



Charles Heaven & Co.
Certified Public Accountants

**TOWN OF WARREN
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL FINANCIAL DATA
JUNE 30, 2018**

**Town of Warren
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June 30, 2018**

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Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Warren, Connecticut

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Warren, Connecticut, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on Pages 3-9 and 36-40, the Schedule of changes in net pension liability and related ratios on Page 41, the Schedule of employer contributions on Page 42, and Schedule of investment returns on Page 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements, and supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and supplemental 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 October 23, 2018, on our consideration of the Town of Warren, Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 of Warren, Connecticut's internal control over financial reporting and compliance.

Charles H. Brown & Co., CPAs
October 23, 2018

**Town of Warren
Management's Discussion and Analysis
June 30, 2018**

This discussion is intended to provide readers a narrative overview and analysis of the financial activities of the Town of Warren, Connecticut (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.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the Town's assets and deferred outflows of resources of \$9,965,266 at June 30, 2018 exceeded the sum of its liabilities of \$2,445,561 resulting in net position of \$7,519,705. Of this amount, \$4,626,283 was invested in capital assets, while \$293,205 was restricted for road maintenance, and \$28,897 was restricted for social services. The remaining net position of \$2,571,320 was available to meet the Town's ongoing obligations to its citizens and creditors.
- At the close of the fiscal year, the Town's governmental funds reported, on a current financial resources basis, combined ending fund balances of \$3,190,611, an increase of \$88,565 from last fiscal year. The total fund balance of the General Fund of \$2,158,105 represented 39.31% of fiscal year 2018-2019 budgeted appropriations of \$5,490,104. The unassigned fund balance of \$2,083,629, available for spending at the Town's discretion, represented 37.95% of the 2018-2019 budgeted appropriations.
- The final amended General Fund budget provided for the \$135,442 use of fund balance to finance approved appropriations. However, actual revenues were \$143,528 greater than budgetary projections, while expenditures and other financing uses were \$125,991 less than approved appropriations, resulting in an actual increase of fund balance of \$134,077 and a positive budgetary variance of \$269,519.
- The Town's long-term debt at June 30, 2018 consisted of its general obligation bond of \$1,650,000 and pension plan liability of \$339,475.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The statement of net position and the statement of activities, which are the government-wide statements, report information about the Town finances as a whole and about its activities in a way that helps the reader determine whether the Town is better or worse off as a result of the year's activities.

The statement of net position reflects all of the Town's assets and deferred outflows of resources, and all of its liabilities and deferred inflows of resources, the net result of which is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the Town's financial position is improving or deteriorating. However, significant changes in net position can also occur from year to year due to changes in accounting standards issued by the Governmental Accounting Standards Board (GASB). To assess the overall financial condition of the Town other nonfinancial factors such as the property tax base and the condition of the Town's infrastructure also need to be considered.

**Town of Warren
Management's Discussion and Analysis
June 30, 2018**

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

The government-wide financial statements distinguish functions of the Town that are principally supported by tax revenues, grants 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, employee benefits, health services, agencies, education, town building, town fire department, highways/public works/maintenance, other, town property, and interest. The Town does not report any funds that carry on business-type activities.

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

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial statements of the Town report governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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.

The Town maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Town Aid Road Fund, Capital Non-Recurring Fund, and Equipment Replacement Fund, each of which is considered to be a major fund. The remaining five funds are combined into a single aggregated presentation in the financial statements. Individual fund data for each of these nonmajor funds is reported as supplementary information to the financial statements.

The Town adopts an annual appropriated budget for its General Fund. Budgetary comparison schedules have been included as required supplementary information for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 and 14 of this report.

Town of Warren
Management's Discussion and Analysis
June 30, 2018

Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. This includes the pension trust fund. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Warren's own programs.

The basic fiduciary fund financial statements can be found on pages 16 and 17 of this report.

Notes to the Financial Statements and Other Information

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They also provide required supplementary information regarding the Town's progress in funding its obligations to provide pension benefits to its employees. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Town's net pension liability and General Fund budget information.

The notes to the basic financial statements can be found on pages 18 to 35 of this report. Required supplementary information and supplemental schedules can be found on pages 36 to 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$7,519,705 at the close of the fiscal year.

| Town of Warren Net Position | | |
|--|---------------------|---------------------|
| | <u>2017</u> | <u>2018</u> |
| Assets | | |
| Current assets | \$ 3,325,873 | \$ 3,506,700 |
| Noncurrent assets | 6,514,787 | 6,426,283 |
| Total Assets | <u>9,840,660</u> | <u>9,932,983</u> |
| Deferred Outflows of Resources | <u>57,581</u> | <u>32,283</u> |
| Liabilities | | |
| Current liabilities | 356,490 | 456,086 |
| Long-term liabilities | 2,160,201 | 1,989,475 |
| Total Liabilities | <u>2,516,691</u> | <u>2,445,561</u> |
| Deferred Inflows of Resources | <u>-</u> | <u>-</u> |
| Net Position | | |
| Net investment in capital assets | 4,564,787 | 4,626,283 |
| Restricted | 314,982 | 322,102 |
| Unrestricted | 2,501,781 | 2,571,320 |
| Total Net Position | <u>\$ 7,381,550</u> | <u>\$ 7,519,705</u> |

Town of Warren
Management's Discussion and Analysis
June 30, 2018

The largest portion of the Town's net position \$4,626,283 (61.5%) reflects its net investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure assets such as roads and bridges). The Town uses these assets to provide services to its citizens; consequently, these assets are not available for spending. Of the Town's remaining net position, \$2,571,320 (34.2%) is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors. The Town's net position increased \$138,155 during the fiscal year.

Town of Warren
Changes in Net Position

| | 2017 | | 2018 | |
|---|---------------------|-------------------|---------------------|-------------------|
| | \$ | % to Total | \$ | % to Total |
| Revenues: | | | | |
| Program: | | | | |
| Charges for services | \$ 285,404 | 5.00% | \$ 282,664 | 4.84% |
| Operating grants and contributions | 37,205 | 0.65% | 32,680 | 0.56% |
| Capital grants and contributions | 181,588 | 3.18% | 181,632 | 3.11% |
| General: | | | | |
| Property taxes, interest, and lien fees | 5,135,986 | 89.96% | 5,273,034 | 90.26% |
| Investment earnings | 26,763 | 0.47% | 60,062 | 1.03% |
| Grants, contributions and fines not restricted to specific programs | 42,158 | 0.74% | 12,164 | 0.21% |
| Total revenues | <u>5,709,104</u> | <u>100.00%</u> | <u>5,842,236</u> | <u>100.00%</u> |
| Expenses: | | | | |
| General government | 655,770 | 12.04% | 627,116 | 10.99% |
| Employee benefits | 179,336 | 3.29% | 200,716 | 3.52% |
| Health services | 22,952 | 0.42% | 20,145 | 0.35% |
| Agencies | 64,207 | 1.18% | 64,209 | 1.13% |
| Education | 3,323,019 | 60.99% | 3,326,649 | 58.32% |
| Town building | 222,516 | 4.08% | 210,356 | 3.69% |
| Town fire department | 47,106 | 0.86% | 48,627 | 0.85% |
| Highways, public works, and maintenance | 693,024 | 12.72% | 938,737 | 16.46% |
| Other | 147,907 | 2.71% | 189,816 | 3.33% |
| Town property | 16,945 | 0.31% | 6,147 | 0.11% |
| Interest | 75,406 | 1.38% | 71,563 | 1.25% |
| Total expenses | <u>5,448,188</u> | <u>100.00%</u> | <u>5,704,081</u> | <u>100.00%</u> |
| Change in Net Position | 260,916 | | 138,155 | |
| Net position, beginning of year | <u>7,120,634</u> | | <u>7,381,550</u> | |
| Net position, end of year | <u>\$ 7,381,550</u> | | <u>\$ 7,519,705</u> | |

**Town of Warren
Management's Discussion and Analysis
June 30, 2018**

The following is an analysis of significant changes in activity from the prior year:

- The increase in property tax revenue, including interest and liens, is mainly due to an increase in the property tax mil rate from 14.35 to 14.50 mills.
- The increase in investment earnings is primarily due to a better economic market.
- The decrease in grants, contributions and fines not restricted to specific programs, is primarily due to decreases in grants received from the State of Connecticut.
- The decrease in the general government expenditures is primarily due to revaluation and generator costs expended in the FYE 2016/2017 and not in the current year.
- The increase in education expenditures is attributable to an increase in education costs, as assessed by Regional School District # 6 (determined by a separate approved taxpayer budget).
- The increase in highways, public works, and maintenance is mainly due to the increased road maintenance costs and the elimination of road infrastructure, not fully depreciated.
- The increase in other expenditures is attributable to an increase in park and recreation fund programs and activities.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

At the close of the fiscal year, the Town's governmental funds reported, on a current financial resources basis, combined ending fund balances of \$3,190,611. Of this amount, \$2,629 was nonspendable used for prepayments, \$36,167 was committed to the subsequent year's budgeted deficit, \$293,205 was restricted to the improvement to unimproved/improved roads, \$28,897 was restricted for social services, \$92,601 was committed to capital projects, \$69,671 was committed to parks and recreation, \$121,963 was committed to the cemetery operation, \$382,986 was committed to equipment replacements, \$41,019 was committed for waste disposal, \$26,027 was committed to revaluation, and \$11,817 was assigned for the maintenance of Warren Woods. The \$2,083,629 unassigned fund balance of the General Fund was available for spending at the Town's discretion.

The General Fund is the chief operating fund of the Town. The fund balance of the General Fund increased \$134,077 during the fiscal year. During the fiscal year, the fund balance of the Town Aid Road Fund increased \$9,822 due to less road improvements, the fund balance of the Capital Non-Recurring Fund increased by \$26,064, the fund balance of the Equipment Replacement Fund decreased by \$94,645, due to various capital outlay, and the combined fund balances of all nonmajor funds increased \$13,247 during the fiscal year.

