>\$ 2,363,544</u>	<u>\$ 4,534,000</u>	<u>\$ (222,719)</u>	<u>\$ 6,674,825</u>	<u>\$ 4,162,714</u>

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

General Obligation Bonds

On May 15, 2017, the Town issued \$2,170,000 of general obligation bonds to pay off the bond anticipation notes. The bonds mature serially through May 15, 2029, and bear interest at an annual rate of 2.250%.

Payments to maturity on the general obligation bonds are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 185,000	\$ 44,663
2020	180,000	40,500
2021	180,000	36,450
2022	180,000	32,400
2023	180,000	28,350
2024	180,000	24,300
2025	180,000	20,250
2026	180,000	16,200
2027	180,000	12,150
2028	180,000	8,100
2029	<u>180,000</u>	<u>4,050</u>
	<u>\$ 1,985,000</u>	<u>\$ 267,413</u>

Bond Anticipation Notes

On November 16, 2017, the Town issued a \$2,250,000 bond anticipation note with a maturity date of November 15, 2018. The note bears annual interest at 0.90% due upon maturity.

On December 14, 2017, the Town issued a \$1,600,000 bond anticipation note with a maturity date of November 15, 2018. The note bears annual interest at 1.37% due upon maturity.

On November 15, 2018, the above were paid off by issuing a new \$3,850,000 bond anticipation note with a maturity date of November 14, 2019.

Notes Payable

The Town financed the purchase of various vehicles and equipment with local banks. As of June 30, 2018, the total balance of the outstanding loans was \$747,711.

Principal retirement is scheduled as follows:

<u>Year Ended</u>	<u>Principal</u>
2019	\$ 127,714
2020	131,328
2021	131,340
2022	115,567
2023	119,074
2024	<u>122,688</u>
	<u>\$ 747,711</u>

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Statutory Debt Limitation

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal, and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2018.

Note 10 – Fund Balances

As of June 30, 2018, governmental fund balances are composed of the following:

	General Fund	Transfer Station Fund	Other Capital Projects Fund	Twin Lakes Fund	Bauer Fund	Bissell Fund	Small Cities Fund	Nonmajor Governmental Fund	Total Governmental Fund
<u>Nonspendable:</u>									
Health and welfare	\$ -	\$ -	\$ -	\$ -	\$ 1,353,118	\$ 1,413,092	\$ -	\$ 412,818	\$ 3,179,028
	-	-	-	-	1,353,118	1,413,092	-	412,818	3,179,028
<u>Restricted:</u>									
Capital projects	-	-	1,241,471	-	-	-	-	139,262	1,380,733
General governments	21,989	-	-	-	-	-	-	-	21,989
Public works	-	-	-	-	-	-	-	321,085	321,085
Public safety	-	-	-	-	-	-	-	494,468	494,468
Sanitation/waste removal	-	183,719	-	-	-	-	-	-	183,719
Health and welfare	-	-	-	-	450,499	541,443	-	211,884	1,203,826
Recreation	29,542	-	-	-	-	-	-	-	29,542
	51,531	183,719	1,241,471	-	450,499	541,443	-	1,166,699	3,635,362
<u>Committed:</u>									
Capital projects	-	-	829,980	-	-	-	-	490,013	1,319,993
Public works	408,070	-	-	-	-	-	-	-	408,070
Public safety	34,068	-	-	-	-	-	-	-	34,068
Sanitation/waste removal	23,833	-	-	-	-	-	-	-	23,833
Health and welfare	118,825	-	-	-	-	-	-	93,843	212,668
	584,796	-	829,980	-	-	-	-	583,856	1,998,632
<u>Assigned</u>									
Subsequent year's budget	397,677	-	-	-	-	-	-	-	397,677
HS tuition	35,254	-	-	-	-	-	-	-	35,254
Unemployment	25,716	-	-	-	-	-	-	-	25,716
General government	43,974	-	-	-	-	-	-	-	43,974
Public works	35,000	-	-	-	-	-	-	-	35,000
Health and welfare	7,406	-	-	-	-	-	-	-	7,406
Education	-	-	-	-	-	-	-	22,864	22,864
	545,027	-	-	-	-	-	-	22,864	567,891
<u>Unassigned</u>	1,693,952	-	-	(657,980)	-	-	-	-	1,035,972
	\$ 2,875,306	\$ 183,719	\$ 2,071,451	\$ (657,980)	\$ 1,803,617	\$ 1,954,535	\$ -	\$ 2,186,237	\$10,416,885

Note 11 – Pension Plan and Benefits Provided

Defined Benefit Pension Plan

Plan Description

The Town has a single employer, noncontributory defined benefit pension plan administered by the Town for eligible employees except certified personnel of the Board of Education who are covered by the State of Connecticut Teachers' Retirement System. The plan is funded through a trust with the MetLife Insurance Company of Connecticut who has authority and discretion to invest the funds of the plan. The Town has the authority to amend benefit provisions. The plan is considered to be a part of the Town's financial reporting entity and is included in the Town's financial statements as a Pension Trust Fund.

All eligible employees hired before January 1, 1997, who have completed one year of service with a minimum of 20 hours per week or five months during the year are eligible for inclusion in the plan. The plan provides that effective January 1, 1994, benefits are fully vested after five years of credited service. Prior to that ten years was required. Normal retirement from Town services is at the earlier of 1) age 60 with 30 years of credited service, or 2) age 65.

Pension benefits for normal retirement under the Town's plan are calculated at 1.5% of average compensation multiplied by the number of years of credited service, less the annual annuity, if any, under MetLife Group annuity contract GR-90562. The plan also contains provisions covering early retirement and pre-retirement death and disability benefits. Any participant who made an election prior to March 31, 1998, to participate in the Town's Defined Contribution Plan had their benefit in this plan frozen as of December 31, 1997. Effective December 31, 2000, a one-time irrevocable election was offered allowing the transfer of the present value of this frozen benefit to the Defined Contribution Plan.

The Town's current pension cost is calculated to reflect the upcoming year's service accrual and to amortize the current unfunded employer past service liability over three years. As of the latest available actuarial valuation date of January 1, 2017, membership consisted of the following:

Terminated employees with vested benefits	1
Current employees:	
Vested with non-frozen benefits	3
Vested with frozen benefits	2

Funding Policy

The contribution requirements of plan members are established and may be amended by the Town. Town employees are not required to contribute to the plan. The Town is required to contribute to the plan at an actuarially determined rate.

