

TOWN OF NORTH CANAAN, CONNECTICUT

Audited Financial Statements

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For the Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
The Town of North Canaan, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Canaan, CT, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of North Canaan, CT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of North Canaan, CT, as of June 30, 2017, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9 and pension schedules on pages 34-35 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 North Canaan, CT's basic financial statements. The introductory section, 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 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and other supplemental schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, on our consideration of the Town of North Canaan, CT's internal control over financial reporting and on our tests of 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 North Canaan, CT's internal control over financial reporting and compliance.

King, King & Associates

King, King & Associates, P.C., CPAs
Winsted, CT
December 11, 2017

TOWN OF NORTH CANAAN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2017

As management of the Town of North Canaan, CT, we offer readers of the Town of North Canaan, CT's financial statements this narrative overview and analysis of the financial activities of the Town of North Canaan, CT for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets of the Town of North Canaan, CT exceeded its liabilities at the close of the most recent fiscal year by \$13,714,120 (*net position*). The government's total net position increased by \$770,392. Of this amount, \$3,531,651 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Restricted Net Position of \$942,197 is restricted for various programs such as road improvements, façade improvement program, Douglas Library, and other purposes.
- As of the close of the current fiscal year, the Town of North Canaan, CT's governmental funds reported combined ending fund balances of \$3,787,309, an increase of \$920,610 in comparison with the prior year. Of this amount, \$1,693,312 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,718,960 or 15.2% percent of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *statement of net position* presents information on all of the Town of North Canaan, CT's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator whether the financial position of the Town of North Canaan, CT is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position is changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of North Canaan, CT that are principally supported by 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 of North Canaan, CT include education, public safety, general government, library, highway, sanitation, health and welfare, and recreation.

TOWN OF NORTH CANAAN, CONNECTICUT

Management's Discussion and Analysis

June 30, 2017

The government-wide financial statements can be found on pages 10-11 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 of North Canaan, CT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of North Canaan, CT can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government'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 of North Canaan, CT, maintains eighteen (18) 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 from the prior year.

The Town of North Canaan, CT, adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-33 of this report.

TOWN OF NORTH CANAAN, CONNECTICUT
 Management's Discussion and Analysis
 June 30, 2017

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of North Canaan, CT, assets exceeded liabilities by \$13,714,120 at the close of the most recent fiscal year.

	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 5,497,817	\$ 4,362,017
Capital Assets	9,876,552	10,341,704
Total Assets	<u>\$ 15,374,369</u>	<u>\$ 14,703,721</u>
 Deferred Outflows of Resources	 _____ -	 _____ -
 Current Liabilities	 \$ 1,162,091	 \$ 1,053,892
Long-Term Liabilities	498,158	706,101
Total Liabilities	<u>1,660,249</u>	<u>1,759,993</u>
 Deferred Inflows of Resources	 _____ -	 _____ -
 Net Position:		
Net Investment in Capital Assets	9,240,272	9,498,078
Restricted	942,197	796,688
Unrestricted	<u>3,531,651</u>	<u>2,648,962</u>
Total Net Position	<u>\$ 13,714,120</u>	<u>\$ 12,943,728</u>

The largest portion of the Town's net position (67.4%) reflects its 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.

At the end of the current fiscal year, the Town of North Canaan, CT is able to report positive balances in all categories of net position, for the government as a whole.

TOWN OF NORTH CANAAN, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

	<u>2017</u>	<u>2016</u>
REVENUES		
<i>Program:</i>		
Charges for services	\$ 210,820	\$ 194,603
Operating grants and contributions	3,864,362	3,761,104
Capital grants and contributions	1,945,291	-
<i>General:</i>		
Property taxes	9,108,971	8,741,315
Real estate conveyance taxes	19,265	22,402
Grants and contributions, not restricted to specific programs	76,375	78,554
Unrestricted investment earnings	10,918	8,042
Total Revenues	<u>15,236,002</u>	<u>12,806,020</u>
EXPENSES		
<i>Governmental Activities:</i>		
General government	869,876	898,918
Public safety	398,303	427,795
Public works	753,617	897,041
Health and welfare	333,671	314,712
Culture and recreation	2,188,147	402,341
Sanitation	306,022	346,077
Education	9,592,689	9,554,744
Interest on long-term debt	23,285	21,878
Total Expenses	<u>14,465,610</u>	<u>12,863,506</u>
Change in Net Position	770,392	(57,486)
Beginning Net Position	<u>12,943,728</u>	<u>13,001,214</u>
Ending Net Position	<u>\$ 13,714,120</u>	<u>\$ 12,943,728</u>

Governmental activities. Governmental activities increased the Town of North Canaan, CT's net position by \$770,392.

Key elements of this increase are as follows:

- Lower expenses than were originally budgeted.
- Current and back tax collections were higher than anticipated.

Fifty-Nine percent (59%) of the revenues of the Town were derived from property taxes, followed by thirty-Eight percent (38%) from grants and contributions, then less than two percent (2%) from charges for services and less than one percent (1%) of the Town's revenue in the fiscal year was derived from investment and other income.

TOWN OF NORTH CANAAN, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds. The focus of the Town of North Canaan, CT's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of North Canaan, CT'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.

As of the end of the current fiscal year, the Town of North Canaan, CT's governmental funds reported combined ending fund balances of \$3,787,309, an increase of \$920,610 in comparison with the prior year. 45% of this total amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Town of North Canaan, CT. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,718,960. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.2 percent of total General Fund expenditures.

The fund balance of the Town of North Canaan, CT's General Fund increased by \$618,496 during the current fiscal year. Key factors in this increase are as follows:

- Lower Town and Board of Education expenditures than budgeted.
- Current and back tax collections were higher than anticipated.
- Higher than anticipated collection for transfer station fees and building permit fees.

GENERAL FUND BUDGETARY HIGHLIGHTS

- Revenue from property taxes remained strong and higher than anticipated, as well as higher than anticipated back taxes paid.
- The Town's ability to maintain a responsible budget.
- Purchase of new equipment which has decreased the need for equipment repair expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The Town of North Canaan, CT's reported value in capital assets for its governmental activities as of June 30, 2017, amounts to \$9,876,552 (net of accumulated depreciation). This reported value in capital assets includes land and buildings, vehicles, machinery and equipment.

TOWN OF NORTH CANAAN, CONNECTICUT
 Management's Discussion and Analysis
 June 30, 2017

Major capital asset events during the current fiscal year included the following:

- Purchase of new computer equipment.

Capital Assets (Net of Depreciation)		
	<u>2017</u>	<u>2016</u>
Land	\$ 964,886	\$ 964,886
Buildings and Improvements	5,005,486	5,269,218
Furniture, Fixtures, & Equipment	736,045	835,320
Infrastructure	<u>3,170,135</u>	<u>3,272,280</u>
Total	<u>\$ 9,876,552</u>	<u>\$ 10,341,704</u>

Additional information on the Town of North Canaan, CT's capital assets can be found in Note 6 on page 27 of this report.

Long-term debt. At the end of the current fiscal year, the Town of North Canaan, CT had long-term debt outstanding of \$707,379.

Outstanding Debt

	<u>2017</u>	<u>2016</u>
G.O. Bonds	\$ 258,644	\$ 323,003
Notes Payable	320,565	444,100
Capital Lease Obligation	57,071	76,523
Compensated Absences	2,900	2,900
Teachers' Severance	<u>68,199</u>	<u>66,916</u>
Total	<u>\$ 707,379</u>	<u>\$ 913,442</u>

The Town of North Canaan, CT's total debt decreased \$206,063 (22.5 percent) during the current fiscal year. Additional information on the Town of North Canaan, CT's long-term debt can be found in Note 7 on pages 28-30 of this report.

TOWN OF NORTH CANAAN, CONNECTICUT
Management's Discussion and Analysis
June 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Increase to Regional School Budget and lack of State budget caused cuts to local school and town budgets.
- Increased threat of losing State funding will continue to be a variable in our local budget.
- Mill rate held due to restore of most State funding and large cuts to local government and local school budgets.

All of these factors were considered in preparing the Town of North Canaan, CT's budget for the 2018 fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Town of North Canaan, CT's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Finance, Town of North Canaan Town Hall, and 100 Pease Street, North Canaan, CT 06018.