**Town of Warren
Management's Discussion and Analysis
June 30, 2018**

GENERAL FUND BUDGETARY HIGHLIGHTS

The Original Budget approved the use of \$56,210 from the Town's fund balance. Continuing appropriations for revaluation added \$39,290 to the original approved budget. Additional transfers from fund balance of \$79,232 include: \$14,310 to General Government: zoning board of appeals line item, \$4,800 to Employee Benefits: insurance benefits line item, \$19,942 to Agencies: Library line item, \$20,000 to Miscellaneous: special appropriation for the Lake Waramaug Dam line item, and - \$19,110 from Education line item. The final budget approved the use of \$135,442 from fund balance for the year ended June 30, 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the Town's investment in capital assets, net of depreciation, was \$6,426,283, a decrease of \$88,504 from the previous fiscal year. Capital asset additions totaled \$429,311, including capital improvements to buildings, equipment, and infrastructure, depreciation expense was \$337,614, and infrastructure of \$180,201 was disposed of with a net book value, resulting in the aforementioned decrease. Details of the Town's net investment in capital assets, is as follows:

| | <u>2017</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Land | \$ 1,313,371 | \$ 1,313,371 |
| Construction in Progress - ReaderBoard | 20,735 | - |
| Land Improvements | 15,640 | 14,823 |
| Buildings & Improvements | 3,580,885 | 3,473,572 |
| Machinery, Equipment, & Vehicles | 637,118 | 782,030 |
| Infrastructure | 947,038 | 842,487 |
| | <u>\$ 6,514,787</u> | <u>\$ 6,426,283</u> |

Additional information on the Town's capital assets can be found in Note 7 on pages 28-29 of this report.

Debt

The Town's long-term debt at June 30, 2018 consisted of a net pension liability of \$339,475 and a general obligation bond of \$1,650,000. An additional amount of \$150,000 of the general obligation bond is treated as short-term debt, totaling \$1,800,000. Detail on the general obligation bond is below:

| <u>Fiscal Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------------|---------------------|-------------------|
| 2019 | \$ 150,000 | \$ 65,812 |
| 2020 | 150,000 | 59,812 |
| 2021 | 150,000 | 55,312 |
| 2022 | 150,000 | 50,625 |
| 2023 | 150,000 | 45,750 |
| 2024 | 150,000 | 40,688 |
| 2025 | 150,000 | 35,438 |
| 2026 | 150,000 | 30,000 |
| 2027 | 150,000 | 24,000 |
| 2028 | 150,000 | 18,000 |
| 2029 | 150,000 | 12,000 |
| 2030 | 150,000 | 6,000 |
| Total | <u>\$ 1,800,000</u> | <u>\$ 443,437</u> |

**Town of Warren
Management's Discussion and Analysis
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The Town is also contingently liable for its pro rata share of the Regional School District No. 6's debt. At June 30, 2018, the Town's pro rata share (19.24%) was \$520,254.

Additional information on the Town's debt can be found in Note 8 on page 29 of this report and the Statement of Debt Limitation on page 47.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic factors affecting the Town, including those that were considered in preparing the Town's General Fund budget for the 2018-2019 fiscal year, and those that will affect future budgets are as follows:

The Town's Mil rate has decreased by 0.25 mills, from 14.50 mills to 14.25 mills.

The \$5,490,104, 2018-2019 General Fund expenditure budget increased \$28,205 from the prior fiscal year's original budget. The increase is mainly due to a cost of living adjustment and an increase in the following line items: planning and zoning, employee benefits, road, and equipment fund, net with a decrease in education expenditures.

At the end of the FY 2017-2018 fiscal year, the General Fund balance was \$2,158,105. Of the General Fund balance, \$36,167 was assigned for the FY 2018-2019 operations to help moderate any tax impact from the higher expenditures.

It is expected that general State financial aid will remain level, at best.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Warren's finances for all those with an interest in the government's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the First Selectman, Town of Warren, 50 Cemetery Road, Warren, CT 06754.

Town of Warren
Statement of Net Position
June 30, 2018

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Current Assets | |
| Cash and cash equivalents | \$ 3,489,684 |
| Property taxes, interest, & liens receivable | 14,387 |
| Prepaid expenses | 2,629 |
| Total Current Assets | <u>3,506,700</u> |
| Noncurrent Assets | |
| Capital assets: | |
| Assets not being depreciated | 1,313,371 |
| Assets being depreciated, net of depreciation of \$7,784,308 | 5,112,912 |
| Total Noncurrent Assets | <u>6,426,283</u> |
| Total Assets | <u><u>9,932,983</u></u> |
| Deferred Outflows of Resources | |
| Difference between projected and actual earnings on pension plan investments | 9,525 |
| Difference between expected and actual experience on pension plan investments | 20,759 |
| Difference of assumption changes or inputs for pensions | 1,999 |
| Total Deferred Outflows of Resources | <u>32,283</u> |
| Liabilities | |
| Current Liabilities: | |
| Accounts payable | 204,998 |
| Performance bonds held | 94,837 |
| Due to State of Connecticut | 1,009 |
| Deferred revenue | 2,500 |
| Accrued interest | 2,742 |
| General obligation bond, due within one year | 150,000 |
| Total Current Liabilities | <u>456,086</u> |
| Noncurrent Liabilities: | |
| General obligation bond | 1,650,000 |
| Net pension liability | 339,475 |
| Total Noncurrent Liabilities | <u>1,989,475</u> |
| Total Liabilities | <u><u>2,445,561</u></u> |
| Net Position | |
| Net investment in capital assets | 4,626,283 |
| Restricted for: | |
| Road maintenance | 293,205 |
| Social services | 28,897 |
| Unrestricted | 2,571,320 |
| Total Net Position | <u><u>\$ 7,519,705</u></u> |

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

Town of Warren
Statement of Activities
Year Ended June 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Total Net (Expense) Revenue and Changes in Net Position |
|---|---------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| General government | \$ 627,116 | \$ 271,078 | \$ - | \$ - | \$ (356,038) |
| Employee benefits | 200,716 | - | - | - | (200,716) |
| Health services | 20,145 | - | - | - | (20,145) |
| Agencies | 64,209 | - | - | - | (64,209) |
| Education | 3,326,649 | - | 32,680 | - | (3,293,969) |
| Town building | 210,356 | 5,563 | - | - | (204,793) |
| Town fire department | 48,627 | - | - | - | (48,627) |
| Highways, public works and maintenance | 938,737 | - | - | 181,632 | (757,105) |
| Other | 189,816 | 6,023 | - | - | (183,793) |
| Town property | 6,147 | - | - | - | (6,147) |
| Interest | 71,563 | - | - | - | (71,563) |
| Total governmental activities | \$ 5,704,081 | \$ 282,664 | \$ 32,680 | \$ 181,632 | (5,207,105) |

General revenues:

| | |
|---|------------------|
| Property taxes, interest, and lien fees | 5,273,034 |
| Investment earnings | 60,062 |
| Grants, contributions and fines not restricted to specific programs | 12,164 |
| Total general revenues | 5,345,260 |

Change in net position 138,155

| | |
|------------------------------|---------------------|
| Net position - July 1, 2017 | 7,381,550 |
| Net position - June 30, 2018 | \$ 7,519,705 |

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

**Town of Warren
Balance Sheet
Governmental Funds
June 30, 2018**

| | Major Funds | | | | | |
|---|---------------------|--------------------|---|-----------------------|--------------------------|--------------------------|
| | General Fund | Town Aid Road Fund | Capital Project Fund Capital Non-Recurring | Equipment Replacement | Other Governmental Funds | Total Governmental Funds |
| ASSETS: | | | | | | |
| Cash and cash equivalents | \$ 2,895,468 | \$ 76,460 | \$ 77,748 | \$ 304,781 | \$ 135,227 | \$ 3,489,684 |
| Property taxes, interest, & liens receivable | 14,387 | - | - | - | - | 14,387 |
| Prepaid expenses | 465 | - | - | - | 2,164 | 2,629 |
| Due from other funds | - | 216,745 | 14,853 | 78,205 | 128,823 | 438,626 |
| Total Assets | \$ 2,910,320 | \$ 293,205 | \$ 92,601 | \$ 382,986 | \$ 266,214 | \$ 3,945,326 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES: | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 200,734 | \$ - | \$ - | \$ - | \$ - | \$ 200,734 |
| Woods security fee & other payables | 2,713 | - | - | - | - | 2,713 |
| Due to other funds | 438,626 | - | - | - | - | 438,626 |
| Deferred revenue | - | - | - | - | 2,500 | 2,500 |
| Overpaid Property Taxes | 1,551 | - | - | - | - | 1,551 |
| Due to State of Connecticut | 1,009 | - | - | - | - | 1,009 |
| Performance bonds payable | 94,837 | - | - | - | - | 94,837 |
| Total Liabilities | 739,470 | - | - | - | 2,500 | 741,970 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable revenue - property tax | 12,745 | - | - | - | - | 12,745 |
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepayments | 465 | - | - | - | 2,164 | 2,629 |
| Restricted for: | | | | | | |
| Improvement to unimproved / improved roads | - | 293,205 | - | - | - | 293,205 |
| Social services | - | - | - | - | 28,897 | 28,897 |
| Committed to: | | | | | | |
| Subsequent year budgeted deficit | 36,167 | - | - | - | - | 36,167 |
| Capital projects | - | - | 92,601 | - | - | 92,601 |
| Parks and recreation | - | - | - | - | 69,671 | 69,671 |
| Cemetery operation | - | - | - | - | 121,963 | 121,963 |
| Equipment replacements | - | - | - | 382,986 | - | 382,986 |
| Waste disposal | - | - | - | - | 41,019 | 41,019 |
| Revaluation | 26,027 | - | - | - | - | 26,027 |
| Assigned for: | | | | | | |
| Warren Woods maintenance | 11,817 | - | - | - | - | 11,817 |
| Unassigned | 2,083,629 | - | - | - | - | 2,083,629 |
| Total Fund Balances | 2,158,105 | 293,205 | 92,601 | 382,986 | 263,714 | 3,190,611 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 2,910,320 | \$ 293,205 | \$ 92,601 | \$ 382,986 | \$ 266,214 | \$ 3,945,326 |

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

Town of Warren**Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds
June 30, 2018**

Total net position reported for governmental activities in the Statement of Net Position is different from the governmental fund Balance Sheet due to the following:

Total Fund Balances for Governmental Funds **\$ 3,190,611**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

| | | |
|-------------------------------|------------------|-----------|
| Governmental capital assets | \$ 14,210,591 | |
| Less accumulated depreciation | <u>7,784,308</u> | |
| Net capital assets | | 6,426,283 |

Other long-term assets are not available to pay for current period expenditures and, therefore, are not recorded in the funds:

| | | |
|--|--------------|--------|
| Property taxes, interest, and liens receivable | \$ 12,745 | |
| Deferred outflow of resources related to pensions: | | |
| Difference between projected and actual earnings on plan investments | 9,525 | |
| Difference between expected and actual experience on investments | 20,759 | |
| Difference of assumption changes or inputs | <u>1,999</u> | 45,028 |

Other Long-term liabilities, including bonds payable are not due and payable in the current period, and therefore, are not reported in the governmental funds.