Basis of Accounting

The Pension Trust Fund's financial statements are prepared on the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Investments

For the year ended June 30, 2018, the annual money-weighted rate of return on plan investments, net of plan investment expenses, was 4.0%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for changing amounts actually invested.

Investments are valued at fair market value using quoted market prices.

Contribution Requirements

The Town makes annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability, and a prior service amortization payment. Such contribution was \$41,068 for the year ended June 30, 2018, related to covered payroll of \$170,764.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases, including inflation	5.5 Percent
Investment rate of return, net of pension investment expense	7.5 Percent

Mortality rates were based on the 1983 Group Annuity Male Mortality Table with ages set back six years for females.

The long-term expected rate of return on pension investments for each major asset class as of January 1, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Insurance Contract	100.0%	4.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

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

The following presents the Town's net pension liability, calculated using the discount rate of 7.5 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease</u> <u>(6.5%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.5%)</u>	<u>1% Increase</u> <u>(8.5%)</u>
Net pension liability	\$ 170,715	\$ 92,114	\$ 22,913

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources

At June 30, 2018, the Town reported a liability in the government-wide Statement of Net Position for its net pension liability.

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

Total pension liability	\$ 1,163,942
Plan fiduciary net position	<u>1,071,828</u>
Net pension liability	<u>\$ 92,114</u>

January 1, 2017, is the actuarial valuation date upon which the total pension liability is based. There were no changes in assumptions or benefits that affected the measurement of the total pension liability since the prior measurement date.

The changes in the Town's net pension liability are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension</u> <u>Liability</u> <u>(a)</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net Pension</u> <u>Liability</u> <u>(a) – (b)</u>
Balances at 6/30/2017	\$ <u>1,126,065</u>	\$ <u>1,017,895</u>	\$ <u>108,170</u>
Changes for the year:			
Service cost	3,120	-	3,120
Interest	81,205	-	81,205
Differences between expected and actual results	(46,448)	-	(46,448)
Contributions – employer	-	26,639	(26,639)
Contributions – employee	-	-	-
Net investment income	-	27,294	(27,294)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	-	-
Net changes	<u>37,877</u>	<u>53,933</u>	<u>(16,056)</u>
Balances at 6/30/2018	\$ <u>1,163,942</u>	\$ <u>1,071,828</u>	\$ <u>92,114</u>

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

At June 30, 2018, there were no deferred outflows of resources or deferred inflows of resources in its government-wide Statement of Net Position related to pensions.

Defined Contribution Plan

Effective January 1, 1997, the Town established a defined contribution pension plan for eligible employees except certified personnel of the Board of Education who are covered by the State of Connecticut Teachers' Retirement System.

Eligible employees means all employees of the Town hired on and after January 1, 1997, and all non-certified employees of the Salisbury Board of Education hired on and after January 1, 1997, and any employees of the Town and any non-certified employees of the Board of Education hired prior to January 1, 1997, who irrevocably elect, no later than May 5, 1997, or during the period beginning January 1, 1998, and ending March 31, 1998, to cease participation in the defined benefit plan described above, with the accrued benefit earned pursuant to the defined benefit plan (if any) frozen subject to the vesting provisions of that plan as of the later of the effective date of this plan, or the first day of the plan year of that plan in which such election becomes effective.

Effective August 1, 2017, the plan was amended for the Town employees as follows:

- Employees who are participants of the plan may authorize saving contributions as deductions from salary by a specific amount for the Town to contribute to the plan.
- Subject to the eligibility provisions, the Town will make a matching contribution in the amount of 50% of the first \$2,000 of the employee contribution.
- Participants eligible to participate in the plan and who have reached an age of 50 years are eligible to make a catch-up contribution in accordance with IRS regulation Section 414(v).

For the fiscal year ended June 30, 2018, actual contributions by the Town were \$192,534. As of June 30, 2018, there were no securities of the Town or other related parties held in the plan. Due to the nature of the plan there is no unfunded liability. There were 40 participants in the plan at June 30, 2018.

Connecticut Teachers' Retirement System

Description of System

Teachers within the Town's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the "System") is a cost sharing multiple employer defined benefit pension system with a special funding situation. As such, the Town does not have a liability related to participants in the System.

The System is considered a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained at www.ct.gov.

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the System is mandatory for

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement System (TIAA-CREF).

Benefits Provided

The benefits provided to participants by the System are as follows:

Normal Benefit: A member 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 is eligible for vested benefits of 2% of average annual salary times years of credited service (maximum benefit is 75% of average annual salary.)

Early Retirement: A member with 25 years of Credited Service, including at least 20 years of Connecticut public school service, or age 55 with 20 years of Credited Service including 15 years of Connecticut service. The early retirement factors currently in effect are 6% per year for the first five years by which early retirement precedes the minimum normal retirement age and 4% per year for the next five years by which early retirement precedes the minimum normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% for each year by which early retirement precedes the minimum retirement age.

Prorated Benefit: A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60. The benefit is 2% less 0.1% for each year less than 20 years of average annual salary times years of credited service.

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

Contribution Requirements

The pension contributions made by the State to the System are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z.

Participants are required to contribute 6.00% (7.00% effective January 1, 2018) of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2017/2018 school year, \$165,186 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The covered payroll for the Town is \$2,504,318. The Town had 33 active participants in the System at June 30, 2018.

Employers are not required to contribute to the System. The Town does not contribute to the plan.

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following key actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 Percent
Salary increases, including inflation	3.25-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	8.00 Percent

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on pension 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 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Core fixed income	7.0%	1.3%
High yield bonds	5.0%	3.9%
Emerging market bond	5.0%	3.7%
Inflation linked bond fund	3.0%	1.0%
Cash	<u>6.0%</u>	0.4%
Total	<u><u>100.0%</u></u>	

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Discount Rate

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

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

The following presents the Town's proportionate share of the net pension liability of the System, calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate.

	<u>1% Decrease</u> <u>(7.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(8.00%)</u>	<u>1% Increase</u> <u>(9.00%)</u>
Sensitivity of the system's proportionate share of the net pension liability related to the Town	\$ 8,251,634	\$ 8,052,261	\$ 6,338,733

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources

The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the net pension liability that was associated with the Town was \$8,052,261 and 100% of the collective net pension liability is allocated to the State.