TOWN OF NORTH CANAAN, CONNECTICUT

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 2,665,563
Investments	998,010
Receivables, net of allowances:	
Property Tax	570,407
Interest and Lien Fees on Taxes	217,372
Federal and State Grants	968,823
Other Receivables	5,919
Other Assets	71,723
Total Current Assets	5,497,817
<i>Noncurrent Assets:</i>	
<i>Capital Assets:</i>	
Land and Nondepreciable Assets	964,886
Depreciable Assets, Net of Depreciation	8,911,666
Total Noncurrent Assets	9,876,552
Total Assets	15,374,369
Deferred Outflows of Resources	-
Liabilities	
<i>Current Liabilities:</i>	
Accounts Payable	687,737
Unearned Grant Revenue	42,345
Line of Credit	222,788
Current Portion of Long-Term Obligations	209,221
Total Current Liabilities	1,162,091
<i>Noncurrent Liabilities:</i>	
Noncurrent Portion of Long-Term Obligations	498,158
Total Noncurrent Liabilities	498,158
Total Liabilities	1,660,249
Deferred Inflows of Resources	-
Net Position	
Net Investment in Capital Assets	9,240,272
Restricted for:	
Road Improvements	38,452
Façade Improvement Program	35,991
Douglas Library	740,038
Union Station Project	44,035
Other Purposes	83,681
Unrestricted	3,531,651
Total Net Position	\$ 13,714,120

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

TOWN OF NORTH CANAAN, CONNECTICUT

Statement of Activities

For the Year Ended June 30, 2017

Functions/Programs	Program Revenues				Net (Expense)/Revenue and Changes in Net Position Governmental Activities
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
<i>Governmental Activities:</i>					
General Government	\$ 869,876	\$ 36,907	\$ -	\$ -	\$ (832,969)
Public Safety	398,303	53,339	-	-	(344,964)
Public Works	753,617	-	668,493	-	(85,124)
Health and Welfare	333,671	10,908	174,168	-	(148,595)
Culture and Recreation	2,188,147	-	144,904	1,945,291	(97,952)
Sanitation	306,022	38,585	-	-	(267,437)
Education	9,592,689	71,081	2,876,797	-	(6,644,811)
Interest on Long-Term Debt	23,285	-	-	-	(23,285)
Total Governmental Activities	\$ 14,465,610	\$ 210,820	\$ 3,864,362	\$ 1,945,291	(8,445,137)
 <i>General Revenues:</i>					
					9,108,971
					19,265
					76,375
					10,918
					9,215,529
					770,392
					12,943,728
					\$ 13,714,120

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

TOWN OF NORTH CANAAN, CONNECTICUT

Governmental Funds

Balance Sheet

June 30, 2017

	General Fund	Capital Nonrecurring	Douglas Library	Union Station Project	Nonmajor Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	\$ 1,627,492	\$ 842,124	\$ 59,154	\$ 12,729	\$ 124,064	\$ 2,665,563
Investments	-	309,053	679,937	-	9,020	998,010
Taxes Receivable, net of Allowance	570,407	-	-	-	-	570,407
Federal & State Grants Receivable	7,303	-	-	943,909	17,611	968,823
Other Receivables	273	-	-	-	5,646	5,919
Interfund Receivables	102,302	-	-	-	38,452	140,754
Other Assets	45,350	-	2,750	23,000	623	71,723
Total Assets	<u>\$ 2,353,127</u>	<u>\$ 1,151,177</u>	<u>\$ 741,841</u>	<u>\$ 979,638</u>	<u>\$ 195,416</u>	<u>\$ 5,421,199</u>
Liabilities						
Accounts Payable	\$ 61,095	\$ -	\$ 1,803	\$ 622,400	\$ 2,439	\$ 687,737
Line of Credit	-	-	-	222,788	-	222,788
Unearned Grant Revenue	-	-	-	37,683	4,662	42,345
Interfund Payables	38,452	-	-	52,732	49,570	140,754
Total Liabilities	<u>99,547</u>	<u>-</u>	<u>1,803</u>	<u>935,603</u>	<u>56,671</u>	<u>1,093,624</u>
Deferred Inflows of Resources						
Unavailable Revenue:						
Property Taxes and Interest	534,620	-	-	-	-	534,620
Property Rehabilitation Loans	-	-	-	-	5,646	5,646
Total Deferred Inflows of Resources	<u>534,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,646</u>	<u>540,266</u>
Fund Balances						
Nonspendable:						
Inventory	-	-	-	-	623	623
Restricted For:						
Road Improvements	-	-	-	-	38,452	38,452
Façade Improvement Program	-	-	-	-	35,991	35,991
Douglas Library	-	-	740,038	-	-	740,038
Union Station Project	-	-	-	44,035	-	44,035
Nonmajor Fund Purposes	-	-	-	-	83,681	83,681
Committed to Capital Projects	-	532,559	-	-	-	532,559
Assigned to:						
Capital Outlay	-	618,618	-	-	-	618,618
Future Appropriation	-	-	-	-	-	-
Unassigned	1,718,960	-	-	-	(25,648)	1,693,312
Total Fund Balances	<u>1,718,960</u>	<u>1,151,177</u>	<u>740,038</u>	<u>44,035</u>	<u>133,099</u>	<u>3,787,309</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,353,127</u>	<u>\$ 1,151,177</u>	<u>\$ 741,841</u>	<u>\$ 979,638</u>	<u>\$ 195,416</u>	

Amounts reported for *governmental activities* in the statement of net position are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,876,552
Deferred revenue for property taxes and rehabilitation loans are reported in the funds but accrued as revenue in the government-wide statements and added to net position.	540,266
The governmental fund Balance Sheet includes revenues that will only be available to pay current period liabilities.	
Adjustments are necessary to accrue receivables of all earned revenues.	217,372
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(707,379)</u>

Net Position of Governmental Activities \$ 13,714,120

TOWN OF NORTH CANAAN, CONNECTICUT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2017

	General Fund	Capital Nonrecurring	Douglas Library	Union Station Project	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$ 8,917,151	\$ -	\$ -	\$ -	\$ -	\$ 8,917,151
Interest and Lien Fees	81,458	-	-	-	-	81,458
Federal and State Grants	3,051,929	-	21,247	1,945,291	428,593	5,447,060
Investment Income	6,279	4,455	85,086	-	184	96,004
Departmental	123,152	-	38,571	-	75,281	237,004
Other	43,011	-	-	-	37,767	80,778
Total Revenues	<u>12,222,980</u>	<u>4,455</u>	<u>144,904</u>	<u>1,945,291</u>	<u>541,825</u>	<u>14,859,455</u>
Expenditures:						
Current:						
General Government	838,954	-	-	-	1,866	840,820
Public Safety	389,683	-	-	-	8,620	398,303
Public Works	346,362	-	-	-	201,065	547,427
Health and Welfare	159,905	-	-	-	173,766	333,671
Culture and Recreation	124,069	-	138,806	1,888,376	25,134	2,176,385
Sanitation	306,022	-	-	-	-	306,022
Education	8,963,975	-	-	-	124,103	9,088,078
Debt Service	192,263	-	-	-	35,595	227,858
Capital Outlay	20,281	-	-	-	-	20,281
Total Expenditures	<u>11,341,514</u>	<u>-</u>	<u>138,806</u>	<u>1,888,376</u>	<u>570,149</u>	<u>13,938,845</u>
Excess/(Deficiency) of Revenues Over Expenditures	881,466	4,455	6,098	56,915	(28,324)	920,610
Other Financing Sources/(Uses):						
Transfers In	-	152,000	90,740	-	20,230	262,970
Transfers Out	(262,970)	-	-	-	-	(262,970)
Total Other Financing Sources/(Uses)	<u>(262,970)</u>	<u>152,000</u>	<u>90,740</u>	<u>-</u>	<u>20,230</u>	<u>-</u>
Net Change in Fund Balances	618,496	156,455	96,838	56,915	(8,094)	920,610
Fund Balances - Beginning	1,100,464	994,722	643,200	(12,880)	141,193	2,866,699
Fund Balances - Ending	<u>\$ 1,718,960</u>	<u>\$ 1,151,177</u>	<u>\$ 740,038</u>	<u>\$ 44,035</u>	<u>\$ 133,099</u>	<u>\$ 3,787,309</u>

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

TOWN OF NORTH CANAAN, CONNECTICUT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances - total governmental funds \$ 920,610

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

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

<i>Capital Outlays</i>	17,102
<i>Depreciation Expense</i>	(482,254)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Tax Revenue	110,362
Loan Revenue	(1,491)

The issuance of long-term debt (e.g. bonds, notes) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

<i>Bond principal payments</i>	64,359
<i>Notes principal payments</i>	123,535
<i>Capital lease principal payments</i>	19,452

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 governmental funds.