| | | |
|--------------------------|------------------|-------------|
| Accrued interest payable | \$ (2,742) | |
| General obligation bond | (1,800,000) | |
| Net pension liability | <u>(339,475)</u> | (2,142,217) |

Total Net Position of Governmental Activities **\$ 7,519,705**

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

Town of Warren
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

| | Major Funds | | | | | |
|--|---------------------|--------------------------|--------------------------|--------------------------|--------------------------------|--------------------------------|
| | General Fund | Town Aid Road Fund | Capital Project Fund | | Other Governmental Funds | Total Governmental Funds |
| | | | Capital Non-Recurring | Equipment Replacement | | |
| Revenues: | | | | | | |
| Property taxes | \$ 5,247,698 | \$ - | \$ - | \$ - | \$ - | \$ 5,247,698 |
| Interest and lien fees on property taxes | 28,004 | - | - | - | - | 28,004 |
| Intergovernmental | 44,344 | 181,632 | - | - | - | 225,976 |
| Investment income | 51,930 | 1,047 | 1,064 | 4,171 | 1,850 | 60,062 |
| Licenses, permits and other fees | 183,011 | - | - | - | - | 183,011 |
| Program fees and other receipts | - | - | - | 237 | 104,832 | 105,069 |
| Total Revenues | 5,554,987 | 182,679 | 1,064 | 4,408 | 106,682 | 5,849,820 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 480,965 | - | - | - | - | 480,965 |
| Employee benefits | 196,144 | - | - | - | - | 196,144 |
| Health services | 20,145 | - | - | - | - | 20,145 |
| Agencies | 64,209 | - | - | - | - | 64,209 |
| Education | 3,326,649 | - | - | - | - | 3,326,649 |
| Town buildings | 239,273 | - | - | - | - | 239,273 |
| Town fire department | 48,627 | - | - | - | - | 48,627 |
| Highway and general operations | 565,928 | - | - | - | - | 565,928 |
| Town Insurance | 55,285 | - | - | - | - | 55,285 |
| Other | 28,893 | - | - | - | 135,124 | 164,017 |
| Town property | 16,290 | - | - | - | - | 16,290 |
| Debt service | 221,813 | - | - | - | - | 221,813 |
| Capital outlay | - | 172,857 | - | 189,053 | - | 361,910 |
| Total Expenditures | 5,264,221 | 172,857 | - | 189,053 | 135,124 | 5,761,255 |
| Excess (Deficiency) of Revenues Over Expenditures | 290,766 | 9,822 | 1,064 | (184,645) | (28,442) | 88,565 |
| Other Financing Sources (Uses): | | | | | | |
| Operating transfers | (156,689) | - | 25,000 | 90,000 | 41,689 | - |
| Total other financing sources (uses) | (156,689) | - | 25,000 | 90,000 | 41,689 | - |
| Net Change in Fund Balances | 134,077 | 9,822 | 26,064 | (94,645) | 13,247 | 88,565 |
| Fund Balance - beginning of year | 2,024,028 | 283,383 | 66,537 | 477,631 | 250,467 | 3,102,046 |
| Fund Balance - end of year | \$ 2,158,105 | \$ 293,205 | \$ 92,601 | \$ 382,986 | \$ 263,714 | \$ 3,190,611 |

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

Town of Warren**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
June 30, 2018**

Amounts reported for governmental activities in the Statement of Activities are
difference due to the following:

Net Change in Fund Balances - Total Governmental Funds **\$ 88,565**

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets are allocated over their
estimated useful lives and reported as depreciation expense as follows:

| | | |
|---------------------------|------------------|----------|
| Total capital outlay | \$ 429,311 | |
| Less depreciation expense | <u>(517,815)</u> | (88,504) |

Some revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenue in the governmental funds.

| | | |
|---|----------------|----------|
| Change in accrued property taxes, net | \$ (7,584) | |
| Change in deferred outflow of resources related to pensions: | | |
| Difference between projected and actual earnings on plan investments | (11,391) | |
| Difference between expected and actual experience on plan investments | (6,416) | |
| Difference of assumption changes or inputs | <u>(7,491)</u> | (32,882) |

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

| | | |
|------------------------------------|------------|---------|
| Bond principal repayments | \$ 150,000 | |
| Change in accrued interest payable | <u>250</u> | 150,250 |

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

| | |
|---------------------------------|--------|
| Change in net pension liability | 20,726 |
|---------------------------------|--------|

Change in Net Position of Governmental Activities **\$ 138,155**

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

Town of Warren
Statement of Fiduciary Net Position
Pension Trust Fund
June 30, 2018

Assets:

| | | |
|-----------------------------|----|-----------------------|
| Cash and cash equivalents | \$ | 68,891 |
| Investments - at fair value | | <u>464,630</u> |
| Total Assets | | <u>533,521</u> |

Net Position:

| | | |
|---|----|-----------------------|
| Assets held in trust for pension benefits | \$ | <u>533,521</u> |
|---|----|-----------------------|

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

Town of Warren
Statement of Changes in Fiduciary Net Position
Pension Trust Fund
Year Ended June 30, 2018

| | | |
|---|----|-----------------------|
| Additions: | | |
| Employer contributions | \$ | 55,000 |
| Investment income: | | |
| Change in fair value of investments | | 16,311 |
| Interest and dividends | | 14,236 |
| Less: investment expense | | <u>3,448</u> |
| Net investment income | | <u>27,099</u> |
| Total Additions | | 82,099 |
| Deductions: | | |
| Pension benefits | | <u>61,672</u> |
| Total Deductions | | <u>61,672</u> |
| Increase in Net Position | | 20,427 |
| Assets Held In Trust For Pension Benefits: | | |
| Net Position - Beginning of year | | <u>513,094</u> |
| Net Position - End of year | \$ | <u><u>533,521</u></u> |

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

Town of Warren
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies:

The accompanying basic financial statements of the Town of Warren, Connecticut (the “Town”) 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 Town’s significant accounting policies are described below.

A. Reporting Entity:

The Town of Warren, Connecticut was incorporated in 1786 under the provisions of the Connecticut General Statutes, and has a population of approximately 1,300 living within an area of 27 square miles. The Town is located in Litchfield County. The Town operates under a Town Meeting, Board of Selectmen and Board of Finance form of government. The Town provides the following services: public safety, public works, parks and recreation, health and social services, planning and zoning and education by being part of Regional School District #6, of which the Towns of Warren, Morris and Goshen are members. Town appropriations to the school district are determined by a separate taxpayer approved budget and the percentage of Warren residents attending the District's schools.

The Legislative authority of the Town is vested in the Town Meeting. The First Selectman is the chief executive, chief administrative officer and budget-making authority of the Town. The Board of Finance is responsible for revising the proposed budget and submitting the final budget to the Town Meeting. The Board of Finance is also responsible for establishing the annual tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by the Connecticut General Statutes.

In evaluating the Town as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town’s financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Town. Additionally, the primary government is required to consider 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.

Based on the criteria provided by the Codification the Town of Warren has determined that it has no component units.

Based upon the foregoing criteria, the following organizations are not considered part of the Town and thus are excluded from the accompanying financial statements:

Regional School District #6 which provides educational services and facilities to the residents of Warren, Morris and Goshen. The Town of Warren pays a proportional share of the expense of the district.

Warren Volunteer Fire Company, Inc. – These potential component units have separate elected boards and provide services to residents, generally within the geographic boundary of the Town. They are excluded from the reporting entity because the Town does not have the ability to exercise, influence or control over the daily operations.

Town of Warren
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued):

B. Jointly Governed Organizations:

Northwest Hills Council of Governments

The Town and twenty other local municipalities each appoint the governing board of the Northwest Hills Council of Government (the “NHCOC”) to provide a regional forum for information exchange and regional planning. The NHCOC is supported by assessments to the twenty-one member Towns based upon population census. The Town of Warren appropriated and expended \$1,134 for the operation of the NHCOC for the year ended June 30, 2018.

Lake Waramaug Authority

The Lake Waramaug Authority (the “Lake Authority”) was created by the Towns of Washington, Warren and Kent by local ordinance. The Lake Authority enforces all regulations related to water activities. The Town appropriated \$5,600 and expended \$3,665 for the operation of the Lake Authority for the year ended June 30, 2018.

Lake Waramaug Interlocal Commission

The Lake Waramaug Interlocal Commission (the “Commission”) was created by the Towns of Warren, Washington, and Kent to improve the lake water quality and control water pollution. The Town appropriated and expended \$9,485 for the operation of the Commission for the year ended June 30, 2018.

C. Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the Town. Eliminations have been made to minimize the double counting of internal activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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*.

Fund Financial Statements:

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as applicable. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are defined as major or non-major in the basic financial statements according to GASB reporting standards, which categorize funds based on relative size and materiality.

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

Town of Warren
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued):

C. Government-Wide and Fund Financial Statements:

The other five governmental funds are combined into a single, aggregated presentation under the caption nonmajor governmental funds. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

D. Measurement Focus and Basis of Accounting and Financial Statement Presentation

Government-Wide Statements: The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the 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. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund Financial Statements: 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. 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.

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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received.

The Town reports the following major governmental funds:

General Fund:

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

Special Revenue Fund:

The *Town Aid Road Fund* accounts for Connecticut Department of Transportation grants to be used for construction, reconstruction, improvement, or maintenance or improved and unimproved road and other transportation related services as set forth in the General Statutes of Connecticut.

Capital Projects Funds:

The *Capital Non-Recurring Fund*, as authorized by General Statutes of Connecticut, accounts for the financing of all or part of the planning, construction, reconstruction or acquisition of capital facilities, improvements or equipment. The *Equipment Replacement Fund* accounts for the purchase and replacement of major equipment.

Town of Warren
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued):

D. Measurement Focus and Basis of Accounting and Financial Statement Presentation (continued):

The Town also reports the following five Nonmajor Governmental Funds:

Special Revenue Funds account for specific revenues that are legally restricted to expenditures for particular purpose:

Park and Recreation Fund – accounts for fees from recreational leisure programs along with the related expenditures.

Warren Cemetery Commission Fund – accounts for sale of plots along with the related expenditures for maintaining and improving the cemetery.

Good Neighbor Fund –accounts for donations and assistance to those in need.

Force Majeure Fund - accounts for resources from the dissolution of the Bristol Resource and Recovery Operating Committee to be used for future waste disposal.

Social Service Special Project Fund- accounts for donations and assistance to those in need for special projects only.

Additionally, the Town reports the following fund types:

Fiduciary Fund Types

Pension Trust Fund - accounts for the accumulation of resources to be used for retirement benefits.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Town’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned balances.