June 30, 2016, is the actuarial valuation date upon which the total pension liability is based. The total pension liability is determined as of June 30, 2017, using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The procedure was used to determine the System's total pension liability as of June 30, 2017, which is the measurement date.

The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2018, the Town recognized \$931,409 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

Note 12 – Connecticut State Teachers’ Other Post Employment Benefits (OPEB)

Description of the Plan

Teachers within the Town’s school system participate in a retirement system administered by the Connecticut State Teachers’ Retirement Board, which includes the Retiree Health Insurance Plan (Connecticut State Teachers’ OPEB). This Connecticut State Teachers’ OPEB is a cost sharing multiple employer defined benefit OPEB plan with a special funding situation. As such, the Town does not have a liability related to participants in the Connecticut State Teachers’ OPEB.

The Connecticut State Teachers’ OPEB is considered a part of the State of Connecticut financial reporting entity and is included in the State’s financial reports as a trust fund. Those reports may be obtained at www.ct.gov.

The Connecticut State Teachers’ OPEB is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate.

Eligibility

Teachers and Administrators (Certified) – A Teacher or Administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse.

Normal Retirement for Teachers and Administrators is the earliest of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early Retirement is the earliest of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.

Not Certified – A retired employee shall be eligible to receive health benefits for self and spouse.

Benefit Provisions

Any member that is currently receiving a retirement or disability benefit is eligible to participate in the Connecticut State Teachers’ OPEB. There are two types of the health care benefits offered. Subsidized Local School Town Coverage provides a subsidy paid to members still receiving coverage through their former employer and the CTRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School Town 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.

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

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.

Contributions

The Connecticut State Teachers' OPEB contributions made by the State are determined on an actuarial reserve basis.

Participants are required to contribute 1.25% of their annual salary rate to the Connecticut State Teachers' OPEB as required by CGS Section 10-183b (7). For the 2017/2018 school year, \$31,304 mandatory contributions were deducted from the salaries of teachers who were participants of the Connecticut State Teachers' OPEB during that school year. The covered payroll for the Town is \$2,504,318. The Town had 33 active participants in the Connecticut State Teachers' OPEB at June 30, 2018.

Employers are not required to contribute to the Connecticut State Teachers' OPEB. The Town does not contribute to the plan.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Reporting Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal, level percent of salary
Salary increases	3.25% to 6.50%
Inflation rate	3.25%
Discount rate	3.56% as of June 30, 2018 and 3.01% as of June 30, 2017, which is based on the 20-bond Municipal Index as of the measurement date
Healthcare cost trend rates	7.25% for 2017 decreasing to an ultimate rate of 5.00% by 2022
Mortality rates	Based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015.

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

The long-term expected rate of return on 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 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. treasuries (cash equivalents)	<u>100.0%</u>	2.75%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	<u>1% Decrease (2.56%)</u>	<u>Discount rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
Sensitivity of the plan's proportionate share of the net OPEB liability related to the Town	\$ 2,497,762	\$ 2,072,556	\$ 1,738,222

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's net 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</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Sensitivity of the plan's proportionate share of the net OPEB liability related to the Town	\$ 1,706,461	\$ 2,072,556	\$ 2,565,458

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

OPEB liabilities, OPEB expense, and deferred inflows/outflows of resources related to OPEB

The State makes all contributions to the Connecticut State Teachers' OPEB on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 75 and the State is treated as a non-employer contributing entity in the Connecticut State Teachers' OPEB. Since the districts do not contribute directly to the Connecticut State Teachers' OPEB, there is no net OPEB liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the State's net OPEB liability that was associated with the Town was \$2,072,556 and 100 percent of the collective net OPEB liability is allocated to the State. The Town's proportionate share of the OPEB liability is zero.

June 30, 2016, is the actuarial valuation date upon which the total OPEB liability is based. The total OPEB liability is determined as of June 30, 2017, using standard roll forward techniques.

The Town recognized the OPEB expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective OPEB expense associated with the Town. For the fiscal year ended June 30, 2018, the Town recognized \$96,053 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

Note 13 – Adoption of New Accounting Standard

Effective July 1, 2017, the Town adopted the provisions of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions (GASB Statement No. 75). This statement establishes new accounting and financial reporting requirements for OPEB plans and replaces the requirements of GASB Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The Town adopted GASB Statement No. 75 during the current fiscal year for the Connecticut State Teachers' OPEB plan. The adoption of this statement requires the Town to report revenue and expense to reflect the payments made by the State on behalf of the Town and requires significant additional footnote disclosures regarding OPEB.

Note 14 – Recently Issued Accounting Standards

In November 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2018. The Town does not expect this statement to have a material effect on its financial statements.

In April 2018, the GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct

Town of Salisbury, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2018. The Town does not expect this statement to have a material effect on its financial statements.

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town has not yet determined the impact that this statement might have on its financial statements.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town has not yet determined the impact that this statement might have on its financial statements.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of the capital asset. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town does not expect the impact of this statement will be material to its financial statements.

Note 15 – Subsequent Event

On November 15, 2018, the Town paid off the bond anticipation notes outstanding at June 30, 2018 of \$3,850,000 by issuing a new bond anticipation note with a maturity date of November 14, 2019. The note bears annual interest of 2.75%.