<i>Change in teachers' severance liability</i>	(1,283)
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Change in net position of governmental activities. **\$ 770,392**

TOWN OF NORTH CANAAN, CONNECTICUT
 Budgetary Comparison Statement-General Fund
 For The Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:				
Property Taxes	\$ 8,664,816	\$ 8,664,816	\$ 8,917,151	\$ 252,335
Interest and Lien Fees	90,000	90,000	81,458	(8,542)
Federal and State Grants	2,581,862	2,581,862	2,531,955	(49,907)
Investment Income	2,500	2,500	6,279	3,779
Departmental	77,300	77,300	123,152	45,852
Other	34,500	34,500	43,011	8,511
Total Revenues	11,450,978	11,450,978	11,703,006	252,028
Expenditures:				
General Government	859,146	864,169	836,854	(27,315)
Public Safety	389,358	397,709	396,183	(1,526)
Public Works	389,400	356,415	346,362	(10,053)
Health and Welfare	162,106	161,819	159,905	(1,914)
Culture and Recreation	213,940	243,209	240,639	(2,570)
Sanitation	329,360	307,708	306,022	(1,686)
Education	8,612,990	8,612,990	8,448,001	(164,989)
Debt Service	181,285	181,285	178,263	(3,022)
Capital Outlay	8,000	20,281	20,281	-
Total Expenditures	11,145,585	11,145,585	10,932,510	(213,075)
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	305,393	305,393	770,496	465,103
Other Financing Sources/(Uses):				
Use of Fund Surplus	-	-	-	-
Transfers Out	(152,000)	(152,000)	(152,000)	-
Net Change in Fund Balance, Budgetary Basis	\$ 153,393	\$ 153,393	618,496	\$ 465,103
Fund Balance, Beginning of Year			1,100,464	
Fund Balance, End of Year			\$ 1,718,960	

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

TOWN OF NORTH CANAAN, CONNECTICUT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

	Private-Purpose <u>Trust Funds</u>	Agency <u>Funds</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 3,136	\$ 29,042	\$ 32,178
Total Assets	<u>\$ 3,136</u>	<u>\$ 29,042</u>	<u>\$ 32,178</u>
 Deferred Outflows of Resources	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Liabilities			
Due to Others	\$ 63	\$ 29,042	\$ 29,105
Total Liabilities	<u>63</u>	<u>29,042</u>	<u>29,105</u>
 Deferred Inflows of Resources	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Net Position			
Held in Trust for Other Purposes	<u>3,073</u>	<u>-</u>	<u>3,073</u>
Total Net Position	<u>\$ 3,073</u>	<u>\$ -</u>	<u>\$ 3,073</u>

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

TOWN OF NORTH CANAAN, CONNECTICUT
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Year Ended June 30, 2017

	Private-Purpose <u>Trust Funds</u>
Additions:	
Contributions	\$ -
Investment Income	<u>5</u>
Total Additions	<u>5</u>
Deductions:	
Trust Distributions	<u>72</u>
Total Deductions	<u>72</u>
Change in Net Position	(67)
Net Position - Beginning	<u>3,140</u>
Net Position - Ending	<u><u>\$ 3,073</u></u>

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

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of North Canaan, Connecticut (the “Town”) have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing the governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

Reporting Entity

The Town was incorporated in 1858. It operates under a Board of Selectmen, Town Meeting, Board of Finance form of government and provides a full range of services including public safety, public works, sanitation, health and welfare, culture and recreation, education, and general administrative services to its residents.

The Town's financial statements include the accounts of all Town controlled operations. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Town of North Canaan (the primary government) and its component units. The basic criteria for inclusion of a component unit in a governmental unit's reporting entity for financial reporting is the exercise of oversight responsibility. Oversight responsibility is determined on the basis of financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters and scope of public service. Currently, there are no entities considered component units of the Town. The Town includes all funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the Town's executive and legislative branches. The financial statements presented herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from the Town of North Canaan.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. 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 or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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 as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial 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.

TOWN OF NORTH CANAAN, CONNECTICUT

Notes to the Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Their revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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 are generally recorded when a liability is incurred. Exceptions to this general rule include: compensated absences, debt service, and claims and judgments that are recorded only when payment is due.

Property taxes when levied, 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. All other revenue items are considered to be measurable and available only when cash is received by the government, or specifically identified.

Governmental Funds are those through which most governmental functions typically are financed. The governmental funds are as follows:

The *General Fund* is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another manner. Revenues are derived primarily from property taxes, state grants, licenses, permits, charges for services, and earnings on investments.

The *Capital Nonrecurring Fund* accounts for financial resources that have been segregated for various acquisitions and capital projects.

The *Douglas Library Fund* accounts for the financial activity of the Town's Library. Income comes from user fees, investments, governmental grants, and Town appropriations.

The *Union Station Project Fund* accounts for the financial activity of a grant-financed capital project.

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

Private-Purpose Trust Funds are used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments.

Agency Funds account for monies held as a custodian for outside groups and agencies.

Amounts reported as *program revenues* include 1) charges to members and residents for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

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

Cash and Cash Equivalents - The deposit of public funds is controlled by the Connecticut General Statutes. The Town maintains separate accounts with depositories where necessary. Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in various interest-bearing accounts, certificates of deposit, and pooled investment funds that may be deemed to be cash equivalents based on maturity date or availability of conversion to cash. Cash and cash equivalents are stated at cost, which approximates market value and have maturities of three months or less.

Receivables and Payables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Town has established an allowance for estimated uncollectible motor vehicle and personal property taxes and interest in the amount of \$64,000. Property taxes are assessed of October 1 and billed the following July. Real and personal property bills are payable in two installments, July 1 and January 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 filed within two years of the original due date. Assessments are due and payable as of May 1 following the levy, but may be paid in installments with interest over the life of the bond issues. All properties are levied until the assessment is paid in full.

Investments - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust, in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Funds received to be held in a trust fund may be placed in a custodian account of any qualified public depository which has been designated as a depository of the municipality.

Inventories - All materials and supplies are recorded as expenditures in the year purchased. Materials and supplies held at year-end are not considered material to these financial statements.

Advances to and from other funds - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables and payables. They arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Capital Assets - Capital assets, which include equipment, fixtures, and other long-lived assets, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$4,000 and 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 estimated fair market 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.

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

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	15-50
Furniture, Equipment & Vehicles	3-30
Infrastructure	25-40

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

Compensated absences - Employees accumulate, by prescribed formula, vacation for subsequent use or for payment upon termination or retirement. Expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for amounts expected to be paid with available resources, for example, as a result of employee resignations or retirements. Board of Education employees with 20 or more years of employment will receive twenty dollars per day of unused sick time upon retirement or death while employed. The obligation payable upon death is not recorded as it is not reasonably estimable.

Long-term obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period they are incurred.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports revenues which are unavailable for spending as deferred inflows of resources in the governmental funds balance sheet.

Fund equity and net position– Net position represents the difference between assets, deferred inflows of resources, liabilities, and deferred outflows of resources. In the government-wide statement of net position, net position is classified in the following categories:

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

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

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

When both restricted and unrestricted resources are available for certain expenses, the Town expends restricted resources first and uses unrestricted resources when the restricted funds are depleted.

In the fund financial statements, fund balances of governmental funds are classified in the following five separate categories:

Nonspendable Fund Balance – Indicates amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Examples are items that are not expected to be converted to cash including inventories and prepaid expenditures.

TOWN OF NORTH CANAAN, CONNECTICUT

Notes to the Financial Statements

Restricted Fund Balance – Indicates amounts that are restricted to specific purposes. The spending constraints placed on the use of fund balance amounts are externally imposed by creditors, grantors, contributors or, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Indicates amounts that can be used only for specific purposes pursuant to constraints imposed by formal budgetary action of the Board of Finance and Town Meeting in accordance with provisions of the Connecticut General Statutes.

Assigned Fund Balance – Indicates amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by action of Town Officials.

Unassigned Fund Balance – Represents the remaining fund balance after amounts are set aside for all other classifications.

The Town has not established a formal policy for its use of restricted and unrestricted (committed, assigned, unassigned) fund balance; however, the Town generally used restricted fund balance first if the expenditure meets the restricted purpose, followed by committed, assigned and unassigned amounts.

The Town has not formally enacted legislation or Board policies requiring it to maintain a minimum fund balance.

Encumbrances – Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized on a very limited basis in the general fund, to recognize expenditures associated with capital projects that have been scheduled but not completed during the fiscal year as a result of unforeseeable scheduling projects.