Town of Warren
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity:

Deposits and Investments

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be placed with any “qualified public depository” as defined by statute, which has its main place of business in the State of Connecticut.

The Connecticut General Statutes authorize the investment of funds in the obligations of the United States, or may be invested in any state or other tax-exempt political subdivision under certain conditions. Funds may also be deposited in the State Treasurer's Short-Term Investment Fund (STIF). The provisions of the statutes regarding the investments of municipal pension funds, does not specify permitted investments. Therefore, investments of such funds are generally controlled by the laws applicable to fiduciaries and the provisions of the applicable pension plan.

Town investments are reported at fair value.

Receivables

In the government-wide financial statements property taxes are shown net of an allowance for uncollectibles. For the year ended June 30, 2018, all taxes are deemed collectible, and therefore, the allowance was zero.

In the fund financial statements, all property taxes receivable at June 30, 2018, which have not been collected within 60 days of June 30, have been recorded as deferred inflows of resources, since they are not considered to be available to finance expenditures of the current year. Taxes collected during the 60 day period have been recorded as revenue.

Property taxes are assessed on October 1 and billed the following July. Real and personal property bills are payable in one installment, July 1. Motor vehicle taxes are payable in one installment on July 1, with the motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the fiscal year following the due date.

Capital Assets

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the town as assets with an initial, individual cost of more than \$5,000 and 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 costs 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.

Town of Warren
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued):

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------------|--------------|
| Land improvements | 25 |
| Buildings & improvements | 40 |
| Infrastructure | 20-50 |
| Machinery, Equipment and Vehicle | 5-10 |

Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement of Financial Position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period. The Town reports deferred outflows of resources related to pension for the difference between projected and actual earnings on plan investments and the difference of assumption changes or inputs. These amounts are deferred and included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan.

The Statement of Financial Position reports a separate section for deferred inflows of resources. Deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. Deferred inflows of resources reported in relation to the pension plan are the difference between expected and actual experience on pension plan investments.

The Governmental Fund Balance Sheet, the Town reports the deferred inflow of resources for unavailable revenue from property taxes. Property tax income is recognized as revenue in the period that the amounts become available.

Interfund Activity

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

On fund financial statements, short-term interfund loans are classified as interfund “due from/to other funds”. These amounts are eliminated in the Statement of Net Position.

Compensated Absences

Eligible employees are paid for sickness, vacations, and personal days. At June 30, 2018 the liability for compensated absences cannot be reasonably estimated. However, it has been deemed not material to the financial statements. In addition, the Town does not pay for any post retirement healthcare benefits.

Town of Warren
Notes to Financial Statements

Note “1” - Summary of Significant Accounting Policies (continued):

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity (continued):

Accrued Liabilities and Long-Term Debt:

All accrued liabilities and long-term debt are reported in the government-wide financial statements.

Long-term debt is recognized as a liability of a governmental fund when it is due or when the resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Fund Equity and Net Position – Governmental Funds

In the fund financial statements, fund balances of governmental funds are classified in five separate categories. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used.

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact, legally or contractually.
- Restricted fund balance – amounts constrained to specific purposes by external parties, constitutional provisions or enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority, the Town Meeting.
- Assigned fund balance – amounts the government intends to use for a specific purpose as authorized by the Town’s Board of Selectman and Board of Finance.
- Unassigned fund balance – amounts that are available for any purpose. This category is only reported in the General Fund for positive amounts and in any other fund that have a fund balance deficit.

The Town does not have a minimum fund balance policy.

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

Net Investment in Capital Assets

This category presents 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. Debt issued for non-capital purposes is excluded.

Restricted Net Position

This category presents the net position restricted by external parties (creditors, grantors, contributors or laws and regulations).

Unrestricted Net Position

This category represents the net position of the Town, which are not restricted. A deficit will require future funding.

Town of Warren
Notes to Financial Statements

Note "1" - Summary of Significant Accounting Policies (continued):

F. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note "2" – Stewardship, Compliance, and Accountability

Budgetary Compliance – The General Fund:

The Town's General Fund budgetary procedures are as follows:

In January each department head, officer, head of office, board and/or commission submits detailed estimates of expenditures for the ensuing fiscal year to the Board of Selectman and Board of Finance.

The Board of Selectmen reviews all proposed estimates of expenditures as well as estimated revenues to be collected.

After discussing and reaching agreement, the Board of Selectmen forwards the proposed budget to the Board of Finance for review. The Board of Finance then prepares a proposed General Town Budget.

The Board of Finance holds a public hearing on the proposed budget prior to presenting it to the Annual Town Meeting in May. Following approval of the proposed budget at the Town meeting, the Board of Finance establishes the tax rate.

The Town Meeting legally appropriates this budget as one balance for revenue and on department basis for expenditures and transfers. The Board of Finance is authorized to approve additional appropriations up to and including \$20,000 per department per year, however, no more than one additional appropriation per department can be made without town meeting approval. Additional transfers from fund balance of \$79,232 include: \$19,942 to Agencies: Library line item, \$20,000 to Miscellaneous: special appropriation for the Lake Waramaug Dam line item, and \$39,290 to continuing appropriations General Government: revaluation line item. A transfer from education to zoning board of appeals and employee benefits of \$14,310 and \$4,800, respectively, was also approved.

Budgetary Compliance - Special Revenue Fund:

The Town does not budget for its special revenue funds. Considering a cost benefit analysis, it is not practical for the town to report budgetary information for special revenue funds on a combined basis.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the town.

Town of Warren
Notes to Financial Statements

Note "3" – Cash, Deposits and Investments:

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at June 30, 2018:

| | <u>Governmental Funds</u> | <u>Fiduciary Funds</u> |
|---|---------------------------|------------------------|
| Deposits: Demand Accounts | \$ 243,206 | \$ 68,891 |
| Petty Cash and cash on hand | 200 | --- |
| Cash equivalents: | | |
| State short-term investment fund (STIF) | 667,632 | --- |
| Overnight repurchase agreements | <u>2,578,646</u> | <u>---</u> |
| Total Cash and Cash Equivalents | <u>\$ 3,489,684</u> | <u>\$ 68,891</u> |

B. Deposits - Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2018, the carrying amount of the town's deposits was \$243,206 and the bank balance was \$250,000. Of the Town's bank balance, the entire amount was covered by FDIC.

C. Cash Equivalents

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and purchased within 90 days of maturity. At June 30, 2018, the Town's cash equivalents amounted to \$3,246,278. The following table provides a summary of the Town's cash equivalents as rated by nationally recognized statistical rating organizations. The pools all have maturities of less than one year.

| | |
|--|------------------------------------|
| State of Connecticut Short-Term Investment Fund (STIF) | <u>Standard and Poor's</u> AAAm |
|--|------------------------------------|

Amounts held in the overnight repurchase agreement were 100% collateralized with collateral held by the bank's trust department or agent, but not in the Town's name.

D. Investments

At June 30, 2018, the Town's investments consisted of the following:

| Fiduciary Fund | <u>Average</u> <u>Fair Value</u> | <u>Investment</u> <u>Credit Rating</u> | <u>Maturity</u> |
|-----------------------|-------------------------------------|---|-----------------|
| Exchange Traded Funds | \$ 58,258 | N/A | N/A |
| Mutual funds | <u>406,372</u> | N/A | N/A |
| Total Fiduciary Funds | <u>\$ 464,630</u> | | |

- Interest rate risk - 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.

Town of Warren
Notes to Financial Statements

Note "3" – Cash, Deposits and Investments (continued):

D. Investments (continued)

- Credit risk - The Town has no investment policy that would limit its investment choices due to credit risk other than State Statutes governing investments in obligations of any State or political subdivision or in obligations of the State of Connecticut or political subdivision.
- The Fiduciary Fund investments are uninsured and unregistered with securities held by the counterparties, but not in the Town's name.

E. Fair Value Measurements:

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Town did not hold any investments on June 30, 2018 whose fair value was determined using Level 2 or Level 3 inputs.

At June 30, 2018, the Town's investments, as listed below, are measured on a recurring basis using Level 1 inputs. The Town has no financial assets measured using Level 2 or Level 3 inputs.

| | |
|-----------------------|-------------------|
| Mutual funds | \$ 406,372 |
| Exchange traded funds | <u>58,258</u> |
| Total | <u>\$ 464,630</u> |

Note "4" - Receivables:

Property taxes, interest, and liens receivable at June 30, 2018, including the applicable allowances for uncollectible accounts, are as follows:

| | |
|--|------------------|
| Property taxes | \$ 12,890 |
| Accrued interest and lien fees on property taxes | <u>1,497</u> |
| Gross receivables | 14,387 |
| Less: allowance for uncollectibles | <u>---</u> |
| <u>Net Receivables</u> | <u>\$ 14,387</u> |

Note "5" - Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, consisted of the following:

| | <u>Transfers from Other Funds</u> | <u>Transfers To Other Funds</u> |
|----------------------------------|---------------------------------------|-------------------------------------|
| <u>Major Funds:</u> | | |
| General Fund | \$ --- | \$ 156,689 |
| Capital Non-recurring Fund | 25,000 | --- |
| Equipment Replacement Fund | 90,000 | --- |
| <u>Other Governmental Funds:</u> | | |
| Park and Recreation Fund | 28,189 | --- |
| Warren Cemetery Commission Fund | <u>13,500</u> | <u>---</u> |
| <u>Total</u> | <u>\$ 156,689</u> | <u>\$ 156,689</u> |

Town of Warren
Notes to Financial Statements

Note "5" - Interfund Transfers (continued):

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

Note "6" - Interfund Balances:

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. At June 30, 2018 the amounts due to and from other funds were as follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---------------------------------|---------------------|-------------------|
| Town Aid Road | General Fund | \$ 216,745 |
| Equipment Replacement Fund | General Fund | 78,205 |
| Park and Rec Fund | General Fund | 72,171 |
| Force Majeure Fund | General Fund | 41,019 |
| Capital Non-Recurring Fund | General Fund | 14,853 |
| Social Services Fund | General Fund | 9,194 |
| Good Neighbor Fund | General Fund | 5,319 |
| Warren Cemetery Commission Fund | General Fund | 1,120 |
| <u>Total</u> | | <u>\$ 438,626</u> |

Note "7" - Capital Assets:

Capital asset activity for the year ended June 30, 2018 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions and Reclasses</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------------------------|---------------------------|
| <u>Governmental Activities:</u> | | | | |
| Capital Assets - Not Depreciated: | | | | |
| Land | \$ 1,313,371 | \$ --- | \$ --- | \$ 1,313,371 |
| ReaderBoard - Construction in Progress | 20,735 | --- | (20,735) | --- |
| Capital Assets - Depreciated: | | | | |
| Land Improvements | 25,430 | --- | --- | 25,430 |
| Building & Improvements | 4,784,244 | 6,917 | --- | 4,791,161 |
| Machinery, Equipment & Vehicles | 2,321,707 | 270,271 | (49,370) | 2,542,608 |
| Infrastructure | <u>5,608,461</u> | <u>172,858</u> | <u>(243,298)</u> | <u>5,538,021</u> |
| Total Capital Assets Being Depreciated | 12,739,842 | 450,046 | (292,668) | 12,897,220 |
| Less: Accumulated Depreciation | | | | |
| Land Improvements | 9,790 | 817 | --- | 10,607 |
| Building & Improvements | 1,203,359 | 114,230 | --- | 1,317,589 |
| Machinery, Equipment & Vehicles | 1,684,589 | 125,359 | (49,370) | 1,760,578 |
| Infrastructure | <u>4,661,423</u> | <u>277,409</u> | <u>(243,298)</u> | <u>4,695,534</u> |
| Total Accumulated Depreciation | <u>7,559,161</u> | <u>517,815</u> | <u>(292,668)</u> | <u>7,784,308</u> |
| Capital Assets Being Depreciated - Net | <u>5,180,681</u> | <u>(67,769)</u> | <u>(---)</u> | <u>5,112,912</u> |
| Capital Assets - Net | <u>\$ 6,514,787</u> | <u>\$ (67,769)</u> | <u>\$ (20,735)</u> | <u>\$ 6,426,283</u> |

Town of Warren
Notes to Financial Statements

Note "7" - Capital Assets (continued):

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

Governmental Activities:

| | |
|--|-------------------|
| General government services | \$ 90,866 |
| Public safety | 33,055 |
| Public works, including depreciation of General infrastructure assets | 368,095 |
| Culture and recreation | 25,799 |
| <u>Total depreciation expense</u> | <u>\$ 517,815</u> |

Note "8" – Long-Term Liabilities:

The following is a summary of activity for the year ended June 30, 2018. The General Fund has historically been used to liquidate the following long-term liabilities.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

| | <u>Balance</u> <u>July 1, 2017</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2018</u> | <u>Current</u> <u>Portion</u> |
|--------------------------|---------------------------------------|------------------|-------------------|--|----------------------------------|
| Governmental Activities: | | | | | |
| General obligation bond | \$ 1,950,000 | \$ --- | \$ 150,000 | \$ 1,800,000 | \$ 150,000 |
| Net pension liability | <u>360,201</u> | <u>66,549</u> | <u>87,275</u> | <u>339,475</u> | <u>---</u> |
| Total | <u>\$ 2,310,201</u> | <u>\$ 66,549</u> | <u>\$ 237,275</u> | <u>\$ 2,139,475</u> | <u>\$ 150,000</u> |

| <u>Description</u> | <u>Original</u> <u>Amount</u> | <u>Date of</u> <u>Issue</u> | <u>Date of</u> <u>Maturity</u> | <u>Interest</u> <u>Rate %</u> |
|-------------------------|----------------------------------|--------------------------------|-----------------------------------|----------------------------------|
| General obligation bond | \$ 3,000,000 | 6/15/2010 | 6/15/2030 | 2-4 |

Aggregate debt service requirements subsequent to June 30, 2018 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|---------------------|-------------------|---------------------|
| 2019 | \$ 150,000 | \$ 65,812 | \$ 215,812 |
| 2020 | 150,000 | 59,812 | 209,812 |
| 2021 | 150,000 | 55,312 | 205,312 |
| 2022 | 150,000 | 50,625 | 200,625 |
| 2023 | 150,000 | 45,750 | 195,750 |
| 2024-2028 | 750,000 | 148,126 | 898,126 |
| 2029-2030 | <u>300,000</u> | <u>18,000</u> | <u>318,000</u> |
| Total Debt Service requirement | <u>\$ 1,800,000</u> | <u>\$ 443,437</u> | <u>\$ 2,243,437</u> |

Note "9" - Contingent Liabilities:

The Town is contingently liable on Regional School District No. 6 serial bonds payable through June 1, 2038. The amount (19.24%) attributable to the Town is \$520,254.

Town of Warren
Notes to Financial Statements

Note "10" – Pension Plan

A. Defined Benefit Pension Plan

General Information about the Pension Plan

The Town of Warren is the administrator of a single-employer public employee retirement system (PERS) established and administered by the Town to provide pension benefits for its employees. The PERS is considered to be part of the Town's financial reporting entity and is included in the Town's financial reports as a pension trust fund. At June 30, 2018, the latest actuarial date, PERS membership consisted of:

| | |
|---|-----------|
| Inactive plan members or beneficiaries currently receiving benefits | 6 |
| Inactive plan members entitled to but not yet receiving benefits | 3 |
| Active plan members | <u>4</u> |
| <u>Total</u> | <u>13</u> |

The plan is a non-contributory defined benefit pension plan and covers substantially all regular full-time employees and elected officials through contribution to the Pension Trust Fund. In order to be eligible for the plan, the employee must complete one full year of service and attain a minimum age of twenty-one.

Normal retirement date is the first of the month coincident with or next following the participants 65th birthday. The annual benefit is 1.25% of the Final Average Compensation multiplied by years of Credited Service to June 30, 1997 and 1.5% of final average compensation multiplied by years of credited service beginning July 1, 1997. Final average compensation is the average compensation for the five highest compensation years within the ten years of service prior to retirement or termination. The plan contains a provision for early retirement at age sixty and after fifteen years of credited service at a reduced benefit.

The Plan has a provision for early retirement at age 60 and 15 years of credited service. Benefit determined as above multiplied by years of credited service at the time of early retirement, but reduced by 6.6% for each of the first five years prior to normal retirement and 3.3% for each of the next five years which the date of commencement precedes normal retirement.

Participants are entitled to a percentage of accrued pension payable at their normal retirement date based upon the following schedule:

| <u>Full Years of Credited Services</u> | <u>Vested Percentage of Accrued Benefit</u> |
|--|---|
| 4 years | 50% |
| 7 years or more | 100% |

Plan Amendments:

The Town froze participation and retirement benefits as follows:

- Non-collectively bargained member's retirement benefits shall not be increased after July 1, 2014.
- No additional Collectively Bargained Employees (other than those Collectively Bargained Employees who are members of the Plan on June 30, 2014) are eligible to become members of the plan.

As of July 1, 2014, the Town adopted a defined contribution pension plan under code Section 457(b) for eligible new employees and all current participants of the frozen defined benefit pension plan.

Town of Warren
Notes to Financial Statements

Note "10" – Defined Benefit Pension Plan (continued):

A. Defined Benefit Pension Plan (continued)

Authority

The Board of Finance has established the benefit provisions and contribution to the plan. The Board is also authorized to make changes to the plan provisions through the budgetary process.

Funding Policy:

The Town's funding policy provides for periodic employer contributions at actuarially determined rates that, when expressed as percentages of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due. There are no legal or contractual limitations on the maximum amount of the Town's contribution.

Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: PERS financial statements are prepared using the accrual basis of accounting. Employer's contributions are recognized as revenues in the period in which employee services are performed. Benefit payments and refunds are payable when due and payable in accordance with the terms of the plan.

Method Used to Value Investments: All funds are invested in money market accounts, exchange traded funds and mutual funds through trust agreement with the custodian, TD Ameritrade Institutional, and are reported at fair value.

Investments:

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Committee of the Board of Finance by a majority vote of its members. It is the policy of the Board of Finance to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across the board selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting assets class allocations over short time spans.

The following was the Board's adopted asset allocation policy as of June 30, 2018. Also summarized below are the best estimates of the arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|-------------------------------|------------------------------|---|
| Cash and Cash Alternatives | 0.00% | 2.00% |
| Aggregate Bonds | 35.00% | 3.25% |
| Real Estate Investment Trusts | 6.00% | 6.25% |
| U.S. Large Cap Value | 12.00% | 5.75% |
| U.S. Large Cap | 12.00% | 5.25% |
| U.S. Small Cap Value | 6.00% | 5.75% |
| U.S. Small Cap | 6.00% | 5.75% |
| Foreign Developed | 12.00% | 6.25% |
| Foreign Emerging Markets | 6.00% | 8.00% |
| Gold | 5.00% | 4.00% |

Town of Warren
Notes to Financial Statements

Note "10" – Defined Benefit Pension Plan (continued):

A. Defined Benefit Pension Plan (continued)

The following investments represent 5 percent or more of plan net assets:

| | | | |
|-----------------------------|----|--------|--------|
| Cash & Cash Equivalents | \$ | 68,891 | 12.91% |
| Vanguard Growth ETF | \$ | 35,805 | 6.71% |
| International Core Equi PTF | \$ | 53,932 | 10.11% |
| US Large Cap Value I | \$ | 54,741 | 10.26% |
| US Small Cap I | \$ | 28,957 | 5.43% |
| Interm Govt Fixed Income I | \$ | 60,115 | 11.27% |
| Five-Year Global Fixed PTF | \$ | 42,101 | 7.89% |
| Investment Grade PTF | \$ | 37,771 | 7.08% |
| Global Real Estate Sec PTF | \$ | 30,267 | 5.67% |

Rate of Return: For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.39%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town:

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

| | | |
|-----------------------------|----|----------------|
| Total pension liability | \$ | 872,995 |
| Plan fiduciary net position | | <u>533,520</u> |
| Net pension liability | \$ | <u>339,475</u> |

Plan fiduciary net position as a percentage of the total pension liability 61.11%

Actuarial Assumptions

The following assumptions were used to determine the total pension liability, above, using the actuarial valuation as of June 30, 2018:

| | |
|-----------------------------------|--|
| Inflation | 3% |
| Salary increases | 3%, including inflation |
| Long term expected rate of return | 6%, net of expenses, including inflation |

Mortality rates were based on the RP-2014 Table with Scale MP-2017 generational improvements from 2006 (Male/Female); separate tables are used for employees and annuitants.

Changes in Assumptions: The municipal bond index changed from 3.13% in the July 1, 2017 actuarial valuation to 2.98% for the June 30, 2018 actuarial valuation. While the municipal bond index rate has changed from the beginning of the year, the discount rate for purposes of determining the Net Pension Liability has not changed, since no crossover point was reached.

The long-term expected rate of return on pension plan investments was determined using a blended rate, an average of past performance. The rate best estimates expected future real rates of return (expected returns, net of pension plan investment expense and inflation) and 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 total weighted average expected rate of return is 6.00%.