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

TOWN OF SALISBURY, CONNECTICUT

**PENSION TRUST FUND
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service cost	\$ 3,120	\$ 3,010	\$ 2,867	\$ 8,396	\$ 8,107
Interest	81,205	78,563	76,220	72,331	67,686
Difference between expected and actual results	(46,448)	(47,989)	(23,342)	(9,865)	-
Benefit payments	-	-	-	-	(25,768)
Net change in total pension liability	37,877	33,584	55,745	70,862	50,025
Total pension liability - beginning	<u>1,126,065</u>	<u>1,092,481</u>	<u>1,036,736</u>	<u>965,874</u>	<u>915,849</u>
Total pension liability - ending	<u>\$ 1,163,942</u>	<u>\$ 1,126,065</u>	<u>\$ 1,092,481</u>	<u>\$ 1,036,736</u>	<u>\$ 965,874</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 26,639	\$ 44,278	\$ 62,983	\$ 76,052	\$ 82,216
Net investment income	27,294	34,262	33,092	27,590	24,669
Benefit payments	-	-	-	-	(25,768)
Administrative expenses	-	-	-	-	-
Net change in plan fiduciary net position	53,933	78,540	96,075	103,642	81,117
Plan fiduciary net position - beginning	<u>1,017,895</u>	<u>939,355</u>	<u>843,280</u>	<u>739,638</u>	<u>658,521</u>
Plan fiduciary net position - ending	<u>\$ 1,071,828</u>	<u>\$ 1,017,895</u>	<u>\$ 939,355</u>	<u>\$ 843,280</u>	<u>\$ 739,638</u>
Net pension liability - ending	<u>\$ 92,114</u>	<u>\$ 108,170</u>	<u>\$ 153,126</u>	<u>\$ 193,456</u>	<u>\$ 226,236</u>
Plan fiduciary net position as a percent of the total pension liability	<u>92.09%</u>	<u>90.39%</u>	<u>85.98%</u>	<u>81.34%</u>	<u>76.58%</u>
Covered payroll	<u>\$ 170,676</u>	<u>\$ 170,764</u>	<u>\$ 161,287</u>	<u>\$ 156,328</u>	<u>\$ 152,515</u>
Net pension liability as a percent of covered payroll	<u>53.97%</u>	<u>63.34%</u>	<u>94.94%</u>	<u>123.75%</u>	<u>148.34%</u>

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

**PENSION TRUST FUND
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF CONTRIBUTIONS**

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 41,068	\$ 26,639	\$ 44,278	\$ 62,983	\$ 76,052
Contribution in relation to the actuarially determined contribution	41,068	26,639	44,278	62,983	76,052
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 170,676	\$ 170,764	\$ 161,287	\$ 156,328	\$ 152,515
Contribution as a percent of covered payroll	24.06%	15.60%	27.45%	40.29%	49.87%

Notes to Schedule

Valuation Date	1/1/2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % of payroll, open
Remaining Amortization Period	3 Years
Asset Valuation Method	Fair Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Projected Salary Increases	5.5%
Mortality	1983 Group Annuity Male Mortality Table with ages set back 6 years for females

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>8,052,261</u>	<u>8,495,197</u>	<u>6,518,289</u>	<u>6,024,852</u>
Total	<u>\$ 8,052,261</u>	<u>\$ 8,495,197</u>	<u>\$ 6,518,289</u>	<u>\$ 6,024,852</u>
Town's covered-employee payroll	<u>\$ 2,504,318</u>	<u>\$ 2,426,407</u>	<u>\$ 2,355,583</u>	<u>\$ 2,210,414</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
System fiduciary net position as a percentage of the total pension liability	<u>55.93%</u>	<u>52.26%</u>	<u>59.50%</u>	<u>61.51%</u>

Notes to Connecticut State Teachers' Retirement System

Method and Assumptions used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	20.4 years
Asset valuation method	4-year smoothed market
Inflation	2.75 percent
Salary increase	3.25-6.50 percent, including inflation
Investment rate of return	8.00 percent, net of investment related expense

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

**CONNECTICUT STATE TEACHERS' OTHER POST EMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

	<u>2018</u>
Town's proportion of the net OPEB liability	0.00%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	<u>2,072,556</u>
Total	<u>\$ 2,072,556</u>
Town's covered-employee payroll	<u>\$ 2,504,318</u>
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>0.00%</u>
System fiduciary net position as a percentage of the total OPEB liability	<u>1.79%</u>

See accompanying Independent Auditors' Report.

**SUPPLEMENTAL
STATEMENTS AND SCHEDULES**

TOWN OF SALISBURY, CONNECTICUT

GENERAL FUND
 SCHEDULE OF REVENUES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 13,950,731	\$ 13,950,731	\$ 14,066,570	\$ 115,839
Intergovernmental:				
Education Cost Sharing (ECS)	2,308	2,308	6,946	4,638
Mashantucket Pequot Grant	8,929	8,929	8,929	-
State in lieu of taxes	-	-	99	99
Special education	84,849	84,849	-	(84,849)
Federal in lieu of taxes	4,870	4,870	5,270	400
Revenue sharing	29,897	29,897	-	(29,897)
Veterans Tax Relief	-	-	1,421	1,421
Other grants	-	-	30,596	30,596
Totally disabled	-	-	68	68
Town aid road	284,374	284,374	285,094	720
	<u>415,227</u>	<u>415,227</u>	<u>338,423</u>	<u>(76,804)</u>
Investment earnings	<u>5,000</u>	<u>5,000</u>	<u>42,758</u>	<u>37,758</u>
Donations	<u>114,450</u>	<u>114,450</u>	<u>189,193</u>	<u>74,743</u>
Local:				
Stickers - resident	95,000	95,000	83,417	(11,583)
Town Clerk fees	30,000	30,000	23,523	(6,477)
Copies	8,000	8,000	11,288	3,288
Construction permit fees	190,000	190,000	155,358	(34,642)
Conveyance taxes	100,000	100,000	150,797	50,797
Vitals	5,000	5,000	11,598	6,598
Zoning and ZBA	5,000	5,000	5,605	605
Miscellaneous fees	5,000	5,000	7,314	2,314
License and permit fees	600	600	1,589	989
Document preservation	-	-	2,159	2,159
Other local revenue	-	-	32,782	32,782
Recreation program	38,000	38,000	43,871	5,871
Telephone access	28,000	28,000	22,356	(5,644)
Cell tower rent	32,000	32,000	46,597	14,597
Building rental	5,000	5,000	8,855	3,855
194 Main Street rent	33,000	33,000	33,000	-
	<u>574,600</u>	<u>574,600</u>	<u>640,109</u>	<u>65,509</u>
Total revenues	<u>\$ 15,060,008</u>	<u>\$ 15,060,008</u>	<u>\$ 15,277,053</u>	<u>\$ 217,045</u>