Fair Value of Financial Instruments

In accordance with GASB Statement No. 72, the Town is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the assets or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

Certificates of Deposit are reported at amortized cost and are excluded from the fair value disclosures.

Review for Subsequent Events

In preparing these financial statements, management has evaluated subsequent events through December 11, 2017, which represents the date that these statements were available to be issued.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information and Accounting

The Town of North Canaan follows these procedures in establishing its annual budget:

Department heads, officers and agencies of the Town file estimates of expenditures to be made and revenues to be collected in the upcoming year to the Board of Finance. These estimates, as revised by the Board of Finance, are recommended as the annual operating budget for adoption at the Town meeting in May. Upon the adoption of the budget, the Board of Finance is authorized to transfer appropriated amounts between departments, and to authorize additional departmental appropriations totaling less than \$20,000. Town meeting approval is required whenever additional appropriations for a department exceed \$20,000 in the aggregate. The legal level of control at which expenditures may not exceed appropriations is at the departmental level. Appropriations for capital projects do not lapse until completion of the applicable projects. All General Fund unencumbered appropriations lapse at year-end.

The Town does not have legally adopted annual budgets for its remaining governmental and fiduciary funds, as budgetary control is alternatively achieved by constraints imposed by various means including intergovernmental grant agreements, bond ordinances, Connecticut General Statutes, and donor instruments.

Budgetary/GAAP Reconciliation

The Town of North Canaan prepares its annual budget on a basis of accounting (budget basis), which differs in some respects from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Town's method (budget basis) in the *Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund* to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis are that unbudgeted grants and capital expenditures are not included in the budget statements and are recorded as revenues and expenditures in the GAAP statements. Certain interfund transfers are also recorded as expenditures for the budget statements rather than operating transfers in the GAAP statements. The budget as presented has been amended by the Board of Finance throughout the year.

Adjustments necessary to reconcile the budget basis to GAAP basis are presented below:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>	<u>Change</u>
Balance, Budgetary Basis	\$ 11,703,006	\$ 10,932,510	\$ (152,000)	\$ 618,496
Revenue adjustments for:				
Unbudgeted Grants	519,974	-	-	519,974
Expenditure adjustments for:				
Unbudgeted Grants	-	519,974	-	(519,974)
Encumbrances	-	-	-	-
Transfers Out	-	(110,970)	(110,970)	-
Balance, GAAP Basis	<u>\$ 12,222,980</u>	<u>\$ 11,341,514</u>	<u>\$ (262,970)</u>	<u>\$ 618,496</u>

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

Deficit Fund Equity

The following nonmajor funds had deficit fund balances as of June 30, 2017:

Elementary School Lunch Fund	\$ (3,985)
Tobey Hill Bridge	(21,440)
Sodom Road Bridge	(223)

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

Cash and cash equivalents at June 30, 2017 consisted of:

	Governmental <u>Funds</u>	Fiduciary <u>Funds</u>	<u>Total</u>
Deposits	\$ 2,665,563	\$ 41,978	\$ 2,707,541

Credit Risk – The Town does not have an investment policy that limits investment choices further than the Connecticut General Statutes. Generally, credit risk is defined as the risk that an issuer of a debt type investment will not fulfill its obligation to the holder. This is measured by assignment of a rating by a nationally recognized rating organization. Ratings are not available for the Douglas Library Fund’s bond mutual funds.

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.

As of June 30, 2017, the Town had the following investments subject to interest rate risk:

	<u>Fair Value</u>	Investment Maturities (In Years)		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
Certificates of Deposit	\$ 362,590	\$ 44,517	\$ 318,073	\$ -

Custodial Credit Risk - Deposits: 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 has an agreement with the bank requiring pledged assets as collateral to manage custodial credit risk. At year-end, the Town’s carrying amount of deposits was \$3,060,331 and the bank balance was \$3,426,551. Of the bank balance, Federal Depository Insurance Corporation insured \$768,147.

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

As of June 30, 2017, \$2,658,404 of the Town's bank balance of \$3,426,551 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 127,499
Uninsured and collateral held by pledging bank's Trust department not in the Town's name	<u>2,530,905</u>
Total	<u>\$ 2,658,404</u>

Custodial Credit Risk - Investments. This is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town's investments are held in various trustee accounts in the Town's name. The Town's mutual funds are not subject to custodial credit risk, as the Town's investment is not directly exposed to custodial credit risk.

The following is a summary of assets measured at fair value:

<u>Description</u>	June 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-Term Investments	\$ 13,025	\$ 13,025	\$ -	\$ -
Mutual Funds	573,012	573,012	-	-
Corporate Stock	49,383	49,383	-	-
Total	<u>\$ 635,420</u>	<u>\$ 635,420</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 – RECEIVABLES

As of June 30, 2017, Town receivable balances were as follows:

	General <u>Fund</u>	Union Station <u>Project</u>	Nonmajor <u>Funds</u>	<u>Total</u>
Property Taxes	\$ 630,407	\$ -	\$ -	\$ 630,407
State of Connecticut	7,303	943,909	17,611	968,823
Other	273	-	5,646	5,919
Total Gross Receivables	<u>637,983</u>	<u>943,909</u>	<u>23,257</u>	<u>1,605,149</u>
Allowance for Collection Losses	(60,000)	-	-	(60,000)
Total Net Receivables	<u>\$ 577,983</u>	<u>\$ 943,909</u>	<u>\$ 23,257</u>	<u>\$ 1,545,149</u>

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

NOTE 5 – INTERFUND ADVANCES

Interfund advances that resulted from various interfund transactions were as follows:

	Due To:				
	General Fund	Town Aid Road	Douglas Library	Dog Fund	Total
<u>Due From:</u>					
General Fund	\$ -	\$ 38,452	\$ -	\$ -	\$ 38,452
Union Station	52,732	-	-	-	52,732
NCES Café Fund	20,396	-	-	-	20,396
Sodom Road Bridge	223	-	-	-	223
Tobey Hill Bridge Fund	28,951	-	-	-	28,951
Total	\$ 102,302	\$ 38,452	\$ -	\$ -	\$ 140,754

Interfund Transfers during the year ended June 30, 2017 were as follows:

	Transfers In:					Total
	Capital Nonrecurring	Douglas Library	Dog Fund	Canaan Railroad Days	Beautification Trust Fund	
<u>Transfers Out:</u>						
General Fund	\$ 152,000	\$ 90,740	\$ 6,500	\$ 11,830	\$ 1,900	\$ 262,970

Transfers are used to account for unrestricted revenues from the General Fund used to finance various programs accounted for in other funds in accordance with budget authorizations.

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

NOTE 6 – CAPITAL ASSETS

The following is a summary of the change in capital assets as of June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, not being depreciated				
Land	\$ 964,886	\$ -	\$ -	\$ 964,886
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	<u>964,886</u>	<u>-</u>	<u>-</u>	<u>964,886</u>
Capital assets, being depreciated				
Buildings & Improvements	9,810,184	-	-	9,810,184
Furniture, Fixtures, & Equipment	2,810,274	17,102	-	2,827,376
Infrastructure	3,913,193	-	-	3,913,193
Total capital assets, being depreciated	<u>16,533,651</u>	<u>17,102</u>	<u>-</u>	<u>16,550,753</u>
Less accumulated depreciation for:				
Buildings & Improvements	4,540,966	263,732	-	4,804,698
Furniture, Fixtures & Equipment	1,974,954	116,377	-	2,091,331
Infrastructure	640,913	102,145	-	743,058
Total accumulated depreciation	<u>7,156,833</u>	<u>482,254</u>	<u>-</u>	<u>7,639,087</u>
Total capital assets, being depreciated	<u>9,376,818</u>	<u>(465,152)</u>	<u>-</u>	<u>8,911,666</u>
<i>Capital assets, net</i>	<u>\$ 10,341,704</u>	<u>\$ (465,152)</u>	<u>\$ -</u>	<u>\$ 9,876,552</u>

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

General Government	\$ 31,829
Public Works	185,909
Culture and Recreation	11,762
Education	<u>252,754</u>
Total	<u>\$ 482,254</u>

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

NOTE 7 – LONG-TERM LIABILITIES

The Town issues general obligation bonds to provide financing for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. Bonds payable are secured by the general revenue raising powers of the Town. The Town also has secured bank financing for several capital projects and acquisitions.

At June 30, 2017, the Town of North Canaan, CT had various general obligation bonds and notes outstanding.