Town of Warren
Notes to Financial Statements

Note "10" – Defined Benefit Pension Plan (continued):

A. Defined Benefit Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that the Town contribution will be made at actuarially determined contribution rates. Therefore, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based on the aforementioned assumptions, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability of the Town

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
|---|--|--|--|
| Balances as of June 30, 2017 | \$ 873,295 | \$ 513,094 | \$ 360,201 |
| Changes for the Year: | | | |
| Service cost | 12,113 | --- | 12,113 |
| Interest on total pension liability | 50,987 | --- | 50,987 |
| Differences between expected and actual experience | (1,728) | --- | (1,728) |
| Employer contributions | --- | 55,000 | (55,000) |
| Net investment income | --- | 30,547 | (30,547) |
| Benefit payments | (61,672) | (61,672) | --- |
| Administrative expense | --- | (3,449) | 3,449 |
| Net changes | <u>(300)</u> | <u>20,426</u> | <u>(20,726)</u> |
| Balances as of June 30, 2018 | \$ <u>872,995</u> | \$ <u>533,520</u> | \$ <u>339,475</u> |

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

The following presents the net pension liability of the Town, calculated using the discount rate of 6.00%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.00%) or 1 percentage point higher (7.00%) than the current rate.

| | <u>1% Decrease to 5.00%</u> | <u>Current Discount Rate of 6.00%</u> | <u>1% Increase To 7.00%</u> |
|-----------------------|--|--|--|
| Net Pension Liability | \$ 444,847 | \$ 339,475 | \$ 250,986 |

Town of Warren
Notes to Financial Statements

Note "10" – Defined Benefit Pension Plan (continued):

A. Defined Benefit Pension Plan (continued)

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

For the year ended June 30, 2018, the Town recognized pension expense of \$59,572. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | <u>Deferred Outflows of Resources</u> |
|--|---|
| Difference between projected and actual earnings on pension plan investments | \$ 9,525 |
| Difference between expected and actual experiences | 20,759 |
| Changes of assumptions | <u>1,999</u> |
| Total | <u>\$ 32,283</u> |

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

| <u>Year Ending June 30,</u> | |
|-----------------------------|------------------|
| 2019 | \$ 20,246 |
| 2020 | 12,769 |
| 2021 | (755) |
| 2022 | <u>23</u> |
| | <u>\$ 32,283</u> |

B. Defined Contribution Pension Plan

The Town offers its employees, who are eligible for benefits, a deferred compensation plan, created in accordance with Internal Revenue Code Section 457.

All employees working a minimum of 1,000 hours during the year, complete one full year of continuous service, and attain the age of twenty-one are eligible for inclusion in the plan.

The Town is required to contribute 3% of the employee's compensation. In addition, the Town is also required to match up to 100% of the dollar amount contributed by the employee up to a maximum of 3% of the employee's compensation. Contribution requirements of the Town are established and may be amended by the Board of Finance. Town contributions totaled \$17,143 for the year ended June 30, 2018.

Deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergencies. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive benefit of the plan participants and their beneficiaries. It is the opinion of Town officials that the Town has no liability for losses under the plan, and therefore, the accounts of the deferred compensation plan are not reported in the basic financial statements of the Town.

Town of Warren
Notes to Financial Statements

Note "11" - Commitments and Litigation:

It is the opinion of town officials that there are no material or substantial claims against the Town, which will be finally determined so as to result in a judgment or judgments against the town, which would materially affect its financial position.

The Town has received financial assistance from numerous Federal and State agencies in the form of grants and entitlements. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material effect on the Town's financial statements.

Note "12" - Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees; and natural disasters. Commercial liability and property insurance coverage is purchased to protect against losses from these risks. The Town does not maintain a self-insurance fund. However, the Town is a member of the Connecticut Interlock Risk Management Agency (CIRMA) workers compensation pool. Premiums are subject to adjustment from retrospective rating, and are recorded as expenditures in the year paid. The Town reports all of its risk management activities in the General Fund.

Note "13" - Operating Deficiencies and Fund Deficits:

The following individual funds had deficiencies of revenue and other sources over expenditures and other uses for the year ended June 30, 2018. All fund balances were positive as of June 30, 2018.

Major Funds:

| | | |
|-------------------------------------|----|---------|
| Equipment Replacement Fund | \$ | 184,645 |
| Good Neighbor Fund | \$ | 2,421 |
| Social Service Special Project Fund | \$ | 281 |

Town of Warren
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2018

| | Original and Final Budget | Actual | Variance With Final Budget Over (Under) |
|---|---------------------------------|---------------------|---|
| Revenues: | | | |
| Property taxes | \$ 5,263,485 | \$ 5,271,698 | \$ 8,213 |
| Interest and liens fees on property taxes | 20,000 | 28,004 | 8,004 |
| Telephone access tax | 5,000 | 4,916 | (84) |
| State of Connecticut - Grants: | | | |
| Elderly homeowners | 6,000 | --- | (6,000) |
| Veterans tax relief | 500 | 1,508 | 1,008 |
| Historic document preservation | --- | 4,000 | 4,000 |
| State property (PILOT) | 1 | 1,908 | 1,907 |
| Mashantucket Pequot | 1 | 8,125 | 8,124 |
| Education grants | 1 | 28,680 | 28,679 |
| Judicial fines | --- | 90 | 90 |
| Municipal revenue sharing | 1 | --- | (1) |
| Other grants | --- | 33 | 33 |
| Contributions in lieu of taxes | 500 | 500 | - |
| Investment income | 15,000 | 51,930 | 36,930 |
| Other fees and receipts: | | | |
| Building permits | 40,000 | 69,770 | 29,770 |
| Building permits - Excess revenue over budget offsets expenditures | --- | (29,770) | (29,770) |
| Planning, zoning and conservation | 4,000 | 6,262 | 2,262 |
| Conveyance tax | 28,000 | 60,901 | 32,901 |
| Dog fees | 1,000 | 1,571 | 571 |
| Recording and map fees | 10,000 | 8,871 | (1,129) |
| Rent of town buildings | 3,600 | 4,963 | 1,363 |
| Library rent | 600 | 600 | --- |
| Photocopies and other miscellaneous fees | 7,000 | 23,004 | 16,004 |
| Recycling rebate | 1,000 | 1,653 | 653 |
| Amounts available for appropriation | \$ 5,405,689 | \$ 5,549,217 | \$ 143,528 |

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

Town of Warren
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2018

| | Original Budget | Transfers and Additional Appropriations | Final Budget | Actual | Variance With Final Budget Over (Under) |
|---|----------------------------|--|-------------------------|----------------|--|
| Expenditures: | | | | | |
| General Government | | | | | |
| First Selectman - salary | \$ 53,197 | \$ --- | \$ 53,197 | \$ 53,197 | \$ --- |
| First Selectman -Administrative Assistant | 34,458 | --- | 34,458 | 34,087 | (371) |
| First Selectman - Clerical | 17,894 | --- | 17,894 | 14,053 | (3,841) |
| Board of Selectman - expenses | 6,500 | --- | 6,500 | 5,426 | (1,074) |
| Second Selectman | 3,750 | --- | 3,750 | 3,750 | --- |
| Third Selectman | 3,750 | --- | 3,750 | 3,750 | --- |
| Treasurer - salary | 6,477 | --- | 6,477 | 6,477 | --- |
| Treasurer - expenses | 1,500 | --- | 1,500 | 1,722 | 222 |
| Town clerk - salary | 36,925 | --- | 36,925 | 36,925 | --- |
| Town clerk - expenses | 15,700 | --- | 15,700 | 14,766 | (934) |
| Deputy town clerk | 3,680 | --- | 3,680 | 139 | (3,541) |
| Computer management | 5,000 | --- | 5,000 | 5,632 | 632 |
| Tax collector - salary | 10,537 | --- | 10,537 | 11,267 | 730 |
| Tax collector - expenses | 9,500 | --- | 9,500 | 9,451 | (49) |
| Assessor- salary | 26,106 | --- | 26,106 | 26,106 | --- |
| Assessor- expenses | 13,750 | --- | 13,750 | 10,458 | (3,292) |
| Park and recreation director - salary | 33,182 | --- | 33,182 | 33,534 | 352 |
| Social services director - salary | 11,000 | --- | 11,000 | 9,855 | (1,145) |
| Social services - expenses | 1,000 | --- | 1,000 | 64 | (936) |
| Zoning /Inlands officer - salary | 18,667 | --- | 18,667 | 20,592 | 1,925 |
| Custodian - salary | 17,994 | --- | 17,994 | 12,263 | (5,731) |
| Fire Marshall | 4,000 | --- | 4,000 | 3,672 | (328) |
| Building inspector | 35,000 | --- | 35,000 | 61,415 | 26,415 |
| Building department - Excess revenue over budget | --- | --- | --- | (29,770) | (29,770) |
| Dog warden - salary | 6,535 | --- | 6,535 | 6,535 | --- |
| Dog warden - expenses | 850 | --- | 850 | 606 | (244) |
| Animal shelter | 1,900 | --- | 1,900 | 1,350 | (550) |
| Police | 500 | --- | 500 | 352 | (148) |
| Office equipment | 6,000 | --- | 6,000 | 3,623 | (2,377) |
| Town engineer | 2,500 | --- | 2,500 | 2,500 | --- |
| Legal counsel | 5,000 | --- | 5,000 | 1,472 | (3,528) |
| Auditor | 17,800 | --- | 17,800 | 18,500 | 700 |
| GASB # 34 Compliance | 1,618 | --- | 1,618 | 1,000 | (618) |
| Probate court | 2,675 | --- | 2,675 | 2,673 | (2) |
| Elections - salary | 6,800 | --- | 6,800 | 7,702 | 902 |
| Elections - expenses | 6,800 | --- | 6,800 | 4,380 | (2,420) |
| Board of Assessment Appeals | 750 | --- | 750 | 674 | (76) |
| Board of Finance | 730 | --- | 730 | 402 | (328) |
| Planning and Zoning Commission | 7,000 | --- | 7,000 | 8,864 | 1,864 |
| Zoning Board of Appeals | 7,800 | 14,310 | 22,110 | 21,355 | (755) |
| Conservation Commission | 3,820 | --- | 3,820 | 3,113 | (707) |
| Historical document preservation | --- | --- | --- | 4,000 | 4,000 |
| Revaluation - Continuing and additional appropriations | --- | 39,290 | 39,290 | 13,263 | (26,027) |
| Total General Government | 448,645 | 53,600 | 502,245 | 451,195 | (51,050) |