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
General Government:					
Selectmen - salaries and expenses	\$ 103,454	\$ -	\$ 103,454	\$ 102,481	\$ 973
Selectmen - secretary	45,809	-	45,809	48,465	(2,656)
Probate court	9,426	-	9,426	9,426	-
Registrar of Voters	30,847	-	30,847	27,227	3,620
Board of Finance	15,500	-	15,500	11,221	4,279
Audit and accounting	11,700	-	11,700	11,515	185
Assessor - salary and expenses	83,170	-	83,170	75,431	7,739
Board of Tax Review	2,750	-	2,750	-	2,750
Tax Collector - salary and expenses	83,920	-	83,920	84,638	(718)
Town Treasurer - salary and expenses	93,018	-	93,018	81,130	11,888
Legal fees and services	56,000	-	56,000	82,543	(26,543)
Town Clerk - salary and expenses	126,564	-	126,564	116,660	9,904
Planning & Zoning Commission	51,280	-	51,280	48,301	2,979
Zoning Board of Appeals	3,335	-	3,335	2,844	491
Town Hall operations	74,279	-	74,279	75,570	(1,291)
Town Hall expenses	54,700	-	54,700	57,102	(2,402)
Pension plan	180,000	-	180,000	145,873	34,127
Longevity	15,765	-	15,765	20,622	(4,857)
FICA taxes	130,100	-	130,100	124,058	6,042
Health benefits	664,325	-	664,325	612,760	51,565
Workers' compensation	50,464	-	50,464	43,328	7,136
Life/disability insurance	11,934	-	11,934	9,493	2,441
Unemployment compensation	2,500	-	2,500	1,274	1,226
Other insurance	55,000	-	55,000	56,232	(1,232)
Council of Small Towns	725	-	725	725	-
CT Conference of Municipalities	2,770	-	2,770	2,768	2
NW Region Council of Government	2,932	-	2,932	2,910	22
Housatonic River Commission	350	-	350	350	-
Street lighting	23,000	-	23,000	24,040	(1,040)
Conservation Commission	13,550	-	13,550	12,563	987
Other	250	-	250	-	250
	<u>1,999,417</u>	<u>-</u>	<u>1,999,417</u>	<u>1,891,550</u>	<u>107,867</u>
Public Safety:					
Volunteer pension	35,000	-	35,000	18,952	16,048
Emergency preparedness	2,500	-	2,500	2,500	-
Fire protection	286,450	-	286,450	286,439	11
Litchfield County Dispatch	42,000	-	42,000	39,400	2,600
Building Official expenses	83,668	-	83,668	73,481	10,187
Fire Marshal	30,920	-	30,920	24,827	6,093
Police protection	241,838	-	241,838	207,031	34,807
Civil Defense	5	-	5	-	5
SARA	5	-	5	-	5
Dog Warden	16,344	-	16,344	10,002	6,342
Water patrol - Twin Lakes	9,000	-	9,000	5,766	3,234
	<u>747,730</u>	<u>-</u>	<u>747,730</u>	<u>668,398</u>	<u>79,332</u>

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Public Works:					
General maintenance	\$ 721,843	\$ -	\$ 721,843	\$ 683,544	\$ 38,299
Engineering studies	4,000	-	4,000	-	4,000
Snow and ice removal	213,600	-	213,600	202,063	11,537
Highway materials	5,700	-	5,700	3,801	1,899
Town garage	45,050	-	45,050	39,846	5,204
Road work	200,000	-	200,000	44,971	155,029
Tree Care Program	20,000	-	20,000	27,462	(7,462)
Town aid road	284,374	-	284,374	284,374	-
	<u>1,494,567</u>	<u>-</u>	<u>1,494,567</u>	<u>1,286,061</u>	<u>208,506</u>
Sanitation/Waste Removal:					
Transfer station	296,160	-	296,160	296,160	-
SSRRA	25,000	-	25,000	25,000	-
Recycling center	3,000	-	3,000	812	2,188
	<u>324,160</u>	<u>-</u>	<u>324,160</u>	<u>321,972</u>	<u>2,188</u>
Health and Welfare:					
Conservation of Health:					
Public Health Nursing Assoc.	114,311	-	114,311	114,311	-
Housatonic Mental Health Center	17,076	-	17,076	17,076	-
NWRMH	412	-	412	400	12
TAHD Screening	25,120	-	25,120	25,118	2
Elderly Services	40,205	-	40,205	39,036	1,169
Drug and Alcohol Testing	500	-	500	-	500
	<u>197,624</u>	<u>-</u>	<u>197,624</u>	<u>195,941</u>	<u>1,683</u>
Welfare:					
Youth Services Bureau	13,980	-	13,980	13,980	-
General assistance	31,785	-	31,785	31,518	267
Susan B. Anthony	2,124	-	2,124	2,124	-
Womens Emergency Services	2,124	-	2,124	2,124	-
Summer work program	15,000	-	15,000	15,000	-
Extras	5	-	5	-	5
NW Transportation District	2,186	-	2,186	2,186	-
Housatonic Day Care Center	41,667	-	41,667	41,667	-
Geer Adult Care	14,500	-	14,500	14,500	-
NW Chore	2,124	-	2,124	2,124	-
Housatonic Valley Association	250	-	250	250	-
NW CT Reg Housing	100	-	100	100	-
Housing Coordinator	35,000	-	35,000	33,710	1,290
	<u>160,845</u>	<u>-</u>	<u>160,845</u>	<u>159,283</u>	<u>1,562</u>
Total health and welfare	<u>358,469</u>	<u>-</u>	<u>358,469</u>	<u>355,224</u>	<u>3,245</u>