\$150,000 Note dated June 15, 2011, payable to the Canaan Foundation, Inc., for the purchase of, and secured by, property known as the Catherine G. Roraback Building at 115 Main St, North Canaan, CT; due in fifteen \$10,000 annual principal installments beginning in July 2011; final maturity date July 2025; 4% interest beginning July 2014.	\$ 90,000
\$260,000 School Window Project bank note, dated May 8, 2013, due in quarterly principal installments of \$6,500, totaling \$26,000 annually; final maturity July 1, 2022; interest at 2.06%.	130,000
\$86,767 Public Works Truck unsecured bank note, dated January 25, 2013, due in annual principal and interest installments of \$18,323; final maturity July 20, 2017; interest at 2.20%.	17,899
\$158,000 General Obligation Statutory Installment Bond dated October 31, 2013, due in quarterly principal installments of \$3,950, totalling \$15,800 annually; final maturity January 1, 2024; interest at 2.875%.	106,650
\$642,665 School Boiler System bank note, due in quarterly principal installments of \$17,500, totalling \$70,000 annually; final maturity September 2018; variable interest rate established by the bank currently 3.25%.	82,666
\$49,776 Wood Chipper General Obligation Statutory Installment Bond, due in annual payments, including principal and interest, of \$17,015: payments begin September 15, 2015, final maturity date September 15, 2017; interest at 1.95%.	16,685
\$201,971 Truck General Obligation Statutory Installment Bond, due in annual payments, including principal and interest, of \$35,520: payments begin September 15, 2015, final maturity date September 15, 2020; interest at 1.95%	135,309
	\$ 579,209

The annual debt service requirements of the Town's general obligation bonds, and notes payable are as follows:

<u>Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 189,229	\$ 13,961	\$ 203,190
2019	97,960	9,740	107,700
2020	85,956	7,581	93,537
2021	86,614	5,506	92,120
2022	51,800	3,419	55,219
2023-2027	67,650	4,795	72,445
Total	\$ 579,209	\$ 45,002	\$ 624,211

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$ 2,900	\$ -	\$ -	\$ 2,900	\$ -
Teachers' Severance	66,916	1,283	-	68,199	-
G.O. Bonds & Bank Notes	767,103	-	187,894	579,209	189,229
Capital Lease Obligation	<u>76,523</u>	<u>-</u>	<u>19,452</u>	<u>57,071</u>	<u>19,992</u>
Total	<u>\$ 913,442</u>	<u>\$ 1,283</u>	<u>\$ 207,346</u>	<u>\$ 707,379</u>	<u>\$ 209,221</u>

The General Fund has historically been used to liquidate long-term liabilities.

Capital Lease Obligations

The Town entered into a lease-purchase agreement for a phone system during 2014. The phone system has been recorded as an \$11,874 equipment acquisition for capital asset reporting purposes which represents the present value of future minimum lease payments at the date of lease inception. Depreciation for the year of \$1,187 is included in governmental depreciation expense of the current fiscal year. The present value of future minimum lease payments is as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 2,773
2019	1,155
Less amount representing interest	<u>(179)</u>
	<u>\$ 3,749</u>

The Town entered into a lease-purchase agreement for a backhoe during 2016. The backhoe has been recorded as an \$88,900 equipment acquisition for capital asset reporting purposes which represents the present value of future minimum lease payments at the date of lease inception. Depreciation for the year of \$8,890 is included in governmental depreciation expense of the current fiscal year. The present value of future minimum lease payments is as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 18,580
2019	18,580
2020	18,579
2021	1
Less amount representing interest	<u>(2,418)</u>
	<u>\$ 53,322</u>

Line of Credit

The Town has an unsecured \$250,000 bank line of credit with a variable interest rate to provide short-term financing, on an as needed basis, of ordinary operating expenses of the Town. The balance of the line of credit at June 30, 2017 was \$222,788.

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

Teachers' Severance

The collective bargaining agreement between the North Canaan Board of Education (BOE) and the North Canaan Faculty Association (the "Association") provides a severance benefit to members of the Association who have been employed by the BOE for at least twenty years. Eligible members receive fifteen percent of their basic salary upon retirement. In addition, the BOE has offered one-time severance packages to individual teachers. At June 30, 2017, a \$68,199 liability for the amount of severance benefits earned by eligible teachers is reflected in the government-wide statement of net position.

Operating Lease

The Town Board of Education entered into an operating lease for two multifunction printers during a prior year. At the end of the lease term, the lease agreement provides an option to purchase the printers at fair market value, to renew the lease, or to return the printer. Lease payments during the current fiscal year totaled \$13,320. The following is a summary of the subsequent payment requirements.

<u>Year</u>	<u>Amount</u>
2018	\$ 13,320
2019	2,220

NOTE 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss involving torts, theft of, damage to, and destruction of assets, errors and omissions, injuries of employees, natural disaster and public official liabilities. The Town generally obtains commercial insurance for these risks. Coverage has not been significantly reduced and settled claims have not exceeded commercial coverage in any of the last three fiscal years.

NOTE 9 – LITIGATION AND CONTINGENCIES

The Town is not a defendant in any lawsuits that, in the opinion of Town Management, in consultation with the Town Attorney, will have an adverse, material effect on the Town's financial position.

The Town participates in several Federal and State assisted grants programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of certain of these programs for or including the year ended June 30, 2017 have not yet been conducted. Accordingly, the Town's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

NOTE 10 – CONSTRUCTION COMMITMENTS

As of June 30, 2017, the Town has incurred costs of \$2,293,300 to assist the Connecticut Railroad Historical Association (the "Association") in rebuilding the Canaan Union Station. The Town has secured Federal grant funds through the State of Connecticut to finance 80% of the costs of the project. It also has secured State grant funds to finance project costs. The total cost of the project will be financed primarily with Federal and State grant funds. The Town is not expected to contribute any additional funding to this project.

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

NOTE 11 – RETIREMENT BENEFITS

Defined Contribution Retirement Plan

The Town established and may amend a retirement benefit for eight full-time municipal employees called the Town of North Canaan Money Purchase Plan. Due to the nature of the benefit, which provides that contributions are made to employee owned accounts, there are no assets accumulated in a trust that meets the criteria in GASB Statement No. 73, and the Town does not include a Pension Trust Fund in its financial statements and does not have a pension benefit obligation to employees. The Town contributed \$22,948 in the current fiscal year.

Connecticut State Teacher's Retirement System

Certified teachers in the Town are eligible to participate in the State of Connecticut's Teacher's *Plan Description*: Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers' Retirement System (the "System"). The System is a cost sharing multiple-employer defined benefit pension plan administered by the Connecticut State Teachers' Retirement Board (CTRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefited terms to the CTRB Board. The CTRB issues a publicly available financial report that can be obtained at www.ct.gov, or by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106. *Benefit Provisions*: The Plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

Normal Retirement: Retirement benefits for the employees are calculated as 2% of the average annual salary times years of credited service (maximum benefit is 75% of average annual salary during the 3 highest years of salary).

Early Retirement: Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

Disability Retirement: Employees are eligible for service-related disability regardless of length of service. Five years of credited service is required for non-service-related disability or eligibility. Disability benefits are calculated as 2% of average annual salary times years of credited service to date of disability, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

Contributions: Per Connecticut General Studies Section 10-183z, contribution requirements of active employees and the State of Connecticut are approved, amended, and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

Employer (School Districts): School District employers are not required to make contributions to the plan. The statutes require the State of Connecticut to contribute 100% of each school districts' required contributions, which are actuarially determined as an amount, that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability. The contributions made by the State on behalf of the District for the year ended June 30, 2017 were estimated to be \$451,878, and were recognized as revenues and expenditures in the General Fund.

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

Employees: Participants are required to contribute 7.25% of their annual salary to the System as required by the CGS Section 10-183b(7). For the year ended June 30, 2017 the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$139,654. Covered payroll for the town for the year ended June 30, 2017 was approximately \$1,926,262.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2017 the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$	-
State's proportionate share of the net pension liability associated with the Town		6,598,173
Total	\$	6,598,173

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2017, the Town had no proportionate share of the net pension liability.

For the year ended June 30, 2017, the Town recognized benefits expense and contribution revenue of \$451,878 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$719,554 for pension expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions: The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2016. The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

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

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

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

TOWN OF NORTH CANAAN, CONNECTICUT
Notes to the Financial Statements

after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap U.S. Equities	21.00%	5.80%
Developed Non-U.S. Equities	18.00%	6.60%
Emerging Markets (Non-U.S.)	9.00%	8.30%
Core Fixed Income	7.00%	1.30%
Inflation Linked Bond Fund	3.00%	1.00%
Emerging Market Bond	5.00%	3.70%
High-Yield Bonds	5.00%	3.90%
Real Estate	7.00%	5.10%
Private Equity	11.00%	7.60%
Alternative Investments	8.00%	4.10%
Cash	<u>6.00%</u>	0.40%
Total	<u>100.00%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The Town's proportionate share of the net pension liability is \$0 and therefore the change in the discount rate would only impact the amount recorded by the State of Connecticut.