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

Town of Warren
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2018

| Expenditures (continued): | Original Budget | Transfers and Additional Appropriations | Final Budget | Actual | Variance With Final Budget Over (Under) |
|---|----------------------------|--|-------------------------|---------------|--|
| Employee Benefits | | | | | |
| Insurance benefits | \$ 66,900 | \$ 4,800 | \$ 71,700 | \$ 74,244 | \$ 2,544 |
| Retirement fund contribution and fees | 82,800 | --- | 82,800 | 82,263 | (537) |
| Social security/medicare | 41,700 | --- | 41,700 | 39,637 | (2,063) |
| Total Employee Benefits | 191,400 | 4,800 | 196,200 | 196,144 | (56) |
| Health services | | | | | |
| Torrington area health district | 8,870 | --- | 8,870 | 8,869 | (1) |
| Visiting nurses Northwes & NM | 5,000 | --- | 5,000 | 1,056 | (3,944) |
| Paramedic intercept | 10,220 | --- | 10,220 | 10,220 | --- |
| Total Health Services | 24,090 | --- | 24,090 | 20,145 | (3,945) |
| Agencies | | | | | |
| Lake Waramaug Authority | 5,600 | --- | 5,600 | 3,665 | (1,935) |
| Inter-local commission | 9,485 | --- | 9,485 | 9,485 | --- |
| NW CT Regional Council of Governments | 1,134 | --- | 1,134 | 1,134 | --- |
| Library | 29,000 | 19,942 | 48,942 | 29,000 | (19,942) |
| Civil Defense - town communication | 1,000 | --- | 1,000 | --- | (1,000) |
| Litchfield County Dispatch | 15,347 | --- | 15,347 | 15,346 | (1) |
| Regional non-profit agencies | 1,938 | --- | 1,938 | 2,097 | 159 |
| Litchfield County soil conservation | 600 | --- | 600 | 600 | --- |
| Elderly bus | 1,115 | --- | 1,115 | 1,115 | --- |
| Council of Small Towns | 1,767 | --- | 1,767 | 1,767 | --- |
| Total Agencies | 66,986 | 19,942 | 86,928 | 64,209 | (22,719) |
| Town Property | | | | | |
| Improving town property | 15,000 | --- | 15,000 | 14,077 | (923) |
| Street lighting | 2,600 | --- | 2,600 | 2,213 | (387) |
| Total Town Property | 17,600 | --- | 17,600 | 16,290 | (1,310) |
| Town Buildings & Waste Removal | | | | | |
| Operations | 80,000 | --- | 80,000 | 88,142 | 8,142 |
| Waste collection and hauling | 97,750 | --- | 97,750 | 89,669 | (8,081) |
| Recycling | 500 | --- | 500 | --- | (500) |
| Energy improvements | 1,500 | --- | 1,500 | --- | (1,500) |
| Capital improvements | 30,000 | --- | 30,000 | 30,189 | 189 |
| Covanta | 35,000 | --- | 35,000 | 29,646 | (5,354) |
| Household hazardous waste | 2,500 | --- | 2,500 | 1,627 | (873) |
| Total Town Buildings & Waste Removal | 247,250 | --- | 247,250 | 239,273 | (7,977) |
| Highways and General Operations | | | | | |
| Highway labor | 253,261 | --- | 253,261 | 245,637 | (7,624) |
| Highway department operations | 120,000 | --- | 120,000 | 119,084 | (916) |
| Snow removal | 90,000 | --- | 90,000 | 89,852 | (148) |
| Town garage | 19,000 | --- | 19,000 | 16,293 | (2,707) |
| Maintenance town equipment | 35,000 | --- | 35,000 | 34,496 | (504) |
| Gas, fuel, oil | 28,000 | --- | 28,000 | 39,148 | 11,148 |
| Road Fund | 20,000 | --- | 20,000 | 18,036 | (1,964) |
| Uniforms | 2,500 | --- | 2,500 | 3,382 | 882 |
| Total Highways and General operations | 567,761 | --- | 567,761 | 565,928 | (1,833) |

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

Town of Warren
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non - GAAP Budgetary Basis)
Year Ended June 30, 2018

| Expenditures (continued): | Original Budget | Transfers and Additional Appropriations | Final Budget | Actual | Variance With Final Budget Over (Under) |
|--|----------------------------|--|-------------------------|------------------|--|
| Town Fire Department | | | | | |
| Fire department insurance | \$ 19,000 | \$ --- | \$ 19,000 | \$ 16,761 | \$ (2,239) |
| Workmans compensation | 7,700 | --- | 7,700 | 7,486 | (214) |
| Gas and diesel fuel | 3,000 | --- | 3,000 | 3,000 | --- |
| Truck maintenance | 19,000 | --- | 19,000 | 20,814 | 1,814 |
| Tax abatement | 28,000 | --- | 28,000 | 24,566 | (3,434) |
| Total Fire Department | 76,700 | --- | 76,700 | 72,627 | (4,073) |
| Town Insurance | | | | | |
| Town Insurance | 62,000 | --- | 62,000 | 55,285 | (6,715) |
| Miscellaneous | | | | | |
| State dog fees | 1,200 | --- | 1,200 | 1,009 | (191) |
| Website/Email services | 2,500 | --- | 2,500 | 2,310 | (190) |
| Newsletter expenses | 3,300 | --- | 3,300 | 3,006 | (294) |
| Miscellaneous | 3,000 | --- | 3,000 | 2,626 | (374) |
| Special appropriation: Lake Waramaug Dam | --- | 20,000 | 20,000 | 19,942 | (58) |
| Total Miscellaneous | 10,000 | 20,000 | 30,000 | 28,893 | (1,107) |
| Education | | | | | |
| Wamogo Regional School District | 3,367,154 | (19,110) | 3,348,044 | 3,326,649 | (21,395) |
| Debt Service | | | | | |
| Interest & principal | 221,813 | --- | 221,813 | 221,813 | --- |
| Other Financing Uses: | | | | | |
| Operating transfers out | | | | | |
| Fire truck replacement fund | 40,000 | --- | 40,000 | 40,000 | --- |
| Park and recreation fund | 32,000 | --- | 32,000 | 28,189 | (3,811) |
| Non-recurring capital expenditure fund | 25,000 | --- | 25,000 | 25,000 | --- |
| Cemeteries | 13,500 | --- | 13,500 | 13,500 | --- |
| Equipment fund | 50,000 | --- | 50,000 | 50,000 | --- |
| Total operating transfers | 160,500 | --- | 160,500 | 156,689 | (3,811) |
| Total Expenditures and Other Financing Uses | 5,461,899 | 79,232 | 5,541,131 | 5,415,140 | (125,991) |
| Excess (deficiency) of revenues over Expenditure and other uses | (56,210) | (79,232) | (135,442) | 134,077 | 269,519 |
| Fund Balance at beginning of year | 56,210 | 79,232 | 135,442 | 2,024,028 | 1,888,586 |
| Fund Balance at end of year | \$ --- | \$ --- | \$ --- | \$ 2,158,105 | \$ 2,158,105 |

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

Town of Warren
Notes to Required Supplementary Information –
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2018

Basis:

The Schedule of Revenues, Expenditures and Changes in Fund Balance of the General Fund Budget and Actual (Non-GAAP Budgetary Basis) presents a comparison of the original and the final legally adopted budget with actual data on a budgetary basis.

Reconciliation between Budgetary Basis and Generally Accepted Accounting Principles (GAAP) Basis:

The budget for the General Fund has been prepared substantially on the cash basis, whereas actual revenues and expenditures were determined on the modified accrual basis. The budget comparison was not adjusted to the cash basis because the differences were not significant. Expenditures in excess of appropriations in budget line items are primarily due to the addition of accruals at year end.

Volunteer tax credits are reported as expenditures in the fire department line item for budgetary purposes; whereas, under GAAP, it is reported as a reduction of tax revenue.

Additionally, for budget purposes, the Town recognizes building inspection fees up to the budgeted revenue and any excess is offset against the respective expenditure since the expenditure is based on the percentage of revenue. For GAAP purposes, the gross revenue and expenditures are recognized, resulting in the adjustment shown below.

The difference between GAAP and the budgeting basis for the General Fund is as follows:

| | <u>Total Revenues</u> | <u>Total Expenditures and Transfers</u> | <u>Fund Balance</u> |
|---|-----------------------|---|---------------------|
| Actual - NonGAAP Budgetary Basis Statement - June 30, 2018 | \$ 5,549,217 | \$ 5,415,140 | \$ 2,158,105 |
| Volunteer tax credits | (24,000) | (24,000) | --- |
| To gross up revenue and expenditures – Building department | <u>29,770</u> | <u>29,770</u> | <u>---</u> |
| Actual GAAP - June 30, 2018 | <u>\$ 5,554,987</u> | <u>\$ 5,420,910</u> | <u>\$ 2,158,105</u> |

Town of Warren
Schedule of Changes in Net Pension Liability and Related Ratios
Last Five Fiscal Years

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total pension liability: | | | | | |
| Service cost | \$ 12,113 | \$ 9,912 | \$ 11,990 | \$ 13,015 | \$ 20,164 |
| Interest | 50,987 | 47,784 | 50,753 | 46,851 | 51,669 |
| Difference between expected and actual experience | (1,728) | 62,490 | (38,381) | 15,381 | (89,163) |
| Changes in assumptions | - | (6,260) | (11,250) | 51,134 | 1,803 |
| Benefit payments, including refunds of member contributions | (61,672) | (61,672) | (61,672) | (62,718) | (61,392) |
| Net change in total pension liability | (300) | 52,254 | (48,560) | 63,663 | (76,919) |
| Total pension liability - beginning | 873,295 | 821,041 | 869,601 | 805,938 | 882,857 |
| Total pension liability - ending | 872,995 | 873,295 | 821,041 | 869,601 | 805,938 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | 55,000 | 58,000 | 38,160 | 40,963 | 41,375 |
| Net investment income | 30,547 | 31,747 | 15,137 | 4,364 | 57,936 |
| Benefit payments, including refunds of member contributions | (61,672) | (61,672) | (61,672) | (62,718) | (61,392) |
| Administrative expense | (3,449) | (3,232) | (3,153) | (3,288) | (3,293) |
| Net change in plan fiduciary net position | 20,426 | 24,843 | (11,528) | (20,679) | 34,626 |
| Plan fiduciary net position - beginning | 513,094 | 488,251 | 499,779 | 520,458 | 485,832 |
| Plan fiduciary net position - ending | 533,520 | 513,094 | 488,251 | 499,779 | 520,458 |
| Net Pension Liability - Ending | \$ 339,475 | \$ 360,201 | \$ 332,790 | \$ 369,822 | \$ 285,480 |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 61.11% | 58.75% | 59.47% | 57.47% | 64.58% |
| Covered Employee Payroll | \$ 192,459 | \$ 195,802 | \$ 163,976 | \$ 189,096 | \$ 230,525 |
| Net Pension Liability as a percentage of covered employee payroll | 176.39% | 183.96% | 202.95% | 195.57% | 123.84% |