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Recreation:					
Scovill Memorial Library	\$ 178,385	\$ -	\$ 178,385	\$ 178,385	\$ -
Lake management	97,000	-	97,000	96,977	23
Ball field	16,910	-	16,910	21,038	(4,128)
Recreation Commission	119,188	-	119,188	109,941	9,247
Town Grove - expenses	208,783	-	208,783	204,957	3,826
Recreation building - Town Grove	23,500	-	23,500	21,662	1,838
Christmas lighting	2,124	-	2,124	2,124	-
Memorial Day	4,000	-	4,000	2,061	1,939
	<u>649,890</u>	<u>-</u>	<u>649,890</u>	<u>637,145</u>	<u>12,745</u>
Other:					
Cemeteries	2,000	-	2,000	3,150	(1,150)
Historic District Commission	2,500	-	2,500	11,339	(8,839)
Sundries	5,000	-	5,000	3,310	1,690
Community information	10,000	-	10,000	11,957	(1,957)
Municipal development	27,000	-	27,000	14,092	12,908
	<u>46,500</u>	<u>-</u>	<u>46,500</u>	<u>43,848</u>	<u>2,652</u>
Debt Service:					
Refunding costs	460,000	-	460,000	460,000	-
	<u>460,000</u>	<u>-</u>	<u>460,000</u>	<u>460,000</u>	<u>-</u>
Education:					
Certified staff	2,429,446	-	2,429,446	2,388,387	41,059
Coaching	11,528	-	11,528	11,528	-
Extra duty	21,682	-	21,682	21,051	631
Substitutes	37,786	-	37,786	65,482	(27,696)
Para professionals	163,882	-	163,882	125,517	38,365
Other-ell/504	5,500	-	5,500	13,028	(7,528)
Principal	125,782	-	125,782	122,000	3,782
Secretarial	86,320	-	86,320	86,278	42
Secretarial o-t	1,481	-	1,481	1,486	(5)
Custodial	242,731	-	242,731	243,826	(1,095)
Custodial o-t	4,059	-	4,059	4,397	(338)
Board clerk	56,492	-	56,492	56,492	-
Board clerk o-t	2,172	-	2,172	3,347	(1,175)
Computer technician	34,598	-	34,598	34,337	261
Health ins. Teachers	554,639	-	554,639	494,666	59,973
Health ins. Support	174,214	-	174,214	156,479	17,735
Pension	50,070	-	50,070	51,461	(1,391)
Life insurance	9,279	-	9,279	9,624	(345)
FICA & Medicare	89,391	-	89,391	88,584	807
Tuition reimbursement	14,867	-	14,867	8,034	6,833
Unemployment	500	-	500	-	500
Workers compensation	18,848	-	18,848	20,386	(1,538)

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Education (continued):					
Instructional	\$ 11,618	\$ -	\$ 11,618	\$ 13,269	\$ (1,651)
Curr dev/training	15,000	-	15,000	7,875	7,125
Tech training	1,000	-	1,000	-	1,000
Testing-students	2,422	-	2,422	1,942	480
Tuition-summer school	10,000	-	10,000	8,840	1,160
Title one	60,000	-	60,000	72,500	(12,500)
Tutor/homebound/outplaced	15,000	-	15,000	12,366	2,634
Nurse services	58,997	-	58,997	58,997	-
Medical advisor	600	-	600	600	-
Referee/interschool	3,150	-	3,150	2,340	810
Network support	59,976	-	59,976	58,800	1,176
Tech contracts	52,813	-	52,813	49,066	3,747
Leasing contracts	16,606	-	16,606	19,194	(2,588)
Transp contract	365,120	-	365,120	365,164	(44)
Transp-field trips	27,755	-	27,755	24,795	2,960
Transp-athletics	3,558	-	3,558	3,161	397
Lunch program	20,031	-	20,031	25,088	(5,057)
Aesop	1,264	-	1,264	1,202	62
Travel-prof staff	950	-	950	1,704	(754)
BOE approved programs	1,200	-	1,200	361	839
Consultant/engineer	2,000	-	2,000	1,800	200
Audit	6,500	-	6,500	3,500	3,000
Legal fees	10,000	-	10,000	8,400	1,600
Enumerator	1,484	-	1,484	1,484	-
Cleaning	350	-	350	351	(1)
Copier overages	1,000	-	1,000	80	920
Insurance	19,046	-	19,046	16,204	2,842
Insurance-sports	600	-	600	716	(116)
Dues & fees	7,520	-	7,520	4,499	3,021
Classified ads	750	-	750	395	355
Internet	7,400	-	7,400	4,520	2,880
Postage	2,000	-	2,000	1,321	679
Printing	500	-	500	262	238
Telephone	8,800	-	8,800	12,258	(3,458)
Water & sewer	6,563	-	6,563	7,091	(528)
Maintenance contracts	27,559	-	27,559	21,759	5,800
Oil burners	4,972	-	4,972	4,572	400
Heating controls	12,822	-	12,822	12,822	-
Snow plowing	8,500	-	8,500	8,500	-
Asbestos management	3,300	-	3,300	2,800	500
Rubbish removal	10,020	-	10,020	10,070	(50)
Travel-BOE	1,000	-	1,000	593	407
Grounds	29,175	-	29,175	19,376	9,799
Emergency	2,000	-	2,000	-	2,000
Misc. Purchased service	500	-	500	-	500
Repairs	2,700	-	2,700	2,122	578
Art	4,000	-	4,000	3,876	124

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Education (continued):					
Enrichment	\$ 773	\$ -	\$ 773	\$ 773	\$ -
Language arts	7,000	-	7,000	6,019	981
Math	7,500	-	7,500	7,727	(227)
Music	1,583	-	1,583	1,503	80
Physical education	865	-	865	491	374
Science	1,622	-	1,622	1,424	198
Social studies	1,000	-	1,000	955	45
Special education	1,990	-	1,990	566	1,424
Technology	1,050	-	1,050	1,173	(123)
World language	1,700	-	1,700	740	960
Textbooks	3,459	-	3,459	2,895	564
Library books	7,600	-	7,600	5,459	2,141
Magazines/periodicals	1,000	-	1,000	444	556
Professional materials	1,100	-	1,100	753	347
Special innovative	1,050	-	1,050	-	1,050
Nurse	1,200	-	1,200	620	580
Coaching	2,900	-	2,900	2,923	(23)
Gen supplies	22,260	-	22,260	17,717	4,543
Library/media	900	-	900	847	53
AV/technology	1,800	-	1,800	2,403	(603)
Replace tech/comp	13,256	-	13,256	12,725	531
Heating fuel-lower building	18,000	-	18,000	12,240	5,760
Heating fuel-upper building	54,000	-	54,000	49,515	4,485
Electric-lower building	17,500	-	17,500	20,940	(3,440)
Electric-upper building	70,300	-	70,300	74,146	(3,846)
Propane-non kitchens	900	-	900	629	271
Custodial	22,157	-	22,157	11,535	10,622
Maintenance	15,923	-	15,923	15,496	427
Office	3,270	-	3,270	2,247	1,023
BOE	1,200	-	1,200	1,850	(650)
Graduation	2,000	-	2,000	1,976	24
Meeting	2,400	-	2,400	2,196	204
Code compliance	50	-	50	-	50
Site improvements	5,000	-	5,000	4,723	277
Repairs	10,880	-	10,880	6,598	4,282
Repairs - lower building	7,500	-	7,500	6,470	1,030
Improvement	-	-	-	293	(293)
Furniture/fixtures - upper building	5,700	-	5,700	5,700	-
Repairs - upper building	10,000	-	10,000	6,543	3,457
Transfers	10	-	10	-	10