TOWN OF NORTH CANAAN, CONNECTICUT
State Teacher's Retirement System
Proportionate Share of Net Pension Liability and Schedule of Contributions
Last Three Fiscal Years

Schedule of Proportionate Share of Net Pension Liability	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension liability associated with the Town	<u>6,598,173</u>	<u>5,097,775</u>	<u>4,711,872</u>
Total	<u>\$ 6,598,173</u>	<u>\$ 5,097,775</u>	<u>\$ 4,711,872</u>
Town's covered-employee payroll	<u>\$ 1,926,262</u>	<u>\$ 1,829,572</u>	<u>\$ 1,781,407</u>
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll.	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

See accountant's report.

TOWN OF NORTH CANAAN, CONNECTICUT
State Teacher's Retirement System
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
June 30, 2017

Actuarial Cost Method	Entry Age
Amortization Period	Level percent of salary, closed
Remaining Amortization Period	17.6 years
Asset Valuation Method	4 year smoothed market
Inflation	2.75%
Salary Increases	3.25%-6.5% average, including inflation
Investment Rate of Return	8.00%, net of pension plan investment expense, including inflation

General Fund

Schedule of Revenues and Expenditures - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance Favorable/ (Unfavorable)
Revenues:				
Current Property Taxes	\$ 8,569,816	\$ 8,569,816	\$ 8,731,957	\$ 162,141
Back Property Taxes	95,000	95,000	185,194	90,194
Interest and Lien Fees	90,000	90,000	81,458	(8,542)
Government Grants:				
Education Cost Sharing	2,064,227	2,064,227	2,044,235	(19,992)
Tax Relief for Elderly and Disabled	28,854	28,854	28,160	(694)
Municipal Grant-In-Aid	429,974	429,974	429,974	-
LOCIP	29,454	29,454	-	(29,454)
Mashantucket Pequot Fund	21,925	21,925	21,925	-
Other Grants	601	601	834	233
State Owned Property (PILOT)	6,827	6,827	6,827	-
Total Government Grants	2,581,862	2,581,862	2,531,955	(49,907)
Investment Income	2,500	2,500	6,279	3,779
Departmental:				
Real Estate Conveyance Tax	10,000	10,000	19,265	9,265
Housing Authority	6,700	6,700	9,288	2,588
Probate	3,600	3,600	3,600	-
Building Permits	28,000	28,000	49,139	21,139
Licenses and Permits	4,000	4,000	3,275	(725)
Landfill Permits and Fees	25,000	25,000	38,585	13,585
Total Departmental	77,300	77,300	123,152	45,852
Other Revenues:				
Miscellaneous Other	20,000	20,000	28,382	8,382
Telecommunications Tax	14,500	14,500	14,629	129
Total Other Revenues	34,500	34,500	43,011	8,511
Total Revenues	11,450,978	11,450,978	11,703,006	252,028
Other Financing Sources:				
Use of Fund Surpluses	-	-	-	-
Total Revenues and Other Financing Sources	\$11,450,978	\$11,450,978	\$ 11,703,006	\$ 252,028

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

General Fund

Schedule of Revenues and Expenditures - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance Favorable/ (Unfavorable)
Expenditures:				
General Government:				
Selectmen	\$ 92,029	\$ 92,029	\$ 90,970	\$ 1,059
Probate Court	2,421	2,421	2,421	-
Elections	8,000	8,000	7,727	273
Board of Finance	700	700	600	100
Audit and Accounting	26,000	26,000	22,852	3,148
Assessors	52,415	52,383	52,365	18
Board of Assessment Review	500	500	181	319
Tax Collector	33,303	33,303	32,983	320
Town Treasurer	26,250	27,479	27,463	16
Town Counsel	7,000	16,695	16,695	-
Town Clerk	34,700	34,700	28,614	6,086
Tax Refunds	3,000	13,346	13,346	-
Town Hall	57,156	57,156	49,995	7,161
Insurance	150,000	141,440	141,437	3
Payroll Taxes	44,259	47,573	47,573	-
Employee Benefits	248,632	244,270	240,719	3,551
Employee Retirement	24,000	24,000	22,948	1,052
Computer Services	20,000	18,771	17,630	1,141
Wetlands, Travel and Misc.	500	500	348	152
Planning and Zoning	12,400	12,400	12,207	193
Beautification Committee	3,000	3,000	2,899	101
Council of Governments	5,881	5,881	4,881	1,000
Contingency	7,000	1,622	-	1,622
Total General Government	<u>859,146</u>	<u>864,169</u>	<u>836,854</u>	<u>27,315</u>
Public Safety:				
Fire Protection	86,000	86,000	85,565	435
Fire Marshal	15,000	15,900	15,900	-
Police Protection - Resident Trooper	162,760	170,210	170,210	-
Building Inspector	52,006	52,485	52,396	89
Animal Control	6,500	6,500	6,500	-
Traffic Lights	400	400	353	47
Fire Hydrants	25,809	25,331	24,813	518
Homeland Security	3,000	3,000	2,563	437
Emergency Medical Dispatch	37,883	37,883	37,883	-
Total Public Safety	<u>389,358</u>	<u>397,709</u>	<u>396,183</u>	<u>1,526</u>
Public Works:				
Town Garage	22,000	22,000	21,510	490
Road and Bridge Maintenance	50,000	23,911	23,911	-
Winter Road Maintenance	56,700	66,649	63,083	3,566
Equipment Repair	30,000	31,653	31,653	-
Street Lighting	8,500	8,895	8,895	-
Tree Removal	8,000	8,000	7,691	309
Municipal Parking	1,000	2,060	2,060	-
Fuel	30,000	21,650	21,644	6
Equipment Replacement	4,000	4,000	2,558	1,442
Wages	179,200	167,597	163,357	4,240
Total Public Works	<u>\$ 389,400</u>	<u>\$ 356,415</u>	<u>\$ 346,362</u>	<u>\$ 10,053</u>

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

General Fund

Schedule of Revenues and Expenditures - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance Favorable/ (Unfavorable)
Health and Welfare:				
Housing Authority	\$ 4,000	\$ 4,000	\$ 3,938	\$ 62
Conservation District	1,150	1,150	1,150	-
Housatonic River Commission	350	350	350	-
Northwestern Transit District	1,229	1,229	1,229	-
Health District	20,225	20,225	20,225	-
Visiting Nurse Association	7,030	7,990	7,990	-
Vital Statistics	60	60	-	60
Mental Health Center	2,000	753	-	753
Ambulance Service	17,500	17,500	17,500	-
Canaan Child Care	8,500	8,500	8,500	-
Local Relief	9,500	9,500	9,280	220
Adult Daycare	45,363	45,363	45,363	-
Social Worker	23,972	22,472	22,083	389
Youth Service Center	10,727	13,227	13,227	-
Women Emergency Services	1,500	1,500	1,500	-
Discretionary Fund	9,000	8,000	7,570	430
Total Health and Welfare	162,106	161,819	159,905	1,914
Culture and Recreation:				
Douglas Library	90,740	90,740	90,740	-
Railroad Days	12,000	12,000	12,000	-
Town Historian	20,500	44,104	44,104	-
Historical Society	1,000	1,000	1,000	-
Memorial Day	1,000	1,287	1,287	-
Town Recreation	73,200	78,578	78,130	448
Little League	1,000	1,000	1,000	-
Youth Basketball	1,000	1,000	1,000	-
Youth Soccer	1,000	1,000	1,000	-
AHA Program	8,000	8,000	8,000	-
Foss Webb Building	4,500	4,500	2,378	2,122
Total Culture and Recreation	213,940	243,209	240,639	2,570
Sanitation:				
Recycling	20,000	18,645	17,261	1,384
Transfer Station Operations	16,500	25,654	28,354	(2,700)
Transfer Station Wages	59,100	61,857	61,857	-
Well Monitoring	8,060	8,060	6,194	1,866
Hazardous Waste Removal	700	829	829	-
Landfill Tipping Fee - Residential	62,000	62,000	61,212	788
Landfill Tipping Fee - Nonresidential	90,000	71,300	71,296	4
Hauling Costs	28,000	23,999	23,838	161
Bulky Waste Removal	45,000	35,364	35,181	183
Total Sanitation	\$ 329,360	\$ 307,708	\$ 306,022	\$ 1,686