Town of Warren
Schedule of Employer Contributions
Last Eight Fiscal Years

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|------------|------------|------------|------------|------------|------------|------------|--------------|
| Actuarially determined contribution | \$ 56,213 | \$ 48,869 | \$ 51,802 | \$ 42,072 | \$ 57,873 | \$ 57,429 | \$ 51,527 | \$ 45,865 |
| Contributions in relation to the actuarially determined contribution | 55,000 | 58,000 | 38,160 | 40,963 | - | 33,000 | 38,000 | 150,000 |
| Contribution Deficiency (Excess) | \$ 1,213 | \$ (9,131) | \$ 13,642 | \$ 1,109 | \$ 57,873 | \$ 24,429 | \$ 13,527 | \$ (104,135) |
| Covered employee payroll | \$ 192,459 | \$ 195,802 | \$ 163,976 | \$ 189,096 | \$ 230,525 | \$ 219,412 | \$ 257,213 | \$ 245,257 |
| Contributions as a percentage of covered employee payroll | 28.58% | 29.62% | 23.27% | 21.66% | 0.00% | 15.04% | 14.77% | 61.16% |

Notes to Schedule

Valuation date: June 30, 2018

Measurement date: June 30, 2018

Actuarially determined contribution rates are calculated as the normal cost as of July 1st prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Projected Unit Cost |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 10 years |
| Asset valuation method | Fair market value |
| Salary increases | 3.0% |
| Investment rate of return | 6.0%; 8.0% prior to fiscal year ending 6/30/2012 |
| Retirement age | Age 65, 100% normal retirement age |
| Mortality | RP-2014 Table with Scale MP-2017 generational improvements from 2006 (Male/Female). Separate tables are used for Employees and Annuitants. |

Changes in benefit terms: None

Changes of assumptions: In fiscal year ending 2016, the mortality table was updated from the RP-2014 tables with Scale MP-2015 generational improvements (Male/Female); separate tables are used for Employees and Annuitants. In fiscal year 2017, the mortality table was updated to the RP-2014 with MP-2017 generational improvements from 2006 (Male/Female).

Town of Warren
Schedule of Investment Returns
Last Five Fiscal Years

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 6.39% | 6.97% | 3.25% | 0.90% | 11.25% |

Town of Warren
Nonmajor Government Funds
Combining Balance Sheet
June 30, 2018

| | Special Revenue Funds | | | | | Total |
|--|--------------------------|----------------------------|--------------------|--------------------|-------------------------------------|----------------|
| | Park and Recreation Fund | Warren Cemetery Commission | Good Neighbor Fund | Force Majeure Fund | Social Service Special Project Fund | |
| Assets: | | | | | | |
| Cash and cash equivalents | \$ --- | \$ 120,843 | \$ 14,384 | \$ --- | \$ --- | 135,227 |
| Prepaid expenses | 2,164 | --- | --- | --- | --- | 2,164 |
| Due from other funds | 72,171 | 1,120 | 5,319 | 41,019 | 9,194 | 128,823 |
| Total Assets | <u>\$ 74,335</u> | <u>\$ 121,963</u> | <u>\$ 19,703</u> | <u>\$ 41,019</u> | <u>\$ 9,194</u> | <u>266,214</u> |
| Liabilities: | | | | | | |
| Deferred revenue | \$ 2,500 | \$ --- | \$ --- | \$ --- | \$ --- | 2,500 |
| Total Liabilities | <u>2,500</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>2,500</u> |
| Fund balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepayments | 2,164 | --- | --- | --- | --- | 2,164 |
| Restricted for: | | | | | | |
| Social services | --- | --- | 19,703 | --- | 9,194 | 28,897 |
| Committed to: | | | | | | |
| Parks and recreation | 69,671 | --- | --- | --- | --- | 69,671 |
| Cemetery operations | --- | 121,963 | --- | --- | --- | 121,963 |
| Waste disposal | --- | --- | --- | 41,019 | --- | 41,019 |
| Total Fund Balances | <u>71,835</u> | <u>121,963</u> | <u>19,703</u> | <u>41,019</u> | <u>9,194</u> | <u>263,714</u> |
| Total Liabilities and Fund Balances | <u>\$ 74,335</u> | <u>\$ 121,963</u> | <u>\$ 19,703</u> | <u>\$ 41,019</u> | <u>\$ 9,194</u> | <u>266,214</u> |

Town of Warren
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2018

| | Special Revenue Funds | | | | | |
|--|---|---|-----------------------------------|-----------------------------------|--|-------------------|
| | Park and Recreation Fund | Warren Cemetery Commission | Good Neighbor Fund | Force Majeure Fund | Social Service Special Project Fund | Totals |
| Revenues: | | | | | | |
| Investment income | \$ --- | \$ 1,653 | \$ 197 | \$ --- | \$ --- | \$ 1,850 |
| Program fees and other receipts | 99,046 | 1,500 | 2,250 | 830 | 1,206 | 104,832 |
| Total Revenues | <u>99,046</u> | <u>3,153</u> | <u>2,447</u> | <u>830</u> | <u>1,206</u> | <u>106,682</u> |
| Expenditures: | | | | | | |
| Cemetery expenditures | --- | 13,565 | --- | --- | --- | 13,565 |
| Programs and Activities | 115,204 | --- | 4,868 | --- | 1,487 | 121,559 |
| Total Expenditures | <u>115,204</u> | <u>13,565</u> | <u>4,868</u> | <u>---</u> | <u>1,487</u> | <u>135,124</u> |
| Excess (Deficiency) of revenues over expenditures | (16,158) | (10,412) | (2,421) | 830 | (281) | (28,442) |
| Other Financing Sources: | | | | | | |
| Operating transfers in | 28,189 | 13,500 | --- | --- | --- | 41,689 |
| Excess (Deficiency) of Revenues and Other Sources over Expenditures | 12,031 | 3,088 | (2,421) | 830 | (281) | 13,247 |
| Fund Balance - beginning of year | <u>59,804</u> | <u>118,875</u> | <u>22,124</u> | <u>40,189</u> | <u>9,475</u> | <u>250,467</u> |
| Fund Balance - end of year | <u>\$ 71,835</u> | <u>\$ 121,963</u> | <u>\$ 19,703</u> | <u>\$ 41,019</u> | <u>\$ 9,194</u> | <u>\$ 263,714</u> |

Town of Warren
Schedule of Property Taxes Levied, Collected and Outstanding (Report of the Tax Collector)
Year Ended June 30, 2018

| | Taxes Receivable July 1, 2017 | Assessor's Lawful Corrections | | Suspense Transfers | Adjusted Taxes Receivable | C o l l e c t i o n s | | Total Net Collections | Taxes Receivable June 30, 2018 |
|----------------------|-------------------------------------|-------------------------------|-------------------|-----------------------|---------------------------------|-----------------------|---------------------|-----------------------------|--------------------------------------|
| | | Additions | Reductions | | | Taxes | Interest & Liens | | |
| Grand List : | | | | | | | | | |
| October 1, | | | | | | | | | |
| 2016 \$ | 5,242,191 \$ | 6,511 \$ | (6,659) \$ | --- | 5,242,043 \$ | 5,230,255 \$ | 22,150 \$ | (1,102) \$ | 5,251,303 \$ 12,890 |
| 2015 | 20,514 | 289 | (1,289) | (3,227) | 16,287 | 15,882 | 4,644 | 405 | 20,931 --- |
| Suspense collections | --- | --- | --- | 2,423 | 2,423 | 2,423 | 2,292 | --- | 4,715 --- |
| Totals | \$ 5,262,705 \$ | 6,800 \$ | (7,948) \$ | (804) \$ | 5,260,753 \$ | 5,248,560 \$ | 29,086 \$ | (697) \$ | 5,276,949 \$ 12,890 |

Town of Warren
Statement of Debt Limitation
Connecticut General Statutes, Section 7-374 (b)
Year Ended June 30, 2018

Tax collections (including interest and lien fees) for the year ended June 30, 2018 \$ 5,276,949

Reimbursement for revenue loss on:

Tax relief for elderly - (CGS 12-129d) -

Total tax collections (including interest and lien fees) for the year ended June 30, 2018 \$ 5,276,949

| | General Purposes | Schools | Sewers | Urban Renewal | Pension Deficit |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Debt Limitation: | | | | | |
| 2 1/4 times Base | \$ 11,873,135 | \$ - | \$ - | \$ - | \$ - |
| 4 1/2 times Base | - | 23,746,271 | - | - | - |
| 3 3/4 times Base | - | - | 19,788,559 | - | - |
| 3 1/4 times Base | - | - | - | 17,150,084 | - |
| 3 times Base | - | - | - | - | 15,830,847 |
| Total Debt Limitation | 11,873,135 | 23,746,271 | 19,788,559 | 17,150,084 | 15,830,847 |
| Indebtedness: | | | | | |
| General Obligation Bonds - Issued June 15, 2010 | 1,800,000 | - | - | - | - |
| Wamogo Regional School District #6 | | | | | |
| Towns share 19.24% | | | | | |
| General Obligation Bonds Issued 2009 -\$425,000 | - | 81,770 | - | - | - |
| General Obligation Bonds Issued 2017 -\$2,045,000 | | 393,458 | | | |
| Bank Loan Issued December 2016 -\$234,022 | - | 45,026 | - | - | - |
| Total Indebtedness | 1,800,000 | 520,254 | - | - | - |
| Debt Limitation In Excess Of | | | | | |
| Outstanding and Authorized Debt | \$ 10,073,135 | \$ 23,226,017 | \$ 19,788,559 | \$ 17,150,084 | \$ 15,830,847 |



Charles Heaven & Co.
Certified Public Accountants
Waterbury, Connecticut

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

Board of Finance
Town of Warren
Warren, Connecticut

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Warren, Connecticut as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Warren, Connecticut's basic financial statements, and have issued our report thereon dated October 23, 2018.

Internal Control over Financial Reporting

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

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

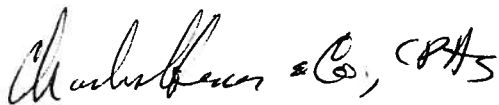
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Charles Heaven & Co., CPAs".

Charles Heaven & Co.
Waterbury, Connecticut

October 23, 2018