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

GENERAL FUND
 SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Education (continued):					
Capital reserve	\$ 50,000	\$ -	\$ 50,000	\$ 50,000	\$ -
HVRHS	1,853,335	-	1,853,335	1,830,647	22,688
Teachers' pension	389,052	-	389,052	-	389,052
Pupil services	1,263,496	-	1,263,496	1,260,759	2,737
RSSC	222,797	-	222,797	233,706	(10,909)
	<u>9,150,466</u>	<u>-</u>	<u>9,150,466</u>	<u>8,549,391</u>	<u>601,075</u>
Capital Outlay:					
Railroad Station repairs	5,000	-	5,000	3,123	1,877
Highway equipment	200,000	-	200,000	200,000	-
Bridge repairs	10,000	-	10,000	10,000	-
Municipal building	40,000	-	40,000	40,000	-
Municipal improvements	75,000	-	75,000	77,819	(2,819)
New fire house	12,000	-	12,000	24,301	(12,301)
Old fire house	-	-	-	1,430	(1,430)
Housing study	-	-	-	2,750	(2,750)
Perry Street	-	-	-	6,871	(6,871)
194 warehouse	-	-	-	4,585	(4,585)
194 upper rental	-	-	-	1,374	(1,374)
Fitting house	-	-	-	6,437	(6,437)
Miscellaneous	-	-	-	9,006	(9,006)
Education	-	205,387	205,387	205,387	-
	<u>342,000</u>	<u>-</u>	<u>547,387</u>	<u>593,083</u>	<u>(45,696)</u>
Total expenditures	<u>\$ 15,573,199</u>	<u>\$ -</u>	<u>\$ 15,778,586</u>	<u>\$ 14,806,672</u>	<u>\$ 971,914</u>

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2018

	Special Revenue Funds	Capital Project Funds	Permanent Funds Coffing Support of Poor Fund	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 668,698	\$ 949,427	\$ 103,609	\$ 1,721,734
Investments	-	-	449,302	449,302
Receivables	14,354	933	-	15,287
Due from other funds	-	-	150	150
Total assets	\$ 683,052	\$ 950,360	\$ 553,061	\$ 2,186,473
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 236	\$ -	\$ -	\$ 236
Due to other funds	-	-	-	-
Total liabilities	236	-	-	236
Fund Balances:				
Nonspendable	-	-	412,818	412,818
Restricted	566,109	460,347	140,243	1,166,699
Committed	93,843	490,013	-	583,856
Assigned	22,864	-	-	22,864
Unassigned	-	-	-	-
Total fund balances	682,816	950,360	553,061	2,186,237
Total liabilities and fund balances	\$ 683,052	\$ 950,360	\$ 553,061	\$ 2,186,473

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Capital Project Funds	Permanent Funds Coffing Support of Poor Fund	Total
Revenues:				
Intergovernmental	\$ 32,607	\$ 780	\$ -	\$ 33,387
Investment earnings	4,323	5,556	50,506	60,385
Local	293,652	-	600	294,252
Total revenues	<u>330,582</u>	<u>6,336</u>	<u>51,106</u>	<u>388,024</u>
Expenditures:				
Current expenditures:				
Public safety	241,051	-	-	241,051
Health and welfare	165,692	-	-	165,692
Education	123,726	-	-	123,726
Other	-	-	3,575	3,575
Capital outlay	-	271,887	-	271,887
Total expenditures	<u>530,469</u>	<u>271,887</u>	<u>3,575</u>	<u>805,931</u>
Excess of revenues over (under) expenditures	(199,887)	(265,551)	47,531	(417,907)
Other financing sources (uses):				
Proceeds from issuance of loan	-	684,000	-	684,000
Transfers in (out)	301,439	260,000	-	561,439
	<u>301,439</u>	<u>944,000</u>	<u>-</u>	<u>1,245,439</u>
Net change in fund balances	101,552	678,449	47,531	827,532
Fund balances, beginning of year	<u>581,264</u>	<u>271,911</u>	<u>505,530</u>	<u>1,358,705</u>
Fund balances, end of year	<u>\$ 682,816</u>	<u>\$ 950,360</u>	<u>\$ 553,061</u>	<u>\$ 2,186,237</u>

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2018

	Summer Work Program	School Lunch Fund	Extras Program	Salisbury Fire Commission	Total
<u>Assets</u>					
Cash and cash equivalents	\$ 71,641	\$ 17,210	\$ 94,079	\$ 485,768	\$ 668,698
Investments	-	-	-	-	-
Receivables	-	5,654	-	8,700	14,354
Due from other funds	-	-	-	-	-
Total assets	\$ 71,641	\$ 22,864	\$ 94,079	\$ 494,468	\$ 683,052
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 236	\$ -	\$ 236
Due to other funds	-	-	-	-	-
Total liabilities	-	-	236	-	236
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	71,641	-	-	494,468	566,109
Committed	-	-	93,843	-	93,843
Assigned	-	22,864	-	-	22,864
Unassigned	-	-	-	-	-
Total fund balances	71,641	22,864	93,843	494,468	682,816
Total liabilities and fund balances	\$ 71,641	\$ 22,864	\$ 94,079	\$ 494,468	\$ 683,052

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Summer Work Program	School Lunch Fund	Extras Program	Salisbury Fire Commission	Total
Revenues:					
Intergovernmental	\$ -	\$ 32,607	\$ -	\$ -	\$ 32,607
Investment earnings	91	-	903	3,329	4,323
Local	13,460	63,959	158,530	57,703	293,652
Total revenues	<u>13,551</u>	<u>96,566</u>	<u>159,433</u>	<u>61,032</u>	<u>330,582</u>
Expenditures:					
Current expenditures:					
Public safety	-	-	-	241,051	241,051
Health and welfare	-	-	165,692	-	165,692
Education	14,309	109,417	-	-	123,726
Capital outlay	-	-	-	-	-
Total expenditures	<u>14,309</u>	<u>109,417</u>	<u>165,692</u>	<u>241,051</u>	<u>530,469</u>
Excess of revenues over (under) expenditures	(758)	(12,851)	(6,259)	(180,019)	(199,887)
Other financing sources (uses):					
Transfers in (out)	15,000	-	-	286,439	301,439
Net change in fund balances	14,242	(12,851)	(6,259)	106,420	101,552
Fund balances, beginning of year	<u>57,399</u>	<u>35,715</u>	<u>100,102</u>	<u>388,048</u>	<u>581,264</u>
Fund balances, end of year	<u>\$ 71,641</u>	<u>\$ 22,864</u>	<u>\$ 93,843</u>	<u>\$ 494,468</u>	<u>\$ 682,816</u>