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

General Fund

Schedule of Revenues and Expenditures - Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance Favorable/ (Unfavorable)
Education:				
Salaries and Wages	\$ 2,695,835	\$ 2,695,835	\$ 2,683,916	\$ 11,919
Employee Benefits	768,770	768,770	685,450	83,320
Program Purchased Services	59,290	59,290	63,337	(4,047)
Property Services	186,020	186,020	178,483	7,537
Other Services	356,689	356,689	356,148	541
Supplies and Materials	191,594	191,594	202,163	(10,569)
Equipment	39,000	39,000	59,972	(20,972)
Region #1 Tuition	4,315,792	4,315,792	4,218,532	97,260
Total Education	<u>8,612,990</u>	<u>8,612,990</u>	<u>8,448,001</u>	<u>164,989</u>
Debt Service:				
Principal Retirements	161,535	161,535	161,534	1
Interest Payments	19,750	19,750	16,729	3,021
Total Debt Service	<u>181,285</u>	<u>181,285</u>	<u>178,263</u>	<u>3,022</u>
Capital Outlay	8,000	20,281	20,281	-
Total Expenditures	<u>11,145,585</u>	<u>11,145,585</u>	<u>10,932,510</u>	<u>213,075</u>
Other Financing Uses:				
Transfers Out:				
Capital Nonrecurring Fund:				
Fire Equipment	65,000	65,000	65,000	-
Town Equipment	37,000	37,000	37,000	-
Ambulance Equipment	20,000	20,000	20,000	-
Reappraisal	5,000	5,000	5,000	-
Town Hall	5,000	5,000	5,000	-
Douglas Library	5,000	5,000	5,000	-
Roraback Building	5,000	5,000	5,000	-
Swimming Pool	10,000	10,000	10,000	-
Total Other Financing Uses	<u>152,000</u>	<u>152,000</u>	<u>152,000</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$11,297,585</u>	<u>\$11,297,585</u>	<u>\$ 11,084,510</u>	<u>\$ 213,075</u>

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

TOWN OF NORTH CANAAN, CONNECTICUT
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds						
	Dog Fund	Visiting Nurses Fund	Beautification Trust Fund	Small Cities Block Grant- Façade	Town Aid Road	Community Network Fund	Elementary School Lunch Fund
Assets							
Cash and Cash Equivalents	\$ 16,894	\$ 8,546	\$ 5,479	\$ 36,791	\$ -	\$ 25,636	\$ 6,311
Investments	-	9,020	-	-	-	-	-
Grants Receivable	-	-	-	-	-	-	10,100
Other Receivables	-	-	-	5,646	-	-	-
Interfund Receivables	-	-	-	-	38,452	-	-
Inventory	-	-	-	-	-	-	623
Total Assets	\$ 16,894	\$ 17,566	\$ 5,479	\$ 42,437	\$ 38,452	\$ 25,636	\$ 17,034
Liabilities							
Accounts Payable	\$ 1,639	\$ -	\$ -	\$ 800	\$ -	\$ -	\$ -
Unearned Grant Revenue	-	-	-	-	-	-	-
Interfund Payables	-	-	-	-	-	-	20,396
Total Liabilities	1,639	-	-	800	-	-	20,396
Deferred Inflows of Resources							
Property Rehab Loans	-	-	-	5,646	-	-	-
Fund Balances							
Nonspendable	-	-	-	-	-	-	623
Restricted	15,255	17,566	5,479	35,991	38,452	25,636	-
Unassigned	-	-	-	-	-	-	(3,985)
Total Fund Balances	15,255	17,566	5,479	35,991	38,452	25,636	(3,362)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 16,894	\$ 17,566	\$ 5,479	\$ 42,437	\$ 38,452	\$ 25,636	\$ 17,034

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

TOWN OF NORTH CANAAN, CONNECTICUT
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2017

	Special Revenue Funds					Capital Projects Funds		Totals
	L. Jackson Recreation Fund	Godard Pavilion Fund	Elementary School Sue's Kids Fund	Canaan Child Care	Canaan Railroad Days	Sodom Road Bridge	Tobey Hill Bridge	
Assets								
Cash and Cash Equivalents	\$ 1,248	\$ 85	\$ 6,824	\$ 4,662	\$ 11,588	\$ -	\$ -	\$ 124,064
Investments	-	-	-	-	-	-	-	9,020
Grants Receivable	-	-	-	-	-	-	7,511	17,611
Other Receivables	-	-	-	-	-	-	-	5,646
Interfund Receivables	-	-	-	-	-	-	-	38,452
Inventory	-	-	-	-	-	-	-	623
Total Assets	\$ 1,248	\$ 85	\$ 6,824	\$ 4,662	\$ 11,588	\$ -	\$ 7,511	\$ 195,416
Liabilities								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,439
Unearned Grant Revenue	-	-	-	4,662	-	-	-	4,662
Interfund Payables	-	-	-	-	-	223	28,951	49,570
Total Liabilities	-	-	-	4,662	-	223	28,951	56,671
Deferred Inflows of Resources								
Property Rehab Loans	-	-	-	-	-	-	-	5,646
Fund Balances								
Nonspendable	-	-	-	-	-	-	-	623
Restricted	1,248	85	6,824	-	11,588	-	-	158,124
Unassigned	-	-	-	-	-	(223)	(21,440)	(25,648)
Total Fund Balances	1,248	85	6,824	-	11,588	(223)	(21,440)	133,099
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,248	\$ 85	\$ 6,824	\$ 4,662	\$ 11,588	\$ -	\$ 7,511	\$ 195,416

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

TOWN OF NORTH CANAAN, CONNECTICUT
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2017

	Special Revenue Funds						
	Dog Fund	Visiting Nurses Fund	Beautification Trust Fund	Small Cities Block Grant- Façade	Town Aid Road	Community Network Fund	Elementary School Lunch Fund
Revenues							
Federal and State Grants	\$ -	\$ -	\$ -	\$ -	\$ 187,983	\$ -	\$ 48,369
Investment Income	-	103	-	61	-	-	7
Departmental	4,200	-	-	-	-	-	71,081
Contributions and Other	-	-	1,650	1,620	-	19,724	543
Total Revenues	<u>4,200</u>	<u>103</u>	<u>1,650</u>	<u>1,681</u>	<u>187,983</u>	<u>19,724</u>	<u>120,000</u>
Expenditures							
General Government	-	-	1,866	-	-	-	-
Public Safety	8,620	-	-	-	-	-	-
Public Works	-	-	-	-	155,432	-	-
Health and Welfare	-	-	-	2,400	-	14,099	-
Culture and Recreation	-	-	-	-	-	-	-
Education	-	-	-	-	-	-	124,103
Debt Service	-	-	-	-	35,595	-	-
Capital Outlay	-	-	-	-	-	-	-
Total Expenditures	<u>8,620</u>	<u>-</u>	<u>1,866</u>	<u>2,400</u>	<u>191,027</u>	<u>14,099</u>	<u>124,103</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(4,420)	103	(216)	(719)	(3,044)	5,625	(4,103)
Other Financing Sources/(Uses)							
Transfers Out	-	-	-	-	-	-	-
Transfers In	6,500	-	1,900	-	-	-	-
Net Changes in Fund Balances	2,080	103	1,684	(719)	(3,044)	5,625	(4,103)
Fund Balances - Beginning	<u>13,175</u>	<u>17,463</u>	<u>3,795</u>	<u>36,710</u>	<u>41,496</u>	<u>20,011</u>	<u>741</u>
Fund Balances - Ending	<u>\$ 15,255</u>	<u>\$ 17,566</u>	<u>\$ 5,479</u>	<u>\$ 35,991</u>	<u>\$ 38,452</u>	<u>\$ 25,636</u>	<u>\$ (3,362)</u>

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

TOWN OF NORTH CANAAN, CONNECTICUT
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2017