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

CAPITAL PROJECT FUNDS
 COMBINING BALANCE SHEET
 JUNE 30, 2018

	Bridge Repair Fund	Highway Equipment Replacement	Transfer Station Capital	Total
Assets				
Cash and cash equivalents	\$ 320,152	\$ 490,013	\$ 139,262	\$ 949,427
Receivables	933	-	-	933
Due from other funds	-	-	-	-
Total assets	\$ 321,085	\$ 490,013	\$ 139,262	\$ 950,360
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances:				
Restricted	321,085	-	139,262	460,347
Committed	-	490,013	-	490,013
Unassigned	-	-	-	-
Total fund balances	321,085	490,013	139,262	950,360
Total liabilities and fund balances	\$ 321,085	\$ 490,013	\$ 139,262	\$ 950,360

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Bridge Repair Fund	Highway Equipment Replacement	Transfer Station Capital	Total
Revenues:				
Intergovernmental	\$ 780	\$ -	\$ -	\$ 780
Investment earnings	3,965	-	1,591	5,556
Local	-	-	-	-
Total revenues	<u>4,745</u>	<u>-</u>	<u>1,591</u>	<u>6,336</u>
Expenditures:				
Capital outlay	4,212	247,295	20,380	271,887
Total expenditures	<u>4,212</u>	<u>247,295</u>	<u>20,380</u>	<u>271,887</u>
Excess of revenues over (under) expenditures	533	(247,295)	(18,789)	(265,551)
Other financing sources (uses):				
Proceeds from issuance of loan	-	684,000	-	684,000
Transfers in (out)	10,000	200,000	50,000	260,000
Total other financing	<u>10,000</u>	<u>884,000</u>	<u>50,000</u>	<u>944,000</u>
Net change in fund balances	10,533	636,705	31,211	678,449
Fund balances, beginning of year	<u>310,552</u>	<u>(146,692)</u>	<u>108,051</u>	<u>271,911</u>
Fund balances, end of year	<u>\$ 321,085</u>	<u>\$ 490,013</u>	<u>\$ 139,262</u>	<u>\$ 950,360</u>

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 JUNE 30, 2018

	<u>Student Activity Fund</u>
<u>Assets</u>	
Beginning balance - cash	\$ 45,531
Additions	84,969
Deductions	<u>96,612</u>
Ending balance - cash	<u>33,888</u>
Total assets	<u>\$ 33,888</u>
<u>Liabilities</u>	
Beginning balance - due to student groups	\$ 45,531
Additions	84,969
Deductions	<u>96,612</u>
Ending balance - due to student groups	<u>33,888</u>
Total liabilities	<u>\$ 33,888</u>

See accompanying Independent Auditors' Report

TOWN OF SALISBURY, CONNECTICUT

**STATEMENT OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES SECTION 7.374(b)
FOR THE YEAR ENDED JUNE 30, 2018**

Total tax collections including interest and lien fees for the year ended June 30, 2017	\$ 13,335,581
Reimbursement for revenue loss on:	
Tax relief for elderly (CGS 12-129d)	<u>-</u>
Base	<u><u>\$ 13,335,581</u></u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt Limitation:					
2 1/4 times base	\$ 30,005,057	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	60,010,115	-	-	-
3 3/4 times base	-	-	50,008,429	-	-
3 1/4 times base	-	-	-	43,340,638	-
3 times base	-	-	-	-	40,006,743
Total debt limitation	<u>30,005,057</u>	<u>60,010,115</u>	<u>50,008,429</u>	<u>43,340,638</u>	<u>40,006,743</u>
Indebtedness:					
Bond anticipation notes	1,600,000	2,250,000	-	-	-
General obligation bonds	1,985,000	-	-	-	-
Notes payable	703,711	-	-	-	-
Town share of Region One bonds	-	1,238,390	-	-	-
Total indebtedness	<u>4,288,711</u>	<u>3,488,390</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 25,716,346</u>	<u>\$ 56,521,725</u>	<u>\$ 50,008,429</u>	<u>\$ 43,340,638</u>	<u>\$ 40,006,743</u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation.

See accompanying Independent Auditors' Report.

TOWN OF SALISBURY, CONNECTICUT

**REPORT OF THE TAX COLLECTOR
FOR THE YEAR ENDED JUNE 30, 2018**

Grand List October 1,	Adjusted Taxes Receivable July 1, 2017	Lawful Corrections		Suspense Transfers	Adjusted Taxes Receivable	Collections			Taxes Receivable June 30, 2018
		Additions	Deductions			Taxes	Interest and Liens	Total	
2016	\$ 13,935,450	\$ 6,009	\$ 4,277	\$ -	\$ 13,937,182	\$ 13,852,219	\$ 39,736	\$ 13,891,955	\$ 84,963
2015	119,177	243	623	-	118,797	81,536	15,806	97,342	37,261
2014	42,418	-	-	-	42,418	15,272	6,852	22,124	27,146
2013	28,557	-	-	(5,435)	23,122	9,704	4,508	14,212	13,418
2012	17,773	-	-	-	17,773	5,504	4,261	9,765	12,269
2011	5,976	-	-	-	5,976	5,139	2,692	7,831	837
2010	2,602	-	-	-	2,602	2,602	2,777	5,379	-
2009	1,526	-	-	-	1,526	1,526	1,845	3,371	-
2008	-	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-	-
	<u>\$ 14,153,479</u>	<u>\$ 6,252</u>	<u>\$ 4,900</u>	<u>\$ (5,435)</u>	<u>\$ 14,149,396</u>	<u>\$ 13,973,502</u>	<u>\$ 78,477</u>	<u>\$ 14,051,979</u>	<u>\$ 175,894</u>

See accompanying Independent Auditors' Report.