	<u>Special Revenue Funds</u>					<u>Capital Projects Funds</u>		Totals
	L. Jackson Recreation Fund	Godard Pavilion Fund	Elementary School Sue's Kids Fund	Canaan Child Care	Canaan Railroad Days	Sodom Road Bridge	Tobey Hill Bridge	
Revenues								
Federal and State Grants	\$ -	\$ -	\$ -	\$ 155,735	\$ -	\$ -	\$ 36,506	\$ 428,593
Investment Income	1	-	12	-	-	-	-	184
Departmental	-	-	-	-	-	-	-	75,281
Contributions and Other	-	-	200	-	14,030	-	-	37,767
Total Revenues	<u>1</u>	<u>-</u>	<u>212</u>	<u>155,735</u>	<u>14,030</u>	<u>-</u>	<u>36,506</u>	<u>541,825</u>
Expenditures								
General Government	-	-	-	-	-	-	-	1,866
Public Safety	-	-	-	-	-	-	-	8,620
Public Works	-	-	-	-	-	-	45,633	201,065
Health and Welfare	-	-	1,532	155,735	-	-	-	173,766
Culture and Recreation	-	545	-	-	24,589	-	-	25,134
Education	-	-	-	-	-	-	-	124,103
Debt Service	-	-	-	-	-	-	-	35,595
Capital Outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>545</u>	<u>1,532</u>	<u>155,735</u>	<u>24,589</u>	<u>-</u>	<u>45,633</u>	<u>570,149</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	1	(545)	(1,320)	-	(10,559)	-	(9,127)	(28,324)
Other Financing Sources/(Uses)								
Transfers Out	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	11,830	-	-	20,230
Net Changes in Fund Balances	1	(545)	(1,320)	-	1,271	-	(9,127)	(8,094)
Fund Balances - Beginning	<u>1,247</u>	<u>630</u>	<u>8,144</u>	<u>-</u>	<u>10,317</u>	<u>(223)</u>	<u>(12,313)</u>	<u>141,193</u>
Fund Balances - Ending	<u>\$ 1,248</u>	<u>\$ 85</u>	<u>\$ 6,824</u>	<u>\$ -</u>	<u>\$ 11,588</u>	<u>\$ (223)</u>	<u>\$ (21,440)</u>	<u>\$ 133,099</u>

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

TOWN OF NORTH CANAAN, CONNECTICUT
Fiduciary Funds
Combining Statement of Fiduciary Net Position
June 30, 2017

	Private Purpose Trust Funds				Agency Funds				Totals
	Hillside Cemetery Fund	Levi Leffingwell Fund	George C. Peet Mem. Fund	Mtn. View Cemetery Fund	Student Activity Funds	Special Recreation Fund	AHA After School Fund	Library Media Center	
Assets									
Cash and Cash Equivalents	\$ 231	\$ 78	\$ 499	\$ 2,328	\$ 4,291	\$ 19,959	\$ 3,082	\$ 1,710	\$ 32,178
Total Assets	<u>\$ 231</u>	<u>\$ 78</u>	<u>\$ 499</u>	<u>\$ 2,328</u>	<u>\$ 4,291</u>	<u>\$ 19,959</u>	<u>\$ 3,082</u>	<u>\$ 1,710</u>	<u>\$ 32,178</u>
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-
Liabilities									
Due to Others	\$ 4	\$ 2	\$ 21	\$ 36	\$ 4,291	\$ 19,959	\$ 3,082	\$ 1,710	\$ 29,105
Total Liabilities	<u>4</u>	<u>2</u>	<u>21</u>	<u>36</u>	<u>4,291</u>	<u>19,959</u>	<u>3,082</u>	<u>1,710</u>	<u>29,105</u>
Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-
Net Position									
Held in Trust for Other Purposes	227	76	478	2,292	-	-	-	-	3,073
Total Net position	<u>\$ 227</u>	<u>\$ 76</u>	<u>\$ 478</u>	<u>\$ 2,292</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,073</u>

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

TOWN OF NORTH CANAAN, CONNECTICUT

Fiduciary Funds

Combining Statement of Revenues, Expenses, and Changes in Fiduciary Net Position
For the Year Ended June 30, 2017

	Private-Purpose Trust Funds				
	<u>Hillside Cemetery Fund</u>	<u>Levi Leffingwell Fund</u>	<u>George C. Peet Memorial Fund</u>	<u>Mountain View Cemetery Fund</u>	<u>Totals</u>
Additions:					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Income	<u>1</u>	<u>-</u>	<u>1</u>	<u>3</u>	<u>5</u>
Total Additions	<u>1</u>	<u>-</u>	<u>1</u>	<u>3</u>	<u>5</u>
Deductions:					
Expenditures	<u>24</u>	<u>24</u>	<u>24</u>	<u>-</u>	<u>72</u>
Total Deductions	<u>24</u>	<u>24</u>	<u>24</u>	<u>-</u>	<u>72</u>
Change in Net Position	(23)	(24)	(23)	3	(67)
Net Position - Beginning	<u>250</u>	<u>100</u>	<u>501</u>	<u>2,289</u>	<u>3,140</u>
Net Position - Ending	<u>\$ 227</u>	<u>\$ 76</u>	<u>\$ 478</u>	<u>\$ 2,292</u>	<u>\$ 3,073</u>

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

TOWN OF NORTH CANAAN, CONNECTICUT

Statement of Debt Limitation

For the Year Ended June 30, 2017

Total Tax Collections for the Prior Year

Taxes	\$ 8,606,595
Interest and Lien Fees	<u>72,808</u>
Total	8,679,403
Reimbursement for Loss on:	
Tax relief for Elderly	<u>29,154</u>
Base	<u><u>\$ 8,708,557</u></u>

	<u>General Purpose</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2 1/4 times base	\$ 19,594,253	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	39,188,507	-	-	-
3 3/4 times base	-	-	32,657,089	-	-
3 1/4 times base	-	-	-	28,302,810	-
3 times base	-	-	-	-	<u>26,125,671</u>
Total Debt Limitation	<u>19,594,253</u>	<u>39,188,507</u>	<u>32,657,089</u>	<u>28,302,810</u>	<u>26,125,671</u>
Indebtedness:					
Notes payable	107,899	212,666	-	-	-
Bonds payable	258,644	-	-	-	-
Regional School District #1 (Town Share 30.38%)	-	<u>1,010,228</u>	-	-	-
Total Indebtedness	<u>366,543</u>	<u>1,222,894</u>	-	-	-
Debt Limitation in Excess of					
Outstanding and Authorized Debt	<u>\$ 19,227,710</u>	<u>\$ 37,965,613</u>	<u>\$ 32,657,089</u>	<u>\$ 28,302,810</u>	<u>\$ 26,125,671</u>

Note: In no case should this total indebtedness exceed seven times the base of \$8,708,557 or \$60,959,899.

See accountant's report

TOWN OF NORTH CANAAN, CONNECTICUT
 General Fund
 Schedule of Property Taxes Levied, Collected, and Outstanding
 July 1, 2016 to June 30, 2017

	Uncollected Taxes 7/1/2016	Current Levy	Lawful Corrections		Transfers to/(from) Suspense	Collectable Taxes	Receipt of Taxes	Interest and Liens	Total Receipts	Uncollected Taxes 6/30/2017
			Additions	Deductions						
List of:										
2015		\$ 8,986,722	\$ 50,846	\$ 60,923	\$ 108	\$ 8,976,537	\$ 8,702,479	\$ 26,827	\$ 8,729,306	\$ 274,058
2014	\$ 262,241	-	26,150	8,832	636	278,923	121,157	21,664	142,821	157,766
2013	136,761	-	81	4,406	1,324	131,112	33,357	12,736	46,093	97,755
2012	44,405	-	854	4,317	617	40,325	7,538	4,090	11,628	32,787
2011	32,492	-	159	3,682	234	28,735	5,099	4,600	9,699	23,636
2010	18,568	-	255	-	159	18,664	3,479	2,731	6,210	15,185
2009	11,186	-	174	-	95	11,265	2,946	2,675	5,621	8,319
2008	8,609	-	130	-	96	8,643	-	200	200	8,643
2007	6,498	-	158	-	39	6,617	-	-	-	6,617
2006	3,564	-	950	-	427	4,087	-	-	-	4,087
2005	(947)	-	1,173	-	-	226	-	-	-	226
2004	345	-	35	-	-	380	-	-	-	380
2003	(177)	-	587	-	-	410	-	-	-	410
2002	248	-	153	-	83	318	-	-	-	318
2001	(396)	-	762	-	146	220	-	-	-	220
	<u>\$ 523,397</u>	<u>\$ 8,986,722</u>	<u>\$ 82,467</u>	<u>\$ 82,160</u>	<u>\$ 3,964</u>	<u>\$ 9,506,462</u>	<u>\$ 8,876,055</u>	<u>\$ 75,523</u>	<u>\$ 8,951,578</u>	<u>\$ 630,407</u>
Net Grand List - October 1, 2015							4,621	6,015	10,636	
Tax Rate: 27.5 Mills							<u>\$ 8,880,676</u>	<u>\$ 81,538</u>	<u>\$ 8,962,214</u>	

See accountant